

**Chongqing Jianshe Vehicle System Co., Ltd.**

**2020 Annual Report**

**2021-017**

**April 2021**

## 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. Yan Xuechuan, 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.

Other directors attending the Meeting for annual report deliberation except for the followed:

The name of director who did not attend the meeting in person	Title for absent director	Reasons for absent	The name of director who was authorized
Yu Jiang	Director	Business trip	Zhou Yongqiang
Zhang Di	Director	Business trip	Dong Qihong

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 2021-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.

## **Table of Contents**

- I. Important Notice, Table of contents and Definitions
- II. Basic Information of the Company and Financial index
- III. Outline of Company Business
- IV. Management's Discussion and Analysis
- V. Important Events
- VI. Change of share capital and shareholding of Principal Shareholders
- VII. Situation of the Preferred Shares
- VIII. Information about convertible corporate bonds
- IX. Information about Directors, Supervisors and Senior Executives
- X. Administrative structure
- XI. Corporate Bond
- XII. Financial Report
- XIII. Documents available for inspection

## Definition

Terms to be defined	Refers to	Definition
Company, the Company, Jianmo Stock, Jianshe Vehicle B	Refers to	Chongqing Jianshe Vehicle System Co., Ltd.
Shenjianmo	Refers to	Shenzhen North Jianshe Motorcycle Co., Ltd. (predecessor of the Company)
Jianmo B	Refers to	Chongqing Jianshe Motorcycle Co., Ltd. (predecessor of the Company)
Military Equipment Group (Southern Group)	Refers to	China Military Equipment Group Co., Ltd. (China Southern Industry Group Co., Ltd.)
Military Finance Co.	Refers to	Military Equipment Group Finance Co., Ltd.
Southern Motorcycle	Refers to	Chongqing Southern Motorcycle Co., Ltd.
Jianshe Industry	Refers to	Chongqing Jianshe Industry Co., Ltd. – former State-owned Jianshe Machinery Factory, Jianshe Industry (Group) Co., Ltd.
Jianshe Group	Refers to	Jianshe Industrial (Group) Co., Ltd.
Jianshe Mechanical and Electric	Refers to	Chongqing Jianshe Mechanical and Electric Co., Ltd.
HANON, KOREA HANON	Refers to	Korea Hanon System Co., Ltd.
Jianshe HANON	Refers to	Chongqing Jianshe HANON Automobile Thermal Management System Co., Ltd.
China Jialing	Refers to	China Jialing Industry Co., Ltd. (Group)
Jinan Qingqi	Refers to	Jinan Qingqi Motorcycle Co., Ltd.
Changan Auto	Refers to	Chongqing Changan Automobile Co., Ltd.
Yunnan Xiyi	Refers to	Yunnan Xiyi Industrial Co., Ltd.
Luoyang Northern	Refers to	Luoyang Northern Enterprise Group Co., Ltd.
Vehicle air conditioner	Refers to	Chongqing Jianshe Automobile Air-conditioner Co., Ltd.
Import & Export Co.	Refers to	Chongqing Northern Jianshe Import & Export Co., Ltd.
Shanghai Jianshe	Refers to	Shanghai Jianshe Motorcycle Co., Ltd.
Chongqing Jianya	Refers to	Chongqing Jianshe YAMAHA Motorcycle Co., Ltd.
Zhuzhou Jianya	Refers to	Zhuzhou Jianshe YAMAHA Motorcycle Co., Ltd.
Pingshan Taikai	Refers to	Chongqing Pingshan Taikai Carburetor Co., Ltd.
South Air International	Refers to	South Air International Co., Ltd.
Minsheng Logistics	Refers to	Chongqing Changan Minsheng APLL Logistics Co., Ltd.

Major asset restructuring	Refers to	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	Yan Xuechuan		
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	<a href="http://www.jianshe.com.cn">http://www.jianshe.com.cn</a>		
E-mail	cqjsmc@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
E-mail.	cqjsmc@jianshe.com.cn	cqjsmc@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	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
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)	From 1995 to 2015, the Company was mainly engaged in the production and sales of motorcycles. 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. Since 2015, it has been mainly engaged in the production and sales of automotive air-conditioning compressors.
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	Zhongxingcai Guanghai Certified public Accountants LLP.
Office address	A24, 22/F, No.2 Fuchengmenwai Street, Xicheng District, Beijing
Names of the Certified Public Accountants as the signatories	Fan Rui, Zhang Weidong

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

	2020	2019	Changed over last year ( % )	2018
Operating revenue(Yuan)	740,851,845.25	791,487,434.18	-6.40%	971,804,000.23
Net profit attributable to the shareholders of the listed company ( Yuan )	1,415,942.45	-121,128,719.93	-101.17%	10,543,247.05
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company ( Yuan )	-44,041,022.22	-119,395,985.23	-63.11%	9,074,662.19
Net Cash flow generated by business operation ( Yuan )	165,013,126.67	13,414,357.42	1,130.12%	162,824,513.55
Basic earning per share(Yuan/Share)	0.012	-1.0147	-101.18%	0.088
Diluted gains per share(Yuan/Share)	0.012	-1.0147	-101.18%	0.088
Net asset earning ratio ( % )	0.82%	-52.05%	-101.58%	3.66%
	End of 2020	End of 2019	Changed over last year ( % )	End of 2018
Gross assets ( Yuan )	1,186,697,453.77	1,190,147,356.58	-0.29%	1,461,770,573.54
Net assets attributable to shareholders of the listed company ( Yuan )	173,588,673.06	172,172,730.61	0.82%	293,301,450.54

The lower of the company's net profit before and after deduction of non-recurring gains and losses in the most recent three fiscal years is negative, and the audit report of the most recent year shows that the company's ability to continue operations is uncertain

☐ Yes ☒ No

The lower of the net profit before and after non-recurring gains and losses is negative

☒ Yes ☐ No

Items	2020	2019	Notes
Operating revenue(Yuan)	740,851,845.25	791,487,434.18	Sales revenue
Operating revenue deduction amount( yuan)	9,280,483.94	10,292,797.31	Rental income, sales materials, waste income, power and energy income
Amount after deduction of	731,571,361.31	781,194,636.87	Sales revenue



operating revenue(yuan)			
-------------------------	--	--	--

## VII.The differences between domestic and international accounting standards

1. Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)

☐ Applicable ☒ Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either IAS (International Accounting Standards) or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

2. Difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles)

☐ Applicable ☒ Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either foreign accounting rules or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

## VIII.Main Financial Index by Quarters

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating revenue	159,386,309.82	175,203,952.03	202,858,501.83	203,403,081.57
Net profit attributable to the shareholders of the listed company	-24,237,509.94	-10,457,910.38	40,472,240.13	-4,360,877.36
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company	-24,329,373.91	-10,168,757.58	-2,059,817.75	-7,483,072.98
Net Cash flow generated by business operation	21,163,192.63	51,958,701.35	47,434,377.12	44,456,855.57

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 (2020)	Amount (2019)	Amount (2018)	Notes
Non-current asset disposal gain/loss(including the write-off part for which assets impairment provision is	-448,967.59	-3,068,753.15	784,500.48	

made)				
Government subsidies recognized in current gain and loss(excluding those closely related to the Company's business and granted under the state's policies)	4,466,559.88	1,057,774.93	1,960,750.00	
The investment cost of the enterprise to obtain subsidiaries and joint ventures which is less than the fair value of the identifiable net assets of the investee when the investment is obtained	42,924,165.03			
Switch back of provision for depreciation of account receivable and contractual assets which were singly taken depreciation test	88,468.57			
Other non-operating income and expenditure except for the aforementioned items	-1,496,366.67	278,243.52	-429,537.06	
Less: Influenced amount of income tax	76,894.55		251,064.39	
Influence on minority shareholders' equity (after tax)			596,064.17	
Total	45,456,964.67	-1,732,734.70	1,468,584.86	--

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 recognized as recurring gain /loss/item 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

The Company shall comply with the disclosure requirements of Shenzhen Stock Exchange Industry Information Disclosure Guidelines No.16-Listed Companies Engaged in Auto Manufacturing-related Business

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 18cc 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 strategic cooperative partners including the leading production and sales volume in terms of finished automobile such as PEUGEOT , Great Wall Motors ,Chanan Auto, Geely Auto and Dongfeng Nissan , etc.

#### II .Major Changes in Main Assets

##### 1.Major Changes in Main Assets

Main assets	Major changes
Equity assets	The Company's shareholding Pingshan Taikai increased from 50% to 100%.

##### 2. Main Conditions of Overseas Assets

☐ Applicable    ☒ Not applicable

#### III. Analysis On core Competitiveness

The Company shall comply with the disclosure requirements of Shenzhen Stock Exchange Industry Information Disclosure Guidelines No.16-Listed Companies Engaged in Auto Manufacturing-related Business

**R&D capability:** The company is the pioneer of new energy electric compressors in China and the only R&D base of rotary vane compressors in China. It has the largest and most comprehensive experimental testing center for automotive air conditioning compressors in Southwest China. It has three scientific and technological innovation platforms: Enterprise Technology Center, Automotive Thermal Management System Engineering Technology Research Center and Key Laboratory of Automotive Air Conditioning Compressor, and has a postdoctoral workstation; It has 75 R&D teams, including 4 senior engineers, 8 senior engineers and 1 external expert; It has imported more than 50 sets of advanced equipment for reliability test, system test, performance test, NVH experimental test, etc. from abroad, which worth more than RMB 50 million; It has 1 national key new product and 2 major new products in the city, all of which are high-tech products; It owns more than 150 patents, including more than 30 invention patents.

Including:

**Test and analysis ability:** It has strong ability in testing and analysis of automobile air conditioning compressor,

testing and analysis of mechanical vibration and noise of automobile air conditioning compressor and whole vehicle, testing and analysis of automobile air conditioning system, etc., and has built industry-leading NVH test and analysis ability

**Trial-production processing ability:** It has strong trial-production processing ability, forming an integrated processing from CAD → CAE → CAM, with a production cycle of new product prototype of only about 7 days.

**Manufacturing capacity:** it has domestic first-class high-precision parts manufacturing base, Chongqing municipal digital workshop, with an annual output of 2.1 million compressors; It has more than 40 parts machining production lines, more than 260 sets of high-precision and high-quality processing equipment, and 9 general assembly lines with equipment value of more than RMB 650 million, of which more than 80% of the equipment is imported from Japan, the United States, Germany, Switzerland, South Korea and other countries; With a machining and assembly accuracy of micron, MARPOSS is largely used for online inspection, and the machining accuracy and assembly automation are at the leading level in China.

**Quality assurance ability:** The company always adheres to the tenet of "quality first, customer foremost", and is committed to carrying out quality work in all links of the company, and constantly improving product quality, service quality and quality-price ratio. The company has continuously improved its management ability and actively assumed social responsibility. It has passed IATF 16949 certified by DNV, an international authoritative certification body, as well as OHSAS18001 and ISO14001 management system certification, and is in line with international manufacturers. It has introduced general QSB+ quality management system, Ford Q1 system, Changan QCA system and Nissan GK on-site management concept to continuously improve its management level.

**Product pedigree:** On the basis of introducing advanced technology from the world, the company actively carries out independent innovation. After years of development, its product pedigree and technical system have become increasingly complete; Including rotary vane compressor, fixed displacement and variable displacement of swash plate and electric compressor with complete intellectual property rights, forming five product platforms of "rotary vane iron/aluminum, piston fixed/variable and electric"; and the products cover a displacement from 18CC to 480CC.

## IV. Management's Discussion and Analysis

### I. General

II. In 2020, challenged the sudden COVID-19 outbreak, in order to win the final battle of the 13th Five-Year Plan, the company took many measures to actively cope with the adverse effects brought by the epidemic and basically achieved the annual target. In the whole year, 1.943 million sets of automotive air-conditioning compressors were produced and 1.861 million sets were sold, which decreased by 4.88% and 7.24% respectively compared with the same period of last year. The sales of automotive air-conditioning compressors achieved 93.05% of the annual budget.

#### (I) Market development

According to the "key account management" model, with focus on projects, promotion of new products and strengthening of expansion, the sales volume of key customers increased steadily. Changan, Geely and overseas UCM markets increased by 43.4%, 14.7% and 51.1% respectively year-on-year. The monthly sales volume of Chang'an new projects S201 and S202 exceeded 10,000, 24,000 orders were delivered in Northern Projects, the

offline market increased by 52.3% year-on-year, and the monthly demand of French PSA recovered to the same level year on year.

First, strive for the 9 new market projects, and the 100% completion rate of 30 R&D projects; Second, achieve mass production for 20 market projects, and reach more than 69% contribution rate of new products; Third, complete the development of key new product projects such as 09D and 11D, and a small batch of mobile powder metallurgy basic materials project has been realized, and new projects such as Changan B316 and S111 have been carried out to realize batch supply.

## (II) Product R&D

First, strive for the 9 new market projects, and the 100% completion rate of 30 R&D projects; Second, achieve mass production for 20 market projects, and reach more than 69% contribution rate of new products; Third, complete the development of key new product projects such as 09D and 11D, and a small batch of mobile powder metallurgy basic materials project has been realized, and new projects such as Changan B316 and S111 have been carried out to realize batch supply.

## (III) Cost control

First, carry out special actions to improve the quality of economic operation, promote the cost control of the whole value chain and product life cycle, coordinate the linkage between cost and operating income, strengthen the cost efficiency analysis, and achieve a savings value of RMB 31.37 million; Second, carry out "two funds" settlement follow-up, and accelerate the disposal of inefficient and ineffective assets. The accounts receivable decreased by RMB 10.26 million compared with the beginning of the year.

## (IV) Quality management

First, vigorously promote the construction of "1+N" quality system, and successfully pass Chang'an QCA2.0 and Geely "3A" supplier system certification on the basis of IATF16949 system audit; Second, strengthen the quality cost control and carry out the activities of "Quality centered" and "Priority in reduction" in depth, with the product quality performance fully affirmed by customers, winning the China Chang'an Quality Red List for 12 consecutive quarters.

## (V) Safety and environmental protection

First, solidly promote the company's three-year special rectification campaign for work safety, vigorously carry out major rectification for security and confidentiality work, and ensure no major safety accidents, no public security incidents and no leakage incidents occurred throughout the year; Second, successfully pass the certification of double standard system of environmental and occupational health and safety management and standardized acceptance of fire safety.

The Company shall comply with the disclosure requirements of Shenzhen Stock Exchange Industry Information Disclosure Guidelines No.16-Listed Companies Engaged in Auto Manufacturing-related Business

## (I) External environment analysis

### 1. Macro-environment

The Fifth Plenary Session of the 19th CPC Central Committee defined the general tone of striving for stability, called for unswervingly implementing the new innovative, green, open and sharing development concept, and put forward a new development pattern centered by domestic circulation, with international and domestic double circulation promoted each other. Affected by the pandemic, the GDP growth in 2020 hit a new low in the past 20 years, with a growth rate of only 2.3%, which is expected to fluctuate between 5.0% and 6.0% during the whole 14th Five-Year Plan period. Meanwhile, with the outbreak of the pandemic, economic globalization has encountered a setback, state protectionism and unilateralism have prevailed, geopolitical risks have risen, the international environment is extremely severe, and uncertainties have increased significantly.

## 2. Consumption trends:

In recent years, the growth rate of retail sales of consumer goods in China has slowed down, the consumption structure has changed to service consumption, and new formats such as online consumption have remained active. However, the original market still maintains its vitality, the consumer groups are diversified, and the stratification phenomenon has become increasingly prominent, which has brought differentiated brand demand. The huge impact of the COVID-19 on the economy will directly affect the operation of many enterprises and the income of employees. The decline of consumption willingness caused by economic pressure and price fluctuation will be very obvious in one or two years.

## 3. Policy environment

Policies such as liberalizing the share ratio of joint ventures, double points, environmental protection and tariff reduction will further increase the operating pressure and accelerate industrial adjustment, optimization and upgrading. The Medium-and Long-Term Development Plan of Automobile Industry puts forward that automobile development should change from scale and speed to quality and benefit; Break through key areas of new energy vehicles and lead transformation and upgrading; Consolidate the foundation of auto parts and encourage the development of innovative industrial clusters of parts and components. With the convening of the Fifth Plenary Session of the 19th CPC Central Committee, the reform of state-owned enterprises has been speeding up, and the pace is bound to be further accelerated; "Liberalization" is the general trend, and domestic car companies need to adapt to market competition without special policy protection.

### (II) Industry situation analysis

#### 1. Overall situation of automobile industry

In 2019, the pressure on China's automobile industry increased further, and the sales volume decreased by 8.2% year on year. In 2020, the sales volume decreased by 1.9% year on year, and the industry performance was much better than expected. COVID-19 has a great impact on the industry in the short term, and will accelerate the survival of the fittest in the long term.

In 2020, the top ten car companies in the industry are with a total sales of 22.65 million cars, with a year-on-year decrease of 2.3%, accounting for 89.5% of the total sales, and the market concentration is still high. The production and sales of passenger cars are lower than that of the whole industry, and the sales volume decreased by 6% year on year, among which the self-owned brands decreased by 8.1% year on year.

Based on the level of car ownership per 1,000 people in China, the demand for consumption upgrading and the development of technology, in the long run, China's automobile industry, especially passenger cars, still has certain development potential for countries with similar population and geographical characteristics.

#### 2. New energy automobile industry situation

After years of cultivating the whole industrial chain, China's new energy vehicles have gradually matured in various links, diversified products have emerged constantly, and the use environment has been gradually improved. To cope with the epidemic and promote consumption, the subsidy policy will continue until 2022.

New energy is the strategic direction firmly supported by the state, and incorporation of charging piles into new infrastructure has become the focus of national infrastructure construction. The New Energy Automobile Industry Development Plan proposes that by 2025, the sales volume of new energy vehicles will reach more than 20%, and the sales volume is expected to reach 6 million vehicles. In the medium and long term, due to various favorable factors, the new energy market can still maintain medium and high-speed growth.

At present, the sales of new energy passenger cars are mainly in the first-tier and second-tier cities and cities with restricted issuance of new car licenses, but the sales of cities with non-restricted issuance of new car licenses are gradually increasing. The domestic new energy passenger car market has become a competition among three

forces, and the domestic market dominated by traditional independent brands is gradually being broken by foreign brands and new forces of car-manufacturing. In the next five years, industrial competition will continue to intensify, policy-driven will gradually become "policy+market-driven", and technology and cost control will become the key to competition.

### 3. Situation of auto parts industry

The auto parts industry has developed rapidly. According to the 2018 Research on the Development of China's Auto Parts Industry by the Ministry of Industry and Information Technology, there are more than 100,000 auto parts enterprises in China. In 2018, the total output value of parts industry will exceed RMB 4 trillion, which is faster than that of the whole vehicle, and it is expected to exceed RMB 5 trillion in 2021. However, in recent years, the profit level of the spare parts sector has dropped rapidly, and the new energy parts have gradually become investment hotspots.

### 4. Industry situation of automobile thermal management system

With the continuous improvement of energy consumption requirements and the development of new energy vehicles, new products of automobile thermal management, such as heat pumps, electric compressors and electronic pump valves, have emerged, attracting a large amount of investment in technology and capital, accelerating the process of mergers and acquisitions in the industry, and showing an obvious trend of coordinated development.

### 5. Compressor industry analysis

At present, there are no absolute advantages and disadvantages of compressor products with various technical structures in the market. From the perspective of the whole vehicle, the compressor module focuses on matching. Although the non-electric compressor products will still maintain a large scale potential in the next few years due to the huge base number of fuel vehicles, the proportion of fixed displacement compressors will gradually decline due to the rapid development of new energy and the anti-driving of oil consumption regulations. Following the "going out" of the independent brand main engine factory and the "globalization" of foreign brands, the shifting trend of the fixed displacement compressor towards overseas is obvious, which is bound to bring opportunities for the company's fixed displacement compressor to stabilize its scale, prolong its life and improve its quality.

The automotive air conditioner compressor industry keeps up with the development of automobile industry, and its share concentration is further expanded, with the top four accounting for about 70% of the total.

The design capacity of the company's fixed displacement compressors is 2 million units, and the actual output in 2020 is 1.943 million units, with a capacity utilization rate of 97.2%; The design capacity of electric and large displacement compressors is 100,000 units, and the actual output in 2020 is 9,869 units; The design capacity of the company's joint venture Jianse HANON is 400,000 units, with an actual output of 389,000 units in 2020, and a capacity utilization rate of 97%. The company ranks fourth in the industry with the output of 2 million compressors (in 2019), with a market share of about 10%.

Vehicle manufacturing, production and operation during the reporting period

☐ Applicable ☒ Not applicable

Production and operation of auto parts during the reporting period

☒ Applicable ☐ Not applicable

	Output			Sales volume		
	This reporting period ('0,000 units)	Same period last year ('0,000 units)	Increase or decrease compared with	This reporting period ('0,000 units)	Same period last year ('0,000 units)	Increase or decrease compared with

			last year			last year
By part category						
Automotive air conditioner compressor	194	204	-4.88%	186	201	-7.24%
Area						
Domestic	140	120	17.03%	118	116	1.77%
Overseas	54	84	-36.01%	68	84	-19.66%

Explanation of the reasons for the year-on-year change of more than 30%

☒ Applicable ☐ Not applicable

This year, the production of overseas products decreased by 36.01% compared with the previous year. The main reason is that: due to the influence of overseas pandemic, the factories owned by the company's major customers have been closed and shut down for a long time, which reduces the demand for the company's product orders.

#### Parts sales model

Key account sales mode: according to the customer's production demand, the company will ship the goods to the designated or cooperative third-party logistics company, and the third-party logistics company will be responsible for warehousing and distribution services. Every month, the customer issues a credit notice according to the actual consumption of the production plan, and the salesman issues an invoice notice according to the customer's credit notice in combination with the customer's consumption, contract unit price and other information, and the Finance Department issues an invoice to confirm the sales revenue.

Customer sales mode of cash before delivery: according to customer demand and related billing information, after the customer pays and confirms that the payment has been received, the sales staff delivers goods according to the unit price of the sales contract and the quantity required by the customer, and issues a billing notice, and the Finance Department issues an invoice to confirm the sales revenue.

Customer sales model in after-sales market. Sales staff deliver goods to customers according to the contract and customer's requirements. After reaching the time node agreed in the contract, they will issue an invoice notice according to the contract unit price and shipment quantity agreed with customers, and the Finance Department will issue an invoice to confirm the sales revenue.

The sales model this year has not changed compared with previous years.

The company conducts auto finance business

☐ Applicable ☒ Not applicable

The company conducts new energy vehicle related business

☐ Applicable ☒ Not applicable

Subsidy income of new energy vehicles

### III. Main business analysis

#### 1. General

This year, the company completed a production of 1.943 million units and sold 1.861 million units for its main products, automotive air conditioner compressors, with a year-on-year decrease of 4.88% and 7.24%



respectively. The main business income was RMB 732 million, with a year-on-year decrease of 6.35%.

From the regional perspective, the domestic sales reached 1.18 million units, with a year-on-year increase of 1.77%, and the sales revenue reached RMB 505 million, with a year-on-year increase of 0.21%. Domestic sales revenue accounted for 69.1% of the company's main business income. Affected by the overseas epidemic, the company's major customers closed their factories, with a long shutdown, which reduced the demand for the company's product orders. The company sold 680,000 units in foreign trade throughout the year, with a year-on-year decrease of 19.66%, and realized a sales income of RMB 226 million, with a year-on-year decrease of 23.83%. Foreign trade sales accounted for 30.9% of the company's main business income.

From the perspective of customer structure: the top five customers of the company, namely PSA (Peugeot), Changan Automobile, Great Wall Motor, Geely Automobile and Proton Malaysia, purchased 1.585 million sets of vehicle air conditioning compressors from the company in the whole year, accounting for 85.2% of the total purchases of customers. The purchase amount is RMB 561 million, accounting for 75.67% of the total purchase amount of customers.

See the change of consolidation scope in Note VIII of the Audit Report for details.

## 2. Revenue and cost

### (1) Component of Business Income

In RMB

	2020		2019		Increase /decrease
	Amount	Proportion	Amount	Proportion	
Total operating revenue	740,851,845.25	100%	791,487,434.18	100%	-6.40%
On Industry					
Auto and Motorcycle parts	731,571,361.31	98.75%	781,194,636.87	98.70%	-6.35%
Other	9,280,483.94	1.25%	10,292,797.31	1.30%	-9.84%
On products					
Auto and Motorcycle parts	731,571,361.31	96.85%	781,194,636.87	98.70%	-6.35%
Other	9,280,483.94	1.25%	10,292,797.31	1.30%	-9.84%
On Area					
Anhui	17,404,019.16	2.35%	5,648,549.94	0.71%	208.11%
Beijing	8,737,415.97	1.18%	229,982.31	0.03%	3,699.17%
Fujian	92,194.69	0.01%	109,902.71	0.01%	-16.11%
Guangdong	4,965,172.47	0.67%	4,807,767.16	0.61%	3.27%
Guangxi	2,143,214.13	0.29%	905,058.02	0.11%	136.80%
Hebei	3,295,014.18	0.44%	29,663,462.04	3.75%	-88.89%
Henan	4,894,181.39	0.66%	3,982,620.62	0.50%	22.89%

Hubei	30,883,712.83	4.17%	60,349,900.80	7.62%	-48.83%
Jilin	65,486.74	0.01%	14,018.93	0.00%	367.13%
Jiangsu	9,232,764.33	1.25%	12,008,002.96	1.52%	-23.11%
Jiangxi	6,328,746.31	0.85%	4,425,642.72	0.56%	43.00%
Liaoning		0.00%	121,822.84	0.02%	-100.00%
Shandong	1,955,016.56	0.26%	2,198,370.17	0.28%	-11.07%
Shannxi	505,176.97	0.07%	178,424.79	0.02%	183.13%
Shanghai	4,099,161.46	0.55%	2,634,774.33	0.33%	55.58%
Sichuan	113,828.80	0.02%	72,993.30	0.01%	55.94%
Tianjing	2,704,426.60	0.37%	24,788,007.09	3.13%	-89.09%
Yunnan	40,912.43	0.01%	109,507.58	0.01%	-62.64%
Zhejiang	96,149,564.48	12.98%	84,222,867.72	10.64%	14.16%
Chongqing	311,883,789.99	40.10%	247,856,310.61	31.32%	25.83%
Ningxia		0.00%	40,460.18	0.01%	-100.00%
Shanxi		0.00%		0.00%	
Hunan		0.00%	17,072.84	0.00%	-100.00%
Xinjiang		0.00%	17,309.74	0.00%	-100.00%
Overseas	226,077,561.82	30.52%	296,791,807.47	37.50%	-23.83%
Other	9,280,483.94	1.25%	10,292,797.31	1.30%	-9.84%

(2) Situation of Industry, Product and District Occupying the Company's Business Income and Operating Profit with Profit over 10%

√ Applicable □ Not applicable

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						
Auto and Motorcycle parts	731,571,361.31	634,912,358.18	13.21%	-6.35%	-10.08%	3.60%
On products						
Auto and Motorcycle parts	731,571,361.31	634,912,358.18	13.21%	-6.35%	-10.08%	3.60%
On Area						
Zhejiang	96,149,564.48	67,278,049.97	30.03%	14.16%	-6.84%	15.77%

Chongqing	311,883,789.99	287,136,921.09	7.93%	25.83%	23.90%	1.43%
Overseas	226,077,561.82	214,634,628.96	5.06%	-23.83%	-22.45%	-1.69%

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	2020	2019	Changes
Vehicle air conditioner	Sales	Ten thousand sets	186.11	200.64	-7.24%
	Production	Ten thousand sets	194.34	204.32	-4.88%
	Stock	Ten thousand sets	44.88	37.61	19.33%

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

### (5) Component of business cost

In RMB

Industry	Items	2020		2019		Increase/Decrease (%)
		Amount	Proportion in the operating costs (%)	Amount	Proportion in the operating costs (%)	
Industry	Direct material	574,716,791.27	84.45%	639,565,240.68	86.38%	-10.14%
Industry	Fuel and energy	14,109,914.18	2.07%	13,818,518.98	1.87%	2.11%
Industry	Staff salary	29,285,361.74	4.30%	37,031,277.32	3.32%	-20.92%
Industry	Manufacturing cost	62,454,453.65	9.18%	49,967,252.64	8.44%	24.99%

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

☒ Yes ☐ No

See the change of consolidation scope in Note VIII of the Audit Report for details.

### (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)	560,605,371.61
Proportion of sales to top 5 customers in the annual sales(%)	75.67%
Proportion of the sales volume to the top five customers in the total sales to the related parties in the year	18.62%

## Information of the Company's top 5 customers

No	Name	Amount(RMB)	Proportion(%)
1	Customers1	189,908,593.38	25.63%
2	Customers2	137,981,912.02	18.62%
3	Customers3	104,929,247.78	14.16%
4	Customers4	95,295,514.30	12.86%
5	Customers5	32,490,104.13	4.39%
Total	--	560,605,371.61	75.67%

## Other explanation :

√ Applicable □ Not applicable

Chongqing Changan Automobile Co., Ltd., one of the top five customers, and its affiliated enterprises have an associated relationship with the Company. The Company and its transactions, as routine related transactions, have been submitted to the 2019 General Meeting of Shareholders for review and approval.

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

## Principal suppliers

Total purchase of top 5 Suppliers (Yuan)	310,473,706.08
Percentage of total purchase of top 5 suppliers In total annual purchase(%)	45.78%
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 Electromechanics Co., Ltd.	153,372,252.68	22.61%
2	Chongqing Jinchen Machinery Manufacturing Co., Ltd.	50,204,323.80	7.40%
3	Chongqing Zhongkuo Machinery Co., Ltd.	48,364,788.77	7.13%
4	Chongqing Mingxin Machinery Manufacturing Co., Ltd.	30,128,384.39	4.44%
5	Chongqing Yujiang Die Casting Co., Ltd.	28,403,956.44	4.19%
Total	--	310,473,706.08	45.78%

## 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

	2020	2019	Increase/Decrease(%)	Notes
Sale expenses	16,631,963.90	24,647,316.08	-32.52%	Mainly due to the decrease in staff salaries, travel expenses and repair fees
Administration expenses	69,410,916.79	92,590,185.22	-25.03%	Mainly due to the decrease in employee salaries and repair costs
Financial expenses	22,486,373.84	21,295,046.18	5.59%	
R & D expenses	15,283,965.69	14,231,114.36	7.40%	

## 4. R&amp;D Investment

√Applicable □Not applicable

In this year, the company completed R&D investment of RMB 15.28 million in projects such as "Research on Multi-field Coupling Excitation Mechanism and Noise Optimization of Compressors", "Research on Energy Consumption Estimation Method of Dynamic Parameter Measurement Compressors", "Research on Basic Materials of Compressors", "Research on Compressor Order Noise", "14D Compressor R&D" and "Scroll Electric Compressor R&D", accounting for 2.06% of operating income, with a year-on-year increase of 7.40%.

## Situation of Research and Development Input by the Company

	2020	2019	Increase/Decrease(%)
Number of Research and Development persons (persons)	68	76	-10.53%
Proportion of Research and Development persons	7.20%	7.36%	-0.16%
Amount of Research and Development Investment (Yuan)	15,283,965.69	14,231,114.36	7.40%
Proportion of Research and Development Investment of Operation Revenue	2.06%	1.80%	0.26%
Amount of Research and Development Investment Capitalization (Yuan)	0.00	0.00	0.00%
Proportion of Capitalization Research and Development Investment of Research and Development Investment	0.00%	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	2020	2019	Increase/Decrease(%)
-------	------	------	----------------------

Subtotal of cash inflow received from operation activities	541,548,254.98	523,895,104.43	3.37%
Subtotal of cash outflow received from operation activities	376,535,128.31	510,480,747.01	-26.24%
Net cash flow arising from operating activities	165,013,126.67	13,414,357.42	1,130.12%
Subtotal of cash inflow received from investing activities	61,457,531.55	32,361,387.79	89.91%
Subtotal of cash outflow for investment activities	44,728,338.85	41,064,349.48	8.92%
Net cash flow arising from investment activities	16,729,192.70	-8,702,961.69	-292.22%
Subtotal cash inflow received from financing activities	1,079,339,590.72	1,332,782,411.58	-19.02%
Subtotal cash outflow for financing activities	1,191,153,002.36	1,400,654,479.48	-14.96%
Net cash flow arising from financing activities	-111,813,411.64	-67,872,067.90	64.74%
Net increase in cash and cash equivalents	69,919,927.45	-63,160,804.24	-210.70%

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

√Applicable □ Not applicable

The increase of net cash flow from operating activities is due to the change of payment method and the increase of bill settlement this year.

The increase in net cash flow from investment activities is due to the merger of Pingshan Taikai and the inflow of monetary funds this year.

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

The increase in net increase in cash and cash equivalents is due to the increase in net cash flow from operating activities.

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

□ Applicable√ Not applicable

#### IV. Analysis of Non-core Business

√Applicable □Not applicable

In RMB

	Amount	Proportion in total profit	Explanation of cause	Sustainable (yes or no)
Investment income	-3,451,062.12	-180.17%	The operating loss of the Company's joint venture Jianshe HANON.	Yes

Impairment of assets	-9,953,007.03	-519.62%	Provision for bad debts, reserve for inventory to fall, reserve for impairment of fixed asset	No
Non-operating income	41,077,989.97	2,144.55%	Acquisition of 50% equity of Pingshan Taikai to realize profit	No
Non-operating expenses	1,572,672.69	82.10%		No
Credit impairment losses	-1,258,873.53	-65.72%		No

#### IV. Condition of Asset and Liabilities

##### 1. Condition of Asset Causing Significant Change

In RMB

The company will implement the new financial instruments standards, new income standards or new lease standards for the first time since 2020 and adjust and implement the relevant items of the financial statements at the beginning of the year

Applicable

In RMB

	End of 2020		End of 2019		Proportion increase/decrease	Notes to the significant change
	Amount	Proportion in the total assets(%)	Amount	Proportion in the total assets(%)		
Monetary fund	159,343,241.47	13.43%	154,613,734.94	12.99%	0.44%	
Accounts receivable	221,386,452.90	18.66%	231,648,218.97	19.46%	-0.80%	
Inventories	169,145,986.78	14.25%	146,318,458.60	12.29%	1.96%	
Investment real estate	23,043,398.52	1.94%	71,928,994.28	6.04%	-4.10%	
Long-term equity investment	186,213,719.02	15.69%	230,649,585.63	19.38%	-3.69%	
Fixed assets	310,131,438.69	26.13%	278,885,442.43	23.43%	2.70%	
Construction in process	1,871,241.59	0.16%	3,858,269.05	0.32%	-0.16%	
Short-term loans	553,910,000.00	46.68%	422,280,000.00	35.48%	11.20%	

##### 2. Asset and Liabilities Measured by Fair Value

☐Applicable ☒Not applicable

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

The ending balance of monetary funds is RMB 80,032,987.92, which is the bank acceptance bill deposit and time deposit, and is fund with restricted use.

## V. Investment situation

### 1. General

√ Applicable    □ Not applicable

Investments made in the Reporting Period (RMB)	Investments made in the prior year (RMB)	Increase/Decrease(%)
11,991,820.54	102,743,305.30	-88.33%

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

√ Applicable    □ Not applicable

In RMB

Target company name	Main business	Investm ent way	Investm ent amount	Shareh olding rate	Capital source	Partner	Investm ent period	Product type	Progres s to the balance sheet date	Predict ed revenue	Investm ent profit and loss of the current period	Litigati on	Disclos ure date	Disclos ure Index
Chongqing Pingsha n Taikai Carbur etor Co., Ltd.	Product ion and sales of carbure tor and parts used for the engine	Purchas e	20.54	50.00%	Self fund (USD 3)	No	Perman ent	Carbure tor for engine	Equity transfer has been complet ed	0.00	380,974.05	No	April 28,2020	See on www.cninfo.com.cn company announcement on April 2,2020 and June 8,2020. Announcement No. 2020-031 ,



														2020-06 and 2020-073.
Total	--	--	20.54	--	--	--	--	--	--	0.00	380,974.05	--	--	--

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

√ Applicable □ Not applicable

In RMB

Project name	Investment method	Fixed investment or not	Industry involved in investment projects	Investment amount in this reporting period	Accrued Actual Investment Amount up to the End of Reporting Period	Capital Source	Project scheduled	Anticipated income	Accrued Realized Income up to the End of Reporting Period	Reasons for not Reaching the Planned Schedule and Anticipated Income	Disclosure date	Disclosure Index
Intelligent transformation project of partial assembly and machining production line of rotary vane compressor	Self-built	Yes	Automotive air conditioner compressor or industry	4,061,400.00	4,061,400.00	Self funds	45.90%	0.00	The production line reduces production on labor by 14 people, improves performance testing ability by 33%, and can realize data collection	The Project has a construction period of 8 months and is expected to be completed in May 2021.	January 15, 2020	See on www.cninfo.com.cn company announcement on January 1, 2020 and January 19, 2021. Announcement No. 2020-001 and 2021-00

									n and traceabili ty of producti on process.			1.
Total	--	--	--	4,061,40 0.00	4,061,40 0.00	--	--	0.00	0.00	--	--	--

#### 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

### 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	Type	Main business	Registered	Total assets	Net assets	Turnover	Operating	Net Profit
---------	------	---------------	------------	--------------	------------	----------	-----------	------------

name			capital				profit	
Air Conditioner Co.	Subsidiaries	Manufacturing and sales of auto air-conditioners	160000000	956,374,606.29	257,930,324.07	698,617,790.63	1,907,706.73	1,255,544.45
Pingshan Taikai	Shareholding company	Production and sales of motorcycles and parts	USD 10 million	96,653,692.45	77,260,213.13	39,557,062.46	355,272.11	558,792.61
Jianshe HANON	Shareholding company	Production and sales of Automobile Thermal Energy Management system	420000000	611,735,482.88	369,310,719.26	232,203,748.88	-12,338,039.78	-11,136,523.51

#### 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
Chongqing Pingshan Taikai Carburetor Co., Ltd	After the Company acquired 50% equity of the Pingshan Taikai, the Company holds 100% of Pingshan Taikai equity, and Pingshan Taikai is included into the consolidated statement.	After the completion of the Company's acquisition, the merger this year increased the non-operating income by RMB 40.98 million.

#### Subsidiaries acquired and sold in the reporting period Note

☐ Applicable ☒ Not applicable

### VIII. Structured vehicle controlled by the Company

☐ Applicable ☒ Not applicable

### IX. Prospect for future development of the Company

#### (I) Opportunities and challenges of the development of the company

##### 1. Opportunities

First, China has turned to a high-quality development stage, with broad market potential, strong development resilience and long-term economic improvement. China puts innovation at the core of China's modernization drive, vigorously promotes independent innovation capability, promotes the transformation and upgrading of traditional industries, and strengthens the stability and competitiveness of industrial chain and supply chain, and will introduce a series of preferential policies to promote scientific and technological innovation.

Second, the vehicle incremental market and spare parts stock market will drive the scale growth of parts industry and bring new opportunities to domestic enterprises with comparative advantages. The penetration rate of new energy vehicles has been accelerated, which has brought important development opportunities for the new energy and heat management industry.

Third, the company has three municipal-level scientific and technological research and development

platforms, including national postdoctoral workstations and Chongqing Enterprise Technology Center, and has strong independent R&D and cross-technology platform imitation research capabilities; The fixed displacement compressor has mature technology, good product quality performance and high quality reputation and brand influence; It has established a joint venture with Korea HANON, an internationally renowned automobile thermal management enterprise, which broadened the introduction channels of thermal management system technology.

## 2. Challenges

First, the auto parts industry is faced with the dilemma of high technical threshold, large investment and many technical routes in the four-trend transformation, which is compounded by many factors such as fluctuating demand, rapid iteration of products, rising costs, tightening payment terms of main engine factories, and supply chain security. The competition among enterprises is further intensified and the pressure for survival is enormous. Second, from the perspective of the company itself, the company is with weak core competitiveness of products, relatively simple compressor product structure, low gross profit margin, and high cost pressure; No breakthrough has been formed yet in the electric compressor market; It is urgent to speed up the market development of variable displacement compressors in joint ventures; It is with large historical liabilities and tight funds, but lacking in effective financing ability and means.

### (II) The 14th Five-Year Plan of the Company

With the vision of "building a first-class scientific and technological innovative enterprise with international competitiveness", further promote the company's "1363" strategy, accelerate structural optimization according to the guiding principle of "overall planning, distribution promotion, focusing on resources and innovating mechanism", focus on innovation drive, deepen reform and adjustment, continuously improve management, strengthen human security, strengthen party building, effectively improve operating efficiency, and push the company's high-quality development to a new level.

#### 1. Industry (product) layout

First, based on the main business. Continuously improve the competitiveness of traditional compressor products, and stably maintain market share. Second, comprehensive upgrading and development. Vigorously develop new energy businesses such as electric compressors and heat pump air conditioning systems to realize industrial upgrading and development.

#### 2. Planning objective

Development goal: Through independent development and capital integration, upgrade the full spectrum thermal management products from compressor to air conditioning system and from fuel vehicle to electric vehicle, and build a first-class scientific and technological innovation enterprise with international competitiveness.

Business objective: Vigorously implement the three tough battles of "product innovation", "reform and adjustment" and "turning losses into profits". By 2025, the sales volume of compressor products will be 2.5 million units (including 300,000 electric compressors), and the scale, benefit and efficiency will be doubled. The industry will continue to develop and the business quality will continue to improve.

#### 3. Major initiatives

(1) Focus on promoting the optimization and adjustment of industrial structure and promoting the transformation and upgrading of the company.

First, build an industrial platform for thermal management of new energy vehicles and give full play to the best utility of resources. Actively lay out heat pump air conditioning systems, stabilize the sales scale of fixed displacement compressors, accelerate the breakthrough of electric compressor products, technology and market, and strengthen the market expansion of variable displacement compressors. By 2025, the sales volume of electric

compressors, heat pump air conditioning systems and fixed displacement compressors will be 300,000 units, 50,000 units and 2.2 million units respectively, and the production and sales scale of joint venture variable displacement compressors will be over 900,000 units. Second, stabilize the export motorcycle carburetor market, vigorously develop the EFI system, and speed up product upgrading. By 2025, Pingshan Taikai will achieve sales income of over RMB 200 million. Third, promote the technological upgrading of parts and components products and move towards high-end manufacturing. By 2025, the income of casting machine parts will be over RMB 100 million.

(2) Focus on promoting key core technology innovation and promoting industrial technology upgrading.

Deepen the technical research of fixed displacement compressor products, continuously explore the technical potential of fixed displacement compressors, and accelerate the technical upgrading. Accelerate the research and development of electric compressor product technology, master the key technologies of electric compressor, realize the mainstream coverage of product series, and lead the product performance independently. Carry out industrial research on the thermal management system of new energy vehicles, accelerate the breakthrough of system matching and heat pump technology, and transform and upgrade to the thermal management system of new energy vehicles. Strengthen the five major capacity building, including experimental design, experimental detection, experimental analysis and basic ability improvement, and greatly enhance the comprehensive strength of experimental trial production. By 2025, the investment in science and technology will be over 5%, and the contribution rate of new products will be over 65%.

(3) Strive to comprehensively deepen reform and stimulate the vitality of business development.

Comprehensively implement the three-year reform of state-owned enterprises, and continuously promote the deep integration and efficient linkage between company reform and development. Improve the market-oriented management mechanism, promote the reform of the distribution system, carry out medium and long-term incentives, and implement the tenure system and contractual management of managers. Strengthen slimming, improve quality and efficiency, and complete the revitalization and utilization of idle assets and land resources. Deepen the reform of mixed ownership, promote the optimization of the ownership structure of listed companies, actively explore "B to A", and build a financing guarantee platform.

(4) Focus on promoting the construction of talent team and providing manpower support for development.

Implement resource allocation optimization project to improve organizational operation efficiency; Implement incentive mechanism innovation project, build value-oriented distribution mechanism, optimize performance tools and improve artificial output benefits; Implement the talent echelon optimization project, based on strategic traction, and build the "2841" talent development system with industry competitiveness around "excellent young talents, expert talents, middle-level talents and high-level talents"; Implement the training system optimization project, establish a multi-channel and multi-means talent training platform, and broaden the talent training channels.

(5) Strive to promote benchmarking and provide management support for development.

Strengthen the benchmarking management, implement the benchmarking world-class management improvement action plan, and improve the scientific management level; Strengthen investment management, take digitalization, informationization, automation and intelligence as the direction, and enhance the core manufacturing capabilities of traditional industries; Strengthen lean management, implement lean management "211" from the heart, and achieve A level of lean management in 2025; Strengthen quality management and implement six major actions to improve quality. In 2025, the quality cost rate will reach below 1.2%; Strengthen cost management and promote the whole value chain and life cycle management. In 2025, the cost and expense ratio will decrease by more than 1.5% compared with 2020; Strengthen data management, build an information

system platform framework for intelligent manufacturing, and empower high-quality development with intelligent manufacturing; Strengthen brand management and build the "Jianshe" brand into a leading brand in the domestic automobile compressor industry; Strengthen safety and environmental protection management, basically improve the big safety system, improve the level of intrinsic safety in an all-round way, and zero penalty and zero standard for environmental pollution; Strengthen risk management, comprehensively improve the risk management and control system based on problems and risks, and ensure that the overall risk of the company is controllable; Strengthen the construction of the rule by law, improve the legal work system, and promote the culture of rule by law.

#### (6) Focus on promoting party building and providing party building support for development

Strengthen political leadership, strengthen "four consciousnesses", strengthen "four self-confidences" and achieve "two maintenance", and resolutely implement the important instructions of General Secretary Xi Jinping and the decision-making arrangements of the CPC Central Committee. Strengthen ideological guidance, thoroughly study Xi Jinping's socialism with Chinese characteristics in the new era, and firmly grasp the leadership and discourse power of ideological work. Consolidate the organizational foundation, strengthen the normalization and standardization of grassroots party building work, and promote the deep integration of party building and production and operation. Strengthen the forging of work style, focus on rectifying formalism and bureaucracy, persistently implement the spirit of the eight central regulations, and strictly prevent the "four styles" from rebounding. Strengthen discipline guarantee, deepen the comprehensive and strict administration of the party, give full play to the role of patrol and inspection, and earnestly strengthen the Party conduct and uphold integrity and anti-corruption work.

#### (III) Company's production and operation arrangement in 2021

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 2021, efforts will be made to achieve sales of 1.92 million units of automobile air-conditioning compressors, with a sales revenue of RMB 730 million. In order to achieve the annual target, the following aspects need to be emphasized in 2021:

##### 1. Focus on transformation and upgrading, and effectively improve development capabilities

Deepen the market potential of fixed displacement compressor. Well ensure market project development to ensure the success rate of listing is 100%; Expand overseas markets and strive to obtain Peugeot CMP projects; Focus on the new market expansion of commercial vehicles such as Great Wall and Geely, and expand the scale of commercial vehicle market; Strengthen the offline market expansion and achieve more than 50% growth; Ensure to achieve the annual sales target.

Promote the scale of electric compressor. Keep a close eye on the new energy passenger car and commercial vehicle market segments, vigorously promote 18CC and 27CC products, fully launch 36CC and related products, increase the sales scale of electric compressors, and strive to quickly form a stable customer structure; Promote the engineering manufacturing capacity building of 36CC electric compressor assembly and dynamic and static disk processing, and improve the manufacturing capacity and production efficiency.

Accelerate the development of variable displacement compressor. Intensify market development, promote cost reduction and tap potential, improve operation quality and competitiveness, and strive to complete annual sales of more than 600,000 units for Jianshe HANON.

Strengthen intensive management of spare parts. Pingshan Taikai further expanded the sales of carburetors, vigorously explored the market of throttle body and EFI system, promoted the market expansion of brushless fuel

pump, and used the existing assets to carry out the production and sales of auto parts; Casting Machine Division focused on internal market, realized full-load production, strengthened QCD management, optimized manufacturing process and improved processing efficiency.

## 2. Focus on scientific and technological innovation and effectively enhance core competitiveness

Strengthen the construction of scientific and technological innovation system. Strengthen the cooperation between production, education and research with scientific research institutions, strengthen the "zero coordination", deepen the cooperation and development with the main engine factory, and quickly form the system capability.

Build an electric compressor platform. Optimize the performance of 18CC and 27CC products to ensure product stability; Complete the design and finalization of 36CC electric compressor to realize small batch supply; Carry out research on heat pump electric compressor, and complete prototype development of air supply and enthalpy increase electric compressor.

Promote the technical research of heat pump air conditioning system. Carry out system and single product evaluation research and build test ability; Carry out research on test technology of heat pump air conditioning system and establish test specifications; Carry out research on matching technology of heat pump air conditioning system to form basic matching technical ability; Set up a basic heat pump air conditioning test system.

Promote the upgrading of traditional compressor technology. Actively respond to market and customer changes, and create competitive products such as 09D and 11D in a targeted manner; Complete the application of P5 technology closure and carry out the research of new generation P6 technology; Fully promote the development and application of powder metallurgy technology and aluminum machine market.

## 3. Focus on improving quality and efficiency, and effectively improve the quality of operations

Strengthen comprehensive budget management, give full play to the leading role of budget, strengthen the rigid constraints of "budget, implementation, assessment and accountability", scientifically allocate budget resources, and improve resource utilization efficiency.

Strengthen risk and fund management, strengthen daily monitoring and urge rectification, strictly implement various measures to prevent and resolve risks, and effectively resolve risks; Continuously optimize the financing structure of the company to ensure the safety of the capital chain.

The above financial budget, business plan, and business goals do not represent the Company's profit forecast for the future years, and whether it can be achieved depends on various factors such as changes in market conditions and the efforts of the business team. As there is great uncertainty, investors are advised to pay attention to it.

## 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	Place of reception	Way of reception	Types of visitors received	Visitors received	Main contents discussed and information provided	Index of Basic Information on the Investigation and Survey

March 20,2020	The Company	By phone	Individual	Ms.Liu	Q: Was the Company's performance in the first quarter affected by the new coronavirus epidemic?A: The new coronavirus epidemic has caused a decline in domestic automobile production and sales. As a supporting company for auto parts, the new coronavirus epidemic has a certain impact on the Company's compressor production and sales in the first quarter. For details, please refer to the Company's disclosure of the first quarter report.	Register of visitors for investors of the company
July 13,2020	The Company	By phone	Individual	Mr. Chen	Q: What's the progress of construction and development of Jianshe Hanon?A: The Company has completed the first phase of the production capacity construction of 400,000 variable displacement compressors, and achieved mass production last year. The Jianshe HANON has won the bids for 5 platform projects including Changan and Great Wall, and the development of new markets is progressing in an orderly manner.	Register of visitors for investors of the company
October 30,2020	The Company	By phone	Individual	Mr.Xu	Q: The Company established a land resource revitalization project team. What work is this project team mainly responsible for?A: In order to promote the Company's sustainable development and realize the effective use of land resources, the Company established a land resource revitalization project team, who's responsible for the overall management of the revitalization of land resources, such as the formulation of land and related building operation plans, the development of market sourcing and price inquiry, and the approval and review of land disposal procedures.	Register of visitors for investors of the company
November 19,2020	The Company	By phone	Individual	Mr. Yang	Q: Dongbei B has successfully transferred to the A board, will the Company implement the B-share reform?A: The Company has been paying close attention to the reform trends and implementation cases of B-shares in the securities market, and hopes to promptly promote B-share reforms under the guidance of relevant policies in the future.	Register of visitors for investors of the company
Reception times					33	
Reception agency amount					2	
Reception personal number					31	
Others					0	
Whether to disclose, reveal or disclose non-public material					Undisclosed and unacknowledged significant information.	



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 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):

The Company's net profit in 2019 was negative, while the Company achieved profit in 2018 and 2020, According to the Articles of Association, the after-tax profit of the Company shall give priority to make up for losses of previous years, The company's net profit is negative. 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
2020	0.00	1,415,942.45	0.00%	0.00	0.00%	0.00	0.00%
2019	0.00	-121,128,719.93	0.00%	0.00	0.00%	0.00	0.00%
2018	0.00	10,543,247.05	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

## 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

No non-operational fund occupation from controlling shareholders and its related party in period.

#### **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

No such cases in the Reporting Period.

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

☐Applicable ☒ Not applicable

No such cases in the Reporting Period.

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

☒Applicable ☐ Not applicable

In the year, after the Company acquired 50% equity of the Pingshan Taikai, the Company holds 100% of Pingshan Taikai equity, and Pingshan Taikai is included into the consolidated statement.

#### **IX. Engagement/Disengagement of CPAs**

CPAs currently engaged

Domestic CPA	Zhongxingcai 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	4 years
Name of CPAs from the domestic CPA firm	Fan Rui, Zhang Weidong
Continuous life of auditing service for domestic accounting firm	4 years,1 year

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 Zhongxingcai 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 have failed to pay Vehicle Air Conditioning Company, a full-owned subsidiary of the Company for the air conditioner compressors. The Vehicle Air Conditioning Company filed a lawsuit with Chongqing Yubei District People's Court in November 2018, who held a hearing on July 11, 2019. The Company received the "Civil Judgment of Chongqing Yubei District People's Court" on August 6, 2019 ((2018) Y0112 MC, No. 24010), where the "General Rules for Purchase of Parts and Materials" signed by the Company and Chongqing HYOSOW was cancelled.	1,232.5	No	The trial ends	The Company has fully accrued bad debts in 2018.	Return of 947 sets of automobile air condition compressors.	August 16, 2019	See details in the company's announcement published on securities times, Hongkong Commercial daily and <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> (Announcement No.:2019-070)

Chongqing HYOSOW returned 4,017 sets of goods to the Vehicle Air Conditioning Company, and paid 12,325,044.85 yuan and loss of capital occupation.							
Chongqing Kaite Engine Technology Co., Ltd. (hereinafter referred to as "Chongqing Kaite") have failed to pay Vehicle Air Conditioning Company, a full-owned subsidiary of the Company for the air conditioner compressors. The Vehicle Air Conditioning Company filed a lawsuit with Chongqing Yubei District People's Court in November 2018, who held a hearing on July 11, 2019 and issued "Civil Judgment of Chongqing Yubei District People's Court" on August 13, 2019 ((2018) Y0112 MC, No. 24011), where the "General Rules for Purchase of Parts and Materials" signed by the Company and Chongqing Kaite was cancelled. Chongqing Kaite paid 60,126.75 yuan and loss of capital occupation to the Vehicle Air Conditioning Company.	6.01	No	The trial ends	The Company has fully accrued bad debts in 2018.	In March 2021, the bankruptcy acceptance ruling (No. 652-(2020) Yu 05 Poshen) was received, and the execution was terminated (no property execution, bankruptcy has been filed).	September 12, 2019	See details in the company's announcement published on securities times, Hongkong Commercial daily and <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> (Announcement No.:2019-071)
Chongqing Bisu Yumbo Power Technology Co., Ltd. (hereinafter referred to as "Chongqing Bisu") have failed to pay Vehicle Air Conditioning Company, a full-owned subsidiary of the Company for the air conditioner compressors. The Vehicle Air Conditioning Company filed a lawsuit with Chongqing Yubei District People's Court in November 2018, who held a hearing on July 11, 2019 and issued the "Civil Judgment of	539.68	No	The trial ends	The Company has fully accrued bad debts in 2018.	In September 2020, the BAIC Yinxiang Bankruptcy Acceptance Application Ruling (No.449-(2020) Yu 05 Poshen) was received, and the execution was	September 25, 2019	See details in the company's announcement published on securities times, Hongkong Commercial daily and <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> (Announcement

Chongqing Yubei District People's Court" on September 18, 2019 ((2018) Y0112 MC, No. 23992), where the "General Rules for Purchase of Parts and Materials" signed by the Company and Chongqing Bisu was cancelled. Chongqing Bisu paid 5,396,775.35 yuan and loss of capital occupation to the Vehicle Air Conditioning Company. Baic Yinxiang Automobile Co., Ltd. is jointly and severally liable for the above debts of the Defendant Chongqing Bisu.					terminated (no property execution, the bankruptcy reorganization has been applied for).		No.:2019-072)
Hafei Automobile Co., Ltd. (hereinafter referred to as: Hafei Automobile) have failed to pay 3,999,944.43 yuan for air conditioning compressors of Vehicle Air Conditioning Company, a full-owned subsidiary of the Company. The Vehicle Air Conditioning Company filed a lawsuit with Harbin Pingfang District People's Court in August 2018. On October 24, 2018, the Harbin Pingfang District People's Court mediated and issued a "Civil Mediation Document" [(2018) H0108MC, No. 1416], agreeing to pay the arrears of 3,999,944.43 yuan in installments from October 2018 to February 2019. However, Hafei Automobile Co., Ltd. did not pay on schedule. In December 2018, the Air-conditioning Company applied to the Harbin Pingfang District People's Court, Heilongjiang Province for compulsory enforcement. The case is currently under implementation.	400	No	Hafei Automobile Co., Ltd. failed to make the payment on schedule. In December 2018, the Vehicle Air Conditioner applied to the court for compulsory enforcement. The case is currently under implementation.	The Company has fully accrued bad debts in 2018.	In May 2020, it received the judgment of termination of execution (Black No.0108247 (2019)), and no property was executed.	November 16, 2018	See details in the company's announcement published on securities times, Hongkong Commercial daily and <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> (Announcement No.:2019-070)

The Company's wholly-owned subsidiary Automotive Air Conditioning Company sued Ran Ping, Luo Fangqing, Zhang Ye, Changzhou Kang Purui Automotive Air Conditioning Co., Ltd, Chongqing Yuxian Sanji Auto Parts Co., Ltd, and Chongqing Dongdian Refrigeration Equipment in the Fifth Intermediate People's Court of Chongqing Municipality over the case of infringement of technical secrets, which had been transferred to the jurisdiction of the Suzhou Intermediate People's Court.	100	No	Suzhou Intermediate People's Court Minchu No.305 (2021) Su 05	Not yet open a court session	Will open court session on April 8, 2021	April 28,2020	www.cninfo.com.cn.Announcement No.:2020-024
The Company's wholly-owned subsidiary-Automotive Air Conditioning Company filed a lawsuit in the Wendeng District People's Court of Weihai City due to the dispute over the sale and purchase contract, demanding Beiqi Heibao (Weihai) Automobile Co., Ltd pay 128,400 yuan in arrears. According to the court mediation document Min Chu No.6002-(2019) Lu 1003 dated November 20, 2019, the defendant shall pay 127,600 yuan.	12.84	No	Min Chu No.6002-(2019) Lu 1003	The trial ends	In July 2020, it received 76,000 yuan of the implementation of the reconciled settlement, and the court issued a ruling to terminate the execution in July 2020 (Zhi No. 973-(2020) Lu 1003), and the case was concluded		
The Company's wholly-owned subsidiary- Automotive Air Conditioning Company-sued in the Chengdu Longquanyi District People's Court for a dispute over the sale and purchase contract, demanding Sichuan Yema Automobile Co., Ltd pay 30,100	3.01	No	Chuan(2020) Minchu No.2994	The trial ends	It had been fulfilled in May 2020. The case had been concluded.		



yuan in arrears. According to the court mediation document Min Chu 2994-(2020) Chuan 0112 dated April 29, 2020, the defendant shall pay 18,000 yuan.							
The Company's wholly-owned subsidiary- Automotive Air Conditioning Company-sued in the People's Court of Xiangyang High-tech Zone for a dispute over the sale and purchase contract, demanding that Hubei Meiyang Automobile Industry Co., Ltd pay 1,408,800 yuan in arrears and return 260 compressors. According to the civil judgment of the Min Chu No. 3234-(2019) E 0691 on November 19, 2020, the defendant shall pay the air-conditioning company 1,408,800 yuan for goods and interest losses, and return 260 compressors.	154.32	No	Min Chu No. 3234-(2019) E 0691	The Company has fully accrued bad debts of 1.4088 million in 2020.	Apply for enforcement in March 2021		
The Company sued in the Ba'nian District People's Court of Chongqing City for a dispute over a lease contract and required the lessee Chongqing Construction Lijue Industrial Co., Ltd to pay a lease fee with 5 cases totaling 1,398,700 yuan. According to the court's judgment (mediation) in June 2020, the defendant shall pay 981,800 yuan.	139.87	No	Min Chu No. 4664-(2020) Yu 0113 Judgment, Min Chu No. 4665-(2020) Yu 0113 Judgment, Min Chu No. 4684-(2020) Yu 0113 Judgment, Min Chu No. 4685-(2020) Yu 0113 Judgment,	The Company has fully accrued bad debts of 1.4789 million in 2020.	The application for enforcement was applied in September 2020, and no property has been executed yet.		

			Min Chu No. 4686 -(2020) Yu 0113 Judgment				
--	--	--	---	--	--	--	--

**XIII. Situation of Punishment and Rectification**

☐Applicable ☒ Not applicable

No such cases in the Reporting Period.

**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 approved limited or not (Y/N)	Way of payment	Market price of similar trade available	Date of disclosure	Index of information disclosure
Jianshe Mechanical and Electric	Under same control	Purchase of goods	Lease production site	Fair Market Price	313	313	100.00 %	350	No	Cash	313	April 28, 2020	http://www.cninfo.com.cn. Announcement No.:202

													0-027
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	14609	14,609	20.30%	18,000	否	Note+Cash	14609	April 28,2020	The same as above
Jianshe Mechanical and Electric	Under same control	Sales of goods	Rental warehouse	Fair Market Price	318	318	63.00%	350	No	Cash	318	April 28,2020	The same as above
Chongqing Jianya	Joint venture of controlling shareholder	Sales of goods	Spare parts sales	Fair Market Price	584	584	0.80%	200	Yes	Cash	584	April 28,2020	The same as above
South Air International	Joint venture of controlling shareholder	Sales of goods	Spare parts sales	Fair Market Price	14	14	0.12%	50	No	Cash	14	April 28,2020	The same as above
Jianshe HANON	Joint venture	Sales of goods	Spare part sales	Fair market price	80	80	0.11%	0	Yes	Cash	80		
Jianshe Industry	Under same control	Sales of goods	Energy	Fair Market Price	31	31	45.00%	0	Yes	Cash	31		
Jianshe Industry	Under same control	Services	Test	Fair market price	100	100	59.00%	100	No	Cash	100	April 28,2020	The same as above
Chongqing Jianya	Joint venture of controlling	Services	Test	Fair Market Price	0.2	0.2	0.13%	10	No	Cash	0.2	April 28,2020	The same as above

	ng sharehol der												
Minsheng Logistics And its affiliated Enterprise s	Joint venture of controlli ng sharehol der	Services	Services	Fair market price	58	58	40.00%	0	Yes	Cash	58		
Southwes t Ordnance Chongqin g Institute of Environm ental Protection Co., Ltd.	Under same control	Services	Services	Fair Market Price	104	104	54.00%	0	Yes	Cash	104		
Changan Auto And its affiliated Enterprise	Under same control	Services	Accept mainten ance	Fair market price	112	112	40.00%	250	No	Note+C ash	112	April 28,2020	The same as above
Total				--	--	16,323. 2	--	19,310	--	--	--	--	--
Details of any sales return of a large amount				None									
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)				<p>The estimated total amount of "purchasing raw materials from related parties" is RMB 3.5 million, and the actual amount incurred is RMB 3.13 million. The estimated total amount of "selling products and commodities to related parties" is RMB 186 million, and the actual amount incurred is RMB 156.36 million.</p> <p>The estimated total amount of "accepting labor services provided by related parties" is RMB 3.6 million, and the actual amount incurred is RMB 3.742 million. The actual occurrence exceeded the budget by RMB 142,000, accounting for 0.08% of the company's latest audited net assets</p>									
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

According to the "Financial Service Agreement" signed by the company and the Military Equipment Group Finance Company, as of December 31, 2020, the company and its subsidiaries had a deposit balance of RMB75.2999 million and a short-term loan balance of RMB170.41 million. Accumulated interest paid was 3.276 million yuan. The above deposits, borrowings and interest arising from credit business such as comprehensive credit granting and bill discounting have not exceeded the scope approved by the general meeting of shareholders.

Website for temporary disclosure of the connected transaction

Announcement	Date of disclosure	Website for disclosure
Announcement on Acceptance of Financial Services and Related Transactions	April 25, 2019	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> . Announcement No.:2019-041
Announcement of Resolutions of the shareholders' general meeting of 2018	May 18, 2019	See details in the company's announcement published on securities times, Hongkong Commercial daily and <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> (Announcement No.:2019-059)

**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	Factory	3,187,684.37	5,670,620.70
Jianshe Mechanical and Electric	Machinery equipment		1,262,889.91

② The Company is the Lessee:

Name of Lessor	Type of leased asset	Rental recognized in the current year	lease fee confirmed last year
Jianshe Mechanical and Electric	Factory	3,131,505.24	3,060,055.14

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	Complete d 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	Amount of the	Actual date of occurring (signing	Actual amount of	Type of guarantee	Term	Complete d or not	Related guarantee

	of disclosure	guarantee	date of agreements	guarantee				
Vehicle air conditioner	April 25,2019	1,750	July 5,2019	1,750	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 25,2019	1,771	July 11,2019	1,771	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 25,2019	5,000	August 16,2019	5,000	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 25,2019	2,000	September 20,2019	2,000	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 25,2019	2,500	October 10,2019	2,500	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 25,2019	1,000	October 16,2019	1,000	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 25,2019	2,500	October 23,2019	2,500	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 25,2019	3,248	December 26,2019	3,248	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 25,2019	3,000	September 10,2019	3,000	Joint liabilities	12 months	Yes	No
Vehicle air conditioner	April 25,2019	3,000	September 17,2019	3,000	Joint liabilities	24 months	Yes	No
Vehicle air conditioner	April 25,2019	3,000	October 8,2019	3,000	Joint liabilities	12 months	Yes	No
Vehicle air conditioner	April 25,2019	1,200	October 8,2019	1,200	Joint liabilities	12 months	Yes	No
Vehicle air conditioner	April 25,2019	2,450	October 28,2019	2,450	Joint liabilities	12 months	Yes	No
Vehicle air conditioner	April 25,2019	5,000	November 20,2019	5,000	Joint liabilities	12 months	Yes	No
Vehicle air conditioner	April 25,2019	3,450	November 28,2019	3,450	Joint liabilities	12 months	Yes	No
Vehicle air conditioner	April 25,2019	5,579	December 9,2019	5,579	Joint liabilities	12 months	Yes	No
Vehicle air conditioner	April 25,2019	2,000	December 12,2019	2,000	Joint liabilities	12 months	Yes	No
Vehicle air conditioner	April 25,2019	2,549	December 17,2019	2,549	Joint liabilities	12 months	Yes	No
Vehicle air conditioner	April 25,2019	2,000	December 18,2019	2,000	Joint liabilities	12 months	Yes	No
Vehicle air conditioner	April 28,2020	1,751	January 8,2020	1,751	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 28,2020	1,771	January 17,2020	1,771	Joint liabilities	12 months	No	No
Vehicle air conditioner	April 28,2020	5,000	February 28,2020	5,000	Joint liabilities	12 months	No	No
Vehicle air conditioner	April 28,2020	2,000	March 17,2020	2,000	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 28,2020	2,500	April 13,2020	2,500	Joint liabilities	12Months	No	No
Vehicle air conditioner	April 28,2020	1,000	April 20,2020	1,000	Joint liabilities	12months	No	No
Vehicle air conditioner	April 28,2020	2,501	April 28,2020	2,501	Joint liabilities	12months	No	No
Vehicle air conditioner	April 28,2020	2,800	June 16,2020	2,800	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 28,2020	3,000	June 19,2020	3,000	Joint liabilities	12months	No	No
Vehicle air conditioner	April 28,2020	3,000	July 29,2020	3,000	Joint liabilities	12 months	No	No
Vehicle air conditioner	April 28,2020	1,751	July 31,2020	1,751	Joint liabilities	6 months	No	No
Vehicle air conditioner	April 28,2020	3,000	August 11,2020	3,000	Joint liabilities	12 months	No	No
Vehicle air conditioner	April 28,2020	1,000	August 27,2020	1,000	Joint liabilities	12 months	No	No

Vehicle air conditioner	April 28,2020	3,248	September 23,2020	3,248	Joint liabilities	6 months	No	No
Vehicle air conditioner	April 28,2020	3,450	October 12,2020	3,450	Joint liabilities	7 months	No	No
Vehicle air conditioner	April 28,2020	2,000	October 15,2020	2,000	Joint liabilities	7 months	No	No
Vehicle air conditioner	April 28,2020	2,000	October 16,2020	2,000	Joint liabilities	6 months	No	No
Vehicle air conditioner	April 28,2020	2,549	October 19,2020	2,549	Joint liabilities	7 months	No	No
Vehicle air conditioner	April 28,2020	2,000	November 3,2020	2,000	Joint liabilities	6 months	No	No
Vehicle air conditioner	April 28,2020	5,579	December 4,2020	5,579	Joint liabilities	12 months	No	No
Total of guarantee to subsidiaries approved in the report term (B1)			61,000	Total of guarantee to subsidiaries actually occurred in the report term (B2)				51,900
Total of guarantee to subsidiaries approved as of the report term (B3)			61,000	Total of balance of guarantee actually provided to the subsidiaries as of end of report term (B4)				45,349
Guarantee of the subsidiaries for its subsidiaries								
Name of the company guaranteed	Related announcement date and no.	Amount of guarantee	Date of happening(date of signing agreement)	Actually guarantee amount	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for related party(yes or no)
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
Total of Company's guarantee （namely total of the large three aforementioned）								
Total of guarantee in the Period（A1+B1+C1）			61,000	Total of actual guarantee in the Period（A2+B2+C2）				51,900
Total of guarantee at Period-end（A3+B3+C3）			61,000	Total of actual guarantee at Period-end（A4+B4+C4）				45,349
The Company's total guarantee(i.e.total of the first three main items)（A4+B4+C4）				261.24%				
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）					45,349			
Proportion of total amount of guarantee in net assets of the company exceed 50%（F）					43,198.87			
Total guarantee Amount of the abovementioned guarantees（D+E+F）					51,900			
Explanations about joint and several liability for repayment in respect of undue guarantee(if any)					None			



Explanation about external guarantee violating established procedure if any )	None
---	------

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

Not-existent

(2) Situation of Entrusted Loans

☐ Applicable ☒ Not applicable

Not-existent

4. Major contracts for daily operations

☐ Applicable ☒ Not applicable

5. Other significant contract

☐ Applicable ☒ Not applicable

Not-existent

**XVIII. Social responsibility**

1. Execution of social responsibility of targeted poverty alleviation

(i) Protection of shareholders' equity

The company always insists on fair treatment to all investors, protects the legitimate rights and interests of shareholders, especially small and medium shareholders, and actively creates conditions to attract small and medium shareholders to participate in major decisions of the company. During the reporting period, the Board of Directors convened 3 general meetings of shareholders by providing on-site voting and online voting, and the shares held by shareholders participating in voting accounted for more than 74.45% of the total shares of the company.

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 abode by the relevant provisions of the Labor Law and the Labor Contract Law, and has established a sound human resources, occupational health and safety management system. First, adhere to the democratic management system, set up employee directors and employee supervisors to participate in the company's decision-making and supervision, hold employee representative symposiums twice, and listen to employees' opinions and suggestions on the company's development. Second, sign collective contracts, special collective contracts on wages, and special collective contracts on protection the special rights and interests of female employees on schedule. Third, continue to make factory affairs public, and disclose matters that employees should know in a timely manner by the "Construction Shares" newspaper and OA collaborative office platform, and disclose 146 major matters concerning the vital interests of employees throughout the year. Fourth, pay attention to staff growth and personnel training, and organize 147 training sessions throughout the year, with a total of 4,960 person-times and a total of 28,738 hours. Fifth, care for the health of employees. During the epidemic period, provide employees with masks and other protective products regularly to protect their health; Intensify occupational health publicity and education, and regularly carry out occupational hazard detection and occupational health examination in workplaces to ensure that no occupational diseases occur. Sixth, strengthen staff safety management. Vigorously carry out three-year special rectification actions for work safety and major rectification of safety and security work to improve the company's work safety level; Strengthen daily safety inspection and construction safety technology management of relevant parties, and strengthen safety process control. There are no deaths, serious injuries, minor injuries and public security incidents 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.

In terms of customer and consumer rights protection: First, comprehensively improve the quality of products and services, vigorously promote the construction of "1+N" quality system, and pass the IATF16949 system audit and Chang'an QCA2.0 and Geely "3A" supplier system certification; Strengthen quality cost control, win the title of China Chang'an Red List Enterprise for 12 consecutive quarters and the Quality Contribution Award issued by Chongqing Chang'an for two consecutive years. Second, further promote lean production, strengthen the use of advanced lean management tools, and improve lean production capacity. Steadily promote the transformation of digital factory, and complete the construction of data collection, analysis and total quality management system of 5# assembly line; The company's "Intelligent Factory of Rotary Vane Air Conditioning Compressor for Vehicles", auto frame welding automation and auto die casting machine production line construction "were selected into Chongqing Intelligent Manufacturing and Industrial Internet Innovation Demonstration Support Project, and Jianse HANON was awarded the title of" Intelligent Factory of Variable Displacement Air Conditioning Compressor for Vehicles "in Chongqing.

### (IV) Environmental protection and sustainable development

The company strictly abode by national laws and regulations on environmental protection, established environmental protection management institutions, established an ecological environment risk prevention and control system, and continuously strengthened the capacity building of emergency monitoring, emergency response and risk prevention and control. Strictly implement the operation control of waste water and waste gas treatment facilities, fine management of hazardous waste, and comprehensive achievement in discharge of waste water, organized discharge of waste gas and unorganized discharge of waste gas. Continuously optimize the

process, replace nickel-containing phosphating solution with nickel-free phosphating solution, and realize zero emission of Class I pollutants. The company and air conditioning company were awarded the titles of "Chongqing Environmental Protection Honest Enterprise" and "Chongqing Environmental Protection Good Enterprise" respectively.

#### (V) Public relations and public welfare undertakings

In 2020, the company actively participated in poverty alleviation activities of unsalable agricultural and sideline products consumption in Yanshan County, Yunnan Province and Qianjiang City, Hubei Province, and purchased unsalable agricultural and sideline products of RMB 32,000. It actively promoted employment to help the poor, according to the special action arrangement of "resisting epidemic, stabilizing posts and expanding employment" of Bingzhuang Group, and participated in more than 20 online double-election meetings combined with the recruitment plan of the company, with more than 2,600 resumes received, more than 50 people interviewed by means of WeChat video, and 6 people recruited. It actively responded to the national initiative and organized party members and employees to donate RMB 116,757 to Wuhan Covid-19 epidemic prevention and control.

#### 2. Overview of the targeted poverty alleviation

The company has no precise social responsibility for poverty alleviation in the period and has no follow-up plan either.

#### 3. Major environmental protection

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

☐ Yes ☒ No

Environmental protection information is disclosed on the website of the company (<http://www.jianshe.com.cn>), including environmental protection information such as the names of all pollutants, emission methods, number and distribution of discharge outlets, emission concentration and pollutant emission standards for total volume, construction and operation of pollution prevention facilities, environmental impact assessment of construction projects and other environmental protection administrative licenses, emergency plans for sudden environmental incidents, and environmental self-monitoring plans. Meanwhile, you can also check the company's sewage permit, the registration receipt of fixed pollution sources of Chongqing Jianshe Vehicle System Co., Ltd. (registration number: 915000007474824231001X), and the national sewage permit of Chongqing Jianshe Automobile Air Conditioner Co., Ltd. (certificate number: 9150000075925214XL001R).

### **XIX. Explanation on other significant events**

☐ Applicable ☒ Not applicable

Not-existent

### **XX. Significant event of subsidiary of the Company**

☐ Applicable ☒ Not applicable

## 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%

Reasons for share changed

☐Applicable ☒Not applicable

Approval of Change of Shares

☐Applicable ☒Not applicable

Ownership transfer of share changes

☐Applicable ☒Not applicable

Progress on any share repurchase:

☐ Applicable ☒ Not applicable

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

☐ 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

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

## II. 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; Hengsheng Sun Group Co., Ltd. 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

Total number of common shareholders at the end of the reporting period	7,441	Total shareholders at the end of the month from the date of disclosing the annual report	7,393	The total number of preferred shareholders voting rights restored at period-end(if any)(See Notes 8)	0	Total preferred shareholders at the end of the month from the date of disclosing the annual report(if any)(See Notes 8)	0	
Particulars about shares held above 5% by shareholders or top ten shareholders								
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	0	84,906,250	0		
Gu Zuocheng	Domestic natural person	1.89%	2,261,000	0	2,218,750	42,250		
Hengsheng Sun Group Co., Ltd.	Domestic non-state-owned legal person	1.47%	1,750,000	Transferred 1,750,000 shares of Hengsheng Sun Group Co., Ltd	1,750,000	0		
Liu Dan	Domestic natural person	0.77%	918,251	Reduce the holding of 165,000 shares	0	918,251		
Xu Yuanhui	Domestic natural person	0.65%	777,889	Increase the holding of 89,000 shares	0	777,889		
Chen Xinqiang	Domestic natural person	0.51%	612,400	0	0	612,400		

CORE PACIFIC-YAMAICHI INTERNATIONAL (H.K.) LIMITED	Overseas Legal person	0.44%	531,150	Increase the holding of 96, 500 shares	0	531,150		
Zhang Meilan	Domestic natural person	0.43%	513,560	0	0	513,560		
Feng Yonghui	Domestic natural person	0.42%	500,000	0	500,000	0		
Li Jianping	Domestic natural person	0.36%	434,500	Increase the holding of 5, 000	0	434,500		
Strategic investor or general legal person becoming top-10 ordinary shareholder due to rights issue (if any) （See Note 3）			None					
Related or acting-in-concert parties among shareholders above			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’.					
Description of the above shareholders in relation to delegate/entrusted voting rights and abstention from voting rights			Not applicable					
Top 10 holders of unconditional shares								
Name of the shareholder		Amount of unconditional shares held at end of period	Category of shares			Amount		
			Category of shares					
Liu Dan		918,251	Foreign shares placed in domestic exchange			918,251		
Xu Yuanhui		777,889	Foreign shares placed in domestic exchange			777,889		
Chen Xinqiang		612,400	Foreign shares placed in domestic exchange			612,400		
CORE PACIFIC-YAMAICHI INTERNATIONAL (H.K.) LIMITED		531,150	Foreign shares placed in domestic exchange			531,150		
Zhang Meilan		513,560	Foreign shares placed in domestic exchange			513,560		
Li Jianping		434,500	Foreign shares placed in domestic exchange			434,500		
Chen Houping		423,561	Foreign shares placed in domestic exchange			423,561		

Lv Gang	418,099	Foreign shares placed in domestic exchange	418,099
Liu Guosheng	345,575	Foreign shares placed in domestic exchange	345,575
Zhang Long	335,877	Foreign shares placed in domestic exchange	335,877
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.		
Top 10 ordinary shareholders conducting securities margin trading (if any) (see note 4)	Not applicable		

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 Holdings

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 Xianpng	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: 1.44.17% by Chongqing Changan Automobile Co., Ltd.; 2. 44.56 by Baoding Tianwei Baobian Electric Co., Ltd.; 3.37.40% by Hunan Tianyan Machinery Co., Ltd.;4.51.42 by Haerbin Automobile Power Co., Ltd.;5. 55.61% by Yunnan Xiyi Industry Co., Ltd.; 6.25.44% by Chongqing Mensheng Logistic Co., Ltd.;7. 46.87% China Optical Group Co., Ltd.; 8. 41.03% by Jiangling Automobile Co., Ltd.			

Change of holding shareholder

☐ Applicable ☒ Not applicable

None

### 3. Information about the controlling shareholder of the Company

Actual controller nature: Central state owned Assets Management t

Actual controller type: Legal person

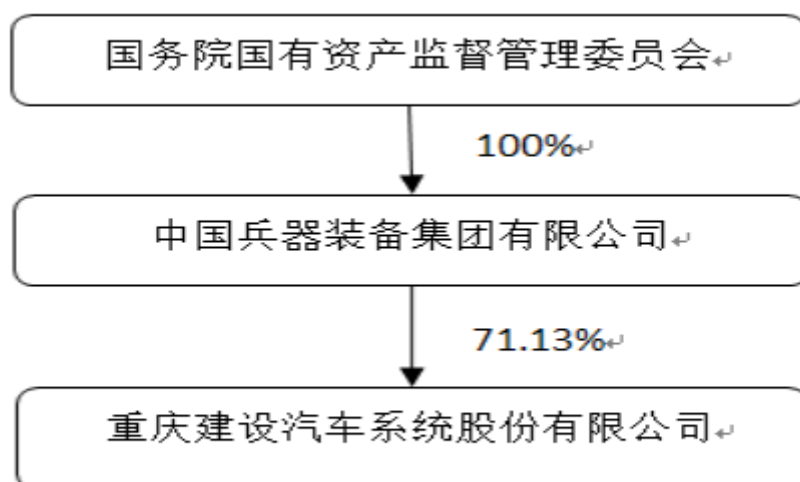
Name of the controlling shareholder	Legal representative/person in charge	Date of establishment	Organization code	Principal business activities
State-owned Assets Supervision and administration Commission of the State Council	Not applicable		Not applicable	Not applicable
Situation of domestic and abroad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

☐ Applicable ☒ Not applicable

During the reporting period, the company did not have convertible corporate bonds.

## IX. 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(s hare)	Amount of shares increase d at the reportin g period(s hare)	Amount of shares decrease d at the reportin g period(s hare)	Other change s increas e/decr ease	Shares held at the year-end(share )
Yan Xuechuan	Chairman	In office	Male	57	November 13,2020	May 31,2023	0	0	0	0	0
Dong Qihong	Director	In office	Male	56	April 11,2019	May 31,2023	0	0	0	0	0
Yu Jiang	Employee director	In office	Male	49	March 20,2019	May 31,2023	0	0	0	0	0
Zhang Di	Director	In office	Male	41	April 11,2019	May 31,2023	0	0	0	0	0
Zhou Yongqiang	Director	In office	Male	48	May 25,2016	May 31,2023	0	0	0	0	0
Hao Lin	Director	In office	Male	57	April 29,2008	May 31,2023	0	0	0	0	0
Li Jiaming	Independent Director	In office	Male	55	May 22,2020	May 31,2023	0	0	0	0	0
Xie Fei	Independent Director	In office	Male	56	May 22,2020	May 31,2023	0	0	0	0	0
Liu Wei	Independent Director	In office	Male	56	May 22,2020	May 31,2023	0	0	0	0	0
Song Weiwei	Independent Director	In office	Female	45	May 22,2020	May 31,2023	0	0	0	0	0
Lv Hongxian	Chairman	Dismission	Male	51	March 18,2016	November 13,2020	0	0	0	0	0
Li	Independent	Dismiss	Male	57	May 23,2014	May 22,2020	0	0	0	0	0

Dingqing	nt Director	ion									
Wang Jun	Independe nt Director	Dismiss ion	Male	58	May 25,2016	May 22,2020	0	0	0	0	0
Peng Jue	Independe nt Director	Dismiss ion	Femal e	66	May 23,2014	May 22,2020	0	0	0	0	0
Liu Zhiming	Independe nt Director	Dismiss ion	Male	39	May 23,2014	May 22,2020	0	0	0	0	0
Lu Xianyun	Chairman of the supervisor y committee	In office	Male	56	November 27,2020	May 31,2023	0	0	0	0	0
Zhang Lungang	Supervisor	In office	Male	53	April 11,2019	May 31,2023	0	0	0	0	0
Qiao Guoan	Supervisor	In office	Male	56	April 11,2019	May 31,2023	0	0	0	0	0
Li Yongjian	Employee supervisor	In office	Male	39	March 20,2019	May 31,2023	0	0	0	0	0
Rao Song	Employee supervisor	In office	Male	55	March 20,2019	March 3,2021	0	0	0	0	0
Zhang Lungang	Chairman of the supervisor y committee	Dismiss ion	Male	53	April 11,2019	November 27,2020	0	0	0	0	0
Jiang Chaojie	Supervisor	Dismiss ion	Male	55	April 11,2019	October 29,2020	0	0	0	0	0
Yan Xuechuan	General Manager	Dismiss ion	Male	57	March 25,2019	November 13,2020	0	0	0	0	0
Yu Wenbiao	Deputy GM	In office	Male	54	March 25,2019	May 31,2023	0	0	0	0	0
Fan Aijun	Deputy GM	In office	Male	49	March 25,2019	January 18,2021	0	0	0	0	0
Tan Mingxian	Chief accountant	In office	Male	47	March 25,2019	May 31,2023	0	0	0	0	0
Zhang	Secretary	In	Male	33	May 17,2018	May 31,2023	0	0	0	0	0

Hushan	of the Board	office									
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
Tan Mingxian	DG Manager	Appointed	February 14,2020	The chief accountant was set up according to the newly revised Articles of Association. His/her position was changed from deputy general manager to chief accountant and continued to perform the duties of financial director.
Li Dingqing	Independent director	Leaves the office at the end of his term	May 22,2020	Board change
Wang Jun	Independent director	Leaves the office at the end of his term	May 22,2020	Board change
Peng Jue	Independent director	Leaves the office at the end of his term	May 22,2020	Board change
Liu Zhiqing	Independent director	Leaves the office at the end of his term	May 22,2020	Board change
Li Jiaming	Independent director	Be elected	May 22,2020	
Xie Fei	Independent director	Be elected	May 22,2020	
Liu Wei	Independent director	Be elected	May 22,2020	
Song Weiwei	Independent director	Be elected	May 22,2020	
Lv Hongxian	Chairman	Dimission	November 13,2020	In case of any change of work,
Zhang Lungang	Chairman of the supervisory committee	Appointed	November 27,2020	No longer serves as Chairman of the Board of Supervisors, but retains the position of Supervisor.
Lu Xianyun	Supervisor, Chairman of the supervisory committee	Be elected	November 27,2020	
Jiang Chaojie	Supervisor	Dimission	October 29,2020	In case of any change of work,
Yan Xuechuan	General Manager	Appointed	November 13,2020	The General Manager is dismissed by the

				Board of Directors and elected as chairman.
--	--	--	--	---

### III. Status of service

Working experiences of current directors, supervisors, and executives

Situation by the end of 2020:

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 of the Company; he had served as Director, Party Committee Secretary, Disciplinary Committee Secretary, worker union Chairman and General Manager of Jianshe Mechanical and Electric. Currently, he serves as Chairman and party committee of the company of the Company.

Dong Qihong, male, was born in September 1964, bachelor degree in economic management, senior engineer. He was Former Secretary of Youth League Committee of Qingshan Machinery Factory, Deputy Director of Motorcycle Parts Branch; Deputy Minister and Minister of Personnel and Labor Department of Chongqing Qingshan Industrial Co., Ltd., Deputy Secretary of Party Committee, Secretary of Discipline Inspection Committee, Chairman of Worker Union, Deputy General Manager, Director, Secretary of Party Committee of Chongqing Qingshan Industrial Co., Ltd; he had served as Deputy General Manager and General Manager of Chongqing Qingshan Transmission Branch of China South Industrial Automobile Co., Ltd; General Manager of Chongqing Qingshan Industrial Co., Ltd.; Deputy Director and Director of Audit and Risk Department of China South Industries Group Corporation; Chairman and Secretary of Party Committee of Baoding Tianwei Group Co., Ltd.; Inspector of Audit and Risk Department, Inspector of Supervision Department, Inspector of Discipline Inspection and Supervision Department of China South Industries Group Corporation; Supervisor of South Asset Management Company; Chairman of Chang'an Automobile Supervisory Committee; and he was Director of Construction Mechatronics. Currently, he is the director of China Jialing, director of Luoyang North, director of Jinan Qingqi and director of the Company.

Yu Jiang, male, was born in April 1971, master of industrial engineering, senior engineer title of researcher level. He used to be Deputy Director of the third construction plant of the construction group, Deputy Director of the engine branch plant, Deputy General Manager of the engine company and the director of the 52 workshop of the construction group; Manager of the Shenzhen Jianmo B engine company, Deputy General Manager and Director of the quality department of the Shenzhen Jianmo B; Deputy Director of Construction Group Office, Deputy Director, Director of Jianmo B Technology Center, and Director, Deputy General manager, Member of the party committee of the Applied Technology Research Institute of Jianmo B Technology Center; Deputy General manager, Member of the party committee, Deputy Secretary of the party committee, Secretary of the disciplinary committee, Chairman of the worker union, and Director of Construction Mechatronics. He is currently the Deputy Secretary of the Party Committee, Secretary of the Commission for Discipline Inspection, Chairman of the Worker Union, and Director of Employees of the Company.

Zhang Di, male, was born in January 1979, master of law, assistant engineer. He used to be the deputy division chief of first division of asset management department, deputy division chief and division chief of asset



management department of capital operation department of China South Industries Group Corporation. He is currently the division chief of the Property Management Department of the Capital Operation Department of Military Equipment Group and the 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.

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.

Li Jiaming: male, was born in 1965, with a doctoral degree and a professor title. He was former Head of the Teaching and Research Section of the Department of Economics II, Yuzhou University; deputy director of the accounting department of Chongqing University School of Business Administration, deputy director of the Disciplinary Supervision Office of Chongqing University, deputy director, director of the Audit Office of Chongqing University, General Manager of Chongqing University Science and Technology Enterprise Group, Director of MPAcc Center of School of Economics and Management of Chongqing University, and Executive Deputy Dean of Chongqing University of Science and Technology of Dazi City, he served concurrently as independent director of Chongqing Yu Development Co., Ltd, Guangxi Liugong Machinery Co., Ltd. and Chongqing Jianshe Motorcycle Company. Currently, he is the chairman of Chongqing University Asset Management Co., Ltd and an independent director of the Company.

Xie Fei: Male, born in 1964, doctor degree, professor title, visiting scholar at Australian National University, and research student at Ritsumeikan University in Japan. He was a member of the Standing Committee of the Youth League Committee of Chongqing University, a teacher and director of Chongqing Industrial Management Institute, and a teacher and director of Chongqing Institute of Technology. Currently, he is Dean of the School of Economics and Finance of Chongqing University of Technology, concurrently serves as Educational Inspector of Chongqing Municipal People's Government, Executive Director of Chongqing Finance Society, Executive Director of Chongqing Macroeconomics, Decision Consulting Expert of Chongqing Development and Reform Commission, Leader of Applied Economics and Asset Appraisal of Chongqing University of Technology, and he is an independent director of Chongqing Yuxin Pingrui Electronics Co., Ltd and an independent director of the Company.

Liu Wei: Male, born in 1964, doctoral degree, professor title, former lecturer, associate professor, assistant dean of the first department of mechanical engineering of Chongqing University, he served as professor and deputy director of the research institute of the School of Mechanical Engineering of Chongqing University, once concurrently served as independent director in Chongqing Chang'an Automobile Co., Ltd. Co., Ltd, Chongqing Science and Technology Venture Capital Co., Ltd, Chongqing Jianfeng Chemical Co., Ltd, Chongqing Angel Investment Guidance Fund Co., Ltd, and Chongqing Zaisheng Technology Co., Ltd, and external director of Chongqing Iron and Steel (Group) Co., Ltd. Currently, he serves as professor, doctoral supervisor, deputy director

of the research center, and department head of the School of Economics and Business Administration of Chongqing University, concurrently serving as independent director of Chongqing Mechanical and Electrical Co., Ltd., Chongqing Fuling Power Industry Co., Ltd, Chongqing Three Gorges Paint Co., Ltd., and Chongqing Zhengchuan Pharmaceutical Packaging Materials and the Company.

Song Weiwei: female, born in 1975, master degree, professor of financial management and certified public accountant. She served concurrently as the chairman of Chongqing University of Technology Weigan Technology Co., Ltd. Currently, she serves as professor at the School of Accounting of Chongqing University of Technology, concurrently serving as independent director of Chongqing Chuanyi Automation Co., Ltd, SPIC Yuanda Environmental Protection Co., Ltd, Chongqing Three Gorges Paint Co., Ltd and the Company.

Lu Xianyun, male, Han nationality, was born in November 1964. He has a postgraduate degree in business administration and has the title of researcher-level senior engineer. He served as Minister of Manufacturing Department, Assistant to General Manager and Minister of Human Resources, and Deputy General Manager of Qingshan Plant, and once served as Deputy General Manager, Secretary of the Party Committee, Secretary of the Disciplinary Committee, Chairman of the Labor Union, and Director of Chongqing Qingshan Industrial Co., Ltd, and he was Secretary of the Party Committee of, Secretary of the Commission for Discipline Inspection, Chairman of the Labor Union in Chongqing Qingshan Transmission Branch. Currently, he is a supervisor of Yunnan Xiyi and the chairman of the Company's board of supervisors.

Zhang Lungang, male, was born in January 1967, university degree in financial management, senior accountant title. He was Former financial chief accountant of 5003 Factory; Deputy division chief of the Financial Department of Southwest Ordnance Bureau; Financial Manager of Chongqing Wanyou Kang'nian Hotel; Division Chief of the Financial Department, Division Chief of Financial Audit Department, Division Chief of Asset Management Department of Southwest Ordnance Bureau; Deputy General Manager, Chief Accountant of Dajiang Industrial Group Corporation; Deputy General Manager of Chongqing Jiangtong Machinery; Director, Chief Accountant and Secretary of the Party Committee of Chongqing Chang'an Industry (Group) Co., Ltd.; Chairman of the Supervisory Board of Chengdu Jinlin Industrial Manufacturing Co., Ltd; Supervisor and Chairman of the Supervisory Board of Chengdu Lingchuan Special Industry Co., Ltd.; Supervisor of the Supervisory Board of Sichuan Huaqing Machinery Co., Ltd.; and Chairman of the Supervisory Committee of Construction Mechatronics. He is currently the Chairman of the Supervisory Committee of Construction Mechatronics, and Supervisor of Yunnan Xiyi Industry Co., Ltd.

Qiao Guoan, male, was born in May 1964, holding a bachelor's degree in systems engineering and a senior engineer title. He used to be Chief of Technology Section, Chief of Integrated Management Section of Chief Engineer's Office, Deputy Chief of Science and Technology Department, Minister of Science and Technology Quality Department of 861 plant, Assistant General Manager, Deputy General Manager and Chief Engineer, Director, General Manager, Deputy Secretary of the Party Committee of Hunan Yunjian Group Co., Ltd; and Supervisor of Jianshe Mechanical and Electric. He is currently the supervisor of Yunnan Xiyi Industry Co., Ltd. and the supervisor of Jianshe Industry and the supervisor of the Company.

Li Yongjiang, male, was born in November 1981, holding bachelor degree in mechanical engineering and automation and the senior engineer title. He used to be Deputy Section Chief of the Engine Group of Construction Group; Chief of Workshop Room 54, Deputy Chief of Machine Shop of Manufacturing Department, Director of Precision Management Office of Jianmo B Engine Business Department; Practice Section Chief of Chongqing Jianya casting section; Deputy Director of the Jianmo B press welding workshop; Deputy Minister of the production management department; Deputy Minister of the construction machinery manufacturing management department; Deputy Division Chief of the manufacturing department of Chang'an Automobile Yubei Factory (Concurrent

Post). He is currently the Vice Chairman of the Company's worker union, Minister of the party and mass work department, and Employee Supervisor.

Rao Song, male, was born in October 1965, bachelor degree in business management, accountant title. He was former accountant of Construction Group; Finance Minister of Hubei Shenfeng Construction Motorcycle Company; Finance Minister of Construction Mastery Motorcycle Company; Finance Minister of Ningbo Construction Motorcycle Company; Finance Minister of Jianmo B Chengche Company; Deputy Division Chief of Price Department of Chongqing Jianshe Motorcycle Sales Company, Executive Member of Pingshan Taikai Executive Committee, Deputy Minister of Finance Headquarter; Deputy Minister of Jianshe Jianshe Mechanical and Electric Finance Department; and Minister of Finance of Jianshe Vehicle B. He is currently the Deputy Director of the Company's audit risk department (Chairing the work) and Employee Supervisor of the Company.

Yu Wenbiao, male, was born in November 1966, bachelor's degree in automatic machinery, senior engineer title of researcher. He used to be Former Deputy Director of Workshop 61 of Construction Group, Deputy Division Chief of Quality Assurance Division of Firearms Company, Deputy Director of Firearms Research Institute, Deputy Minister of Development Planning Department, Director of Beijing Office, Director of Economic Operation Department of Development Planning Department, Deputy Minister of Development Planning Department (Hosting), Minister of Development Planning Department, Minister of Joint Venture Cooperation Management Department, Assistant General Manager, Minister of Asset Operation Department; Secretary of the Board of Directors of Jianmo B; Deputy General Manager of Zhuzhou Jianya; Deputy General Manager, Member of the Party Committee of Jianmo B; Deputy General Manager, Party Committee Member; and Company Director of Jianshe Mechanical and Electric. Currently, he is the Deputy General Manager of the Company.

Fan Aijun, 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. he served as Deputy General Manager 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. he served as Chief accountant of the Company.

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 severed 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
Dong Qihong	Chongqing Jialing Industrial Co., Ltd.	Director	October 10,2018	August 17,2020	Yes
Dong Qihong	,Luoyang North	Director	October 10,2018		Yes
Dong Qihong	Jinan Qingqi	Director	December 3,2018		Yes
Zhang Di	Operation Dept property Management Office ,Military Equipment Group. Operation Dept property Management Office	Director	December 3,2018		Yes
Zhou Yongqiang	Southern Motorcycle (subsidiary of the holding shareholder)	Director of Enterprise Development Dept	July 1,2013		Yes
Zhou Yongqiang	Chongqing Jialing Industrial Co., Ltd.	Director	April 7,2016	August 17,2020	Yes
Zhou Yongqiang	Luoyang North, Jinan Qingqi		April 7,2016		Yes
Zhang Lungang	Jianshe Industry	Chairman of the board of supervisors	November 6,2017		Yes
Zhang Lungang	Yunnan Xiyi Industry Co., Ltd.	Supervisor	November 6,2017		Yes
Qiao Guoan	Yunnan Xiyi Industry Co., Ltd.	Supervisor	January 3,2018	October 22,2020	Yes
Qiao Guoan	Jianshe Industry	Supervisor	January 3,2018		Yes
Lu Xianyun	Yunnan Xiyi	Supervisor	November 10,2020		Yes

Offices taken in other organizations

√Applicable □Not applicable

Names	Name of the parties	Positions	Job started	Job ended	Take remuneration s from the party
Hao Lin	Chongqing Tongkang Technology Co., Ltd.	Chairman	July 1,1999		Yes
Li Jiaming	Chongqing University Assets Management Co., Ltd.	Chairman	July 1,2019		Yes
Xie Fei	Chongqing University of Technology School of Economics and Finance	Professor, President	January 4,2016		Yes
Liu Wei	Chongqing University of School of Economics and Business Administration	Director, Department of Enterprise Mangement,Ph.D	April 2,2001		Yes
Song Weiwei	Accounting School of CQUT	Professor	July 3,2000		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

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
Yan Xuechuan	Chairman	Male	57	In office	40.3	No
Dong Qihong	Director	Male	56	In office	16.1	Yes
Yu Jiang	Employee director	Male	49	In office	35.7	No
Zhang Di	Director	Male	41	In office	0	Yes
Zhou Yongqiang	Director	Male	48	In office	0	Yes
Hao Lin	Director	Male	57	In office	0	Yes
Li Jiaming	Independent Director	Male	55	In office	1.5	No
Xie Fei	Independent Director	Male	56	In office	1.5	No

Liu Wei	Independent Director	Male	56	In office	1.5	No
Song Weiwei	Independent Director	Female	45	In office	1.5	No
Lv Hongxian	Chairman	Male	51	Dimission	37.7	No
Li Dingqing	Independent Director	Male	57	Dimission	1.5	No
Wang Jun	Independent Director	Male	58	Dimission	0	No
Peng Jue	Independent Director	Female	66	Dimission	1.5	No
Liu Zhiqiang	Independent Director	Male	39	Dimission	1.5	No
Lu Xianyun	Chairman of the supervisory committee	Male	56	In office	4.4	Yes
Zhang Lungang	Supervisor	Male	53	In office	19.8	Yes
Qiao Guoan	Supervisor	Male	56	In office	15.2	Yes
Li Yongjiang	Employee Supervisor	Male	39	In office	27.1	No
Rao Song	Employee Supervisor	Male	55	In office	19.7	No
Jiang Chaojie	Supervisor	Male	55	Dimission	0	Yes
Yu Wenbiao	DG Manager	Male	54	In office	35.6	No
Fan Aijun	DG Manager	Male	49	In office	35.3	No
Tan Mingxian	Chief accountant	Male	47	In office	35.5	No
Zhang Hushan	Secretary of the Board	Male	33	In office	28.2	No
Total	--	--	--	--	361.1	--

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)	305
Number of in-service staff of the main subsidiaries (person)	639
Total number of the in-service staff (person)	944
Total number of staff receiving remuneration in the current period (person)	944
The number of the parent company and the main subsidiary's retired staffs who need to bear the cost (person)	147
Professional	
Classified according by Professions	Number of persons (person)
Production	568

Sales	37
Technical	203
Financial	30
Administrative	106
Total	944
Education	
Classified according by Professions	Number of persons (person)
Mid-school or below	361
Colleges or above	260
Universities or above	298
Postgraduate or above	25
Total	944

## 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. The salary of employees is closely related to individual performance, department performance and company operating results.

## 3. Training plan

In 2020, the Company organized 147 training sessions throughout the year, including 87 internal trainings and 60 outside training sessions with a total of 4,960 person-times in trained and the total training hours reached 28,738 hours. The average training hours per employee of the Company reached 32 hours and the Company comprehensively completed the Company's annual training plan. In the year, it completed 339 person-times post-operation (Undertake post or post transfer) training and appraisal assessments for production operation employees, and issued qualification certificates for the staff; It provided an online learning platform to open multi-disciplinary self-learning courses for company employees. As of the end of the year, the per-person learning hours reached 73 hours.

## 4. Outsourcing situation

☐ Applicable ☒ Not applicable

## X. Administrative structure

### I. Basic state of corporate governance

In accordance with the Guidelines for the Governance of Listed Companies and other laws and regulations, the company has continuously improved its governance mechanism and established an effective governance structure, with clear rights and obligations of shareholders, directors, supervisors and senior executives, which can ensure that shareholders fully exercise their legal rights, ensure that the Board of Directors is responsible to the company and shareholders, and ensure the transparency of major information disclosure, legal operation and honesty and trustworthiness of the company. There is no significant difference between the actual situation of corporate governance and the normative documents on governance of listing companies issued by China Securities Regulatory Commission.

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	Meeting Date	Disclosure date	Disclosure index
----------	------	----------	--------------	-----------------	------------------



		participation ratio			
The First Extraordinary shareholders' General meeting in 2020	Provisional shareholders' General meeting	74.45%	February 14,2020	February 15,2020	For details please find the Resolutions of the first Extraordinary Shareholders' Meeting of 2020, Announcement 2020-009 at <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Annual General Meeting of 2019	Annual Shareholders' General Meeting	74.45%	May 22,2020	May 23,2020	For details please find the Resolutions of Shareholders' Meeting 2019, Announcement 2020-055 at <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
The Second Extraordinary shareholders' General meeting in 2020	Provisional shareholders' General meeting	74.45%	November 27,2020	November 28,2020	For details please find the Resolutions of the second Extraordinary Shareholders' Meeting of 2020, Announcement 2020-088 at <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

## 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 reporting period	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 twice (Yes/No)	Number of attendance at general meetings of shareholder
Li Dingqing	3	3	0	0	0	否	2
Wang Jun	3	1	0	2	0	否	2
Peng Jue	3	3	0	0	0	否	2
Liu Zhiqiang	3	3	0	0	0	否	2
Li Jiaming	5	3	2	0	0	否	1
Xie Fei	5	3	2	0	0	否	1

Liu Wei	5	3	2	0	0	否	1
Song Weiwei	5	3	2	0	0	否	1

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 2020, the company's independent directors learned about the company's production and operation through field investigation, consulting the company's information and listening to reports, and paid attention to the impact of COVID-19 on the company's production and operation, the construction of internal control system, and the management of subsidiaries. It provided professional advice and management suggestions to the Board of Directors on major decision-making matters of the company in their respective professional fields, including the "14th Five-Year Plan" of the company, financial expense control, performance incentives of managers, etc. The company listened carefully to and adopted the suggestions of independent directors, constantly improved and upgraded the 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 four meetings according to the Auditing Committee Working Criteria and Auditing Committee Annual Report Working Procedures. They were:

1. The Audit Committee of the Company held its third meeting in 2020 on October 19, 2020. The meeting reviewed the qualifications of the proposed re-appointment of the accounting firm Zhongxingcai Guanghai Certified Public Accountants LLP (special general partnership) (hereinafter referred to as Zhongxingcai), and formed the following opinions:

Zhongxingcai has the ability and experience to provide audit services for listed companies. It believes that it has adhered to the principle of independent audit in the practice process, objectively, fairly and fairly reflected the company's financial situation and operating results, and earnestly fulfilled the duties of audit institutions, which could meet the requirements of the company's audit work. It is agreed to re-appoint Zhongxingcai as the auditor of the company's 2020 financial statements and internal control, and submit the matter to the Board of Directors of the company for deliberation.

2. The Audit Committee of the company held its first meeting in 2021 on January 8, 2021, and voted on the following items:

(1) Opinions on the 2020 annual financial statements prepared by the Company's finance department

The meeting reviewed the 2020 financial statements provided by the company's Finance Department. The

meeting held that the preparation of the company's accounting statements met the requirements of the Accounting Standards for Business Enterprises and other relevant regulations, and the accounting policies and accounting estimates basically reflected the company's assets, operations and cash flows, and agreed to submit them to an accounting firm for preliminary examination.

## (2) Comments on the overall audit strategy for the 2020 Annual Financial Statement

The meeting reviewed the "Overall Audit Plan" prepared by the Company's annual audit accountant,

According to the requirements of the "Working Rules for the Annual Report of the Audit Committee of the Board of Directors", communication with the Project Manager of Zhongxingcai Guanghua Certified Public Accountants LLP (Special General Partnership) on the Company's annual audit work was conducted, and the "General Auditing Strategy for the 2020 Annual Financial Statement of Chongqing Jianshe Vehicle System Co., Ltd." was reviewed, it is believed that The "Overall Audit Strategy" compiled by the audit project team pays full attention to the development of the automobile industry and the risk factors such as the Company's operating conditions, governance structure, internal control system, etc., makes a reasonable risk assessment of the Company, and the proposed audit strategy is targeted, making full preparations for completing the audit task and reducing the audit risk. It is agreed to submit the "General Auditing Strategy for the 2020 Annual Financial Statement of Chongqing Jianshe Vehicle System Co., Ltd." to the Board of Directors for deliberation.

## (3) Opinions on the company's estimated daily related transactions in 2021

In 2021, the company plans to conduct daily related transactions such as purchasing and selling raw materials, products and parts with related parties such as Jianshe Electromechanical, Jianshe Industry, Chang'an Automobile and its affiliated enterprises, Chongqing Jianya, South Intel, Jianshe HANON, Minsheng Logistics and its affiliated enterprises, Southwest Company, etc., with an estimated total amount of RMB 224 million. Upon examination, the above-mentioned related parties have good performance ability, the above transactions are fair transactions based on market prices, without harming the interests of the company, and it is agreed to submit the Proposal on the Company's Estimated Daily Related Transactions in 2021 to the Board of Directors for deliberation.

## (4) Opinions on the provision for impairment of assets in 2020

After the asset impairment test of the Company and its wholly-owned subsidiaries Chongqing Jianshe Vehicle Air Conditioner Co., Ltd. and Chongqing Pingshan Taikai Carburetor Co., Ltd., with the base day of December 31, 2020, the impairment provision for accounts receivable, other accounts receivable, inventory and fixed assets within the scope of the consolidated financial statements for 2020 is RMB 12.6411 million. This accrual complies with the *Accounting Standards for Business Enterprises* and relevant accounting policies of the Company, and can truly and fairly reflect the assets and financial status of the Company. It is agreed that the provision for asset impairment in 2020 is RMB 12.6411 million and submitted to the Board of Directors for deliberation.

3. The Audit Committee of the Company held its second meeting in 2021 on March 10, 2021, and the meeting reviewed and approved the *Audit Plan of the Company in 2021*.

4. The Audit Committee of the company held its third meeting in 2021 on April 8, 2021. The meeting reviewed the following matters and put forward opinions:

### (1) Financial audit report in 2020

The Audit Committee of the Company communicated with and urged the accounting firm during the annual report audit period. On April 8, 2021, Zhongxingcai Guanghua Certified public Accountants LLP submitted the preliminary examination opinions of financial statements to the company. The meeting concluded that the preparation of the company's financial statements in 2020 met the requirements of the *Accounting Standards for*

*Business Enterprises*, all expenditures were reasonable, and the recognition of income, expenses and profits complied with laws, regulations and relevant systems, which truly and completely reflected the company's financial position, operating results and cash flow, and agreed to submit them to the Board of Directors of the company for deliberation.

(2) Suggestions on renewing the employment of accounting firms for the summary of accounting firms' audit work in 2020

The meeting also summarized the audit work of the accounting firm in 2020, and held that Zhongxingcai Guanghua Certified public Accountants LLP performed due diligence in the audit of the company's financial and internal control in 2020, and could abide by the professional ethics of accounting firms in accordance with the requirements of Chinese CPA Auditing Standards, and express opinions on the company's accounting statements objectively and fairly. In order to maintain the continuity of the company's financial statements and internal control audit work, it is suggested to continue to employ Zhongxingcai Guanghua Certified public Accountants LLP as the company's 2021 financial statements and internal control audit work. According to the merger scope of the company and based on the professional market situation of accounting firms in the industry, it is suggested that the audit fee for financial statements be RMB 450,000 and the audit fee for internal control be RMB 150,000.

### (3) 2020 Internal Control Evaluation Report

According to the accreditation criteria of major and important defects in internal control of financial reports of the company, there are no major and important defects in internal control of financial reports of the company on the base date of internal control evaluation report. According to the accreditation criteria of major and important defects in internal control of non-financial reports of the Company, on the base date of internal control evaluation report, the Company has been found with no major defects and important defects in internal control of non-financial reports. It is considered that the company has maintained effective internal control in all major aspects in accordance with the requirements of the enterprise internal control standard system and relevant regulations.

### (4) Review and approve the *Measures for Overall Risk Management of the Company*.

(II) The Strategy Committee of the Board of Directors of the Company held two meetings this year in accordance with the "Detailed Rules for the Work of the Strategy Committee", details are as follows:

1. The Strategy Committee held its first meeting in 2021 on January 8, 2021. The meeting issued audit opinions on the following matters:

(1) The fixed assets investment budget of the company (including wholly-owned air-conditioning company) is RMB 17.8955 million, among which, the intelligent transformation project of partial assembly and machining production line of rotary vane compressor is a continuation project in 2020, with a planned investment of RMB 4.8955 million. The construction project of dynamic and static disk production line of electric compressor is with a planned investment of RMB 5 million. Small-scale technical measures are with a planned investment of RMB 8 million.

(2) The meeting studied and put forward opinions on the 2021 financing plan according to the needs of the Company's business development:

It is suggested that the air conditioning company, a wholly-owned subsidiary of the Company, apply to banks and other financial institutions for comprehensive credit line in 2021 with a total amount of no more than 610 million yuan, which can be recycled within the comprehensive credit line.

(3) (3) With reference to the use of funds in the previous year and according to the capital demand of the air-conditioning company in 2021, the meeting suggested that the company provide the air-conditioning company with a total guarantee amount of no more than RMB 610 million, and within the annual total guarantee amount,

part of the guarantee amount can be recycled.

2. On April 8, 2021, the Strategy Committee held its second meeting in 2021. The meeting discussed the outline of the 14th Five-Year Plan and the overall business objectives in 2021.

(III) The Remuneration and Assessment Committee of the Board of Directors of the Company held two meetings this year according to the Working Rules of the Remuneration and Assessment Committee, as follows:

1. On August 27, 2020, the Remuneration and Assessment Committee held its second meeting in 2020. The meeting reviewed the Administrative Measures on Remuneration of Managers of Chongqing Construction Automobile Systems Co., Ltd., the Administrative Measures on Performance of Managers of Chongqing Construction Automobile Systems Co., Ltd., the Annual Performance Contract of Managers and the Employment Performance Contract of Managers, and agreed to submit them to the Board of Directors for deliberation.

2. On April 8, 2021, the Remuneration and Assessment Committee held its first meeting in 2021. The meeting reviewed the performance of directors and senior management of the company in 2020 and carried out annual performance assessment. The opinions of the meeting are as follows:

In 2020, there were 19 directors (including independent directors) and senior managers who received remuneration in the company. According to the completion of the company's main financial indicators and business objectives in 2020, combined with the completion of the above-mentioned personnel in charge of work indicators and the assessment of their business capabilities, it was considered that the remuneration level of the company's directors and senior managers in that year was in line with the provisions of the company's Evaluation and Incentive System for Senior Managers, and it was agreed that the total remuneration paid by the company was RMB 3.413 million.

(IV) The Nomination Committee of the Board of Directors of the Company held three meetings this year in accordance with the "Working Rules of the Nomination Committee", specifically:

1. The Company's nomination committee held the third meeting of 2020 on May 9, 2020, and agreed to recommend Yan Xuechuan as the general manager.

2. The Company's nomination committee held the fourth meeting of 2020 on November 9, 2020, and agreed to recommend Yan Xuechuan as the chairman.

3. The nomination committee of the Company held its first meeting of 2021 on January 8, 2021, and agreed to recommend Fan Aijun as a candidate for director and general manager.

## 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 30,2021	
Disclosure index of appraisal report on internal control	Juchao Website: ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ), <a href="#">Announcement</a> No.2021-018	
Proportion of total unit assets covered by appraisal in the total assets of the consolidated financial statements of the company	91.84%	
Proportion of total unit incomes covered by appraisal in the total business incomes of the consolidated financial statements of the company	94.66%	
Standards of Defects Evaluation		
Category	Financial Report	Non-financial Report
Qualitative standard	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.	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 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” .On December 31,2020.	
Disclosure date of audit report of internal control (full-text)	Disclosure
Index of audit report of internal control (full-text)	April 30,2021
Internal audit report’s opinion	Juchao Website: ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ), <a href="#">Announcement</a> No.2021-034
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

## XI. 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



## **XII.. Financial Report**

### **I. Audit report**

Type of auditing opinion	Unqualified audit opinion
Date of issue of the Auditors' Report	April 28 ,2021
Name of the CPA	Zhongxingcai Guanghua Certified public Accountants LLP.
Ref. No. of the Auditors' Report	ZXCGHSKZ (2021) No.302053
Name of the certified accountants	Fan Rui, Zhang Weidong

**Chongqing Jianshe Vehicle System Co.,Ltd.**

**(second-class)**

**Auditors' Report**

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

**Zhongxingcai Guanghua Certified Public  
Accountants LLP**

**(Special General Partnership)**

## **Contents**

**Auditors' Report**

**Consolidated Balance Sheet and the Company's Balance Sheet**

**Consolidated Income Statement and the Company's Income  
statement**

**Consolidated Statement of Cash Flows and the Company's  
Statement of Cash Flows**

**Consolidated Statement of Changes in Owners' Equity and the  
Company's Statement of Changes in Owners' Equity**

**Notes to the Financial Statements**

## **Auditors' Report**

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

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

### **I . Audit opinion**

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

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

### **II. Basis for Opinion**

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

### **III. Key Audit Matters**

Key audit matters are matters that we consider to be the most important in the audit of the current financial statements based on our professional judgement. These matters should be addressed against the background of an audit of the financial statements as a whole and the formation of an audit opinion, and we do not express an opinion on these matters separately. We have identified the following as key audit matters that need to be communicated in the audit report.

#### **1. Key Audit Matters: Income Confirmation**

##### **(1) Item Description**

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

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

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

Customers - Delivery after payment. Sales personnel confirm upon receipt of payment by the customer, in accordance with customer requirements and related information of

bill, the contract of sale price and customer demand quantity shipment, and issue a letter of notice, then the finance department completes the transaction.

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

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

## **(2) Countermeasures of Audit**

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

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

records, done external confirmation for final accounts receivable, and confirmed the authenticity of sales revenue.

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

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

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

### **(1) Item Description**

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

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

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

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

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

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

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

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

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

## **(2) Countermeasures of Audit**

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

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



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

#### **IV. Other information**

The Company's management of Chongqing Jianche (hereinafter referred to as "management") is responsible for the other information. The other information comprises all of the information included in the Company's 2020 Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

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

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

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

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

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

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

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

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

modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

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

Zhongxingcai Guanghua Certified Public Accountants

(Special General Partnership)

CPA:

(Engagement Partner)

CPA:

Beijing China

April 28, 2021

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

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

Legal Representative of Enterprise: Xuechuan Yan

Accounting Principal: Minexian Tan

Accounting Firm's Principal: Yanli Niu

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

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

Legal Representative of Enterprise: Xuechuan Yan

Accounting Principal: Mingxian Tan

Accounting Firm's Principal: Yanli Niu

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

Item	Note	Year 2020		Year 2019	
		Consolidation	Parent	Consolidation	Parent
I . Total operating income	4.31	740,851,845.25	582,119,961.20	791,487,434.18	601,057,530.18
Less: total operating costs	4.31	638,523,642.92	565,869,149.78	709,388,160.14	616,528,393.54
Taxes and surcharges	4.32	5,442,591.54	1,784,164.65	7,485,496.13	2,123,593.91
Selling expenses	4.33	16,631,963.90	2,379,049.19	24,647,316.08	1,839,252.86
General and administrative expenses	4.34	69,410,916.79	38,644,444.31	92,590,185.22	56,391,496.29
R&D expense	4.35	15,283,965.69	1,377,914.06	14,231,114.36	1,509,873.08
Financial expenses	4.36	22,486,373.84	545,319.21	21,295,046.18	9,126,407.12
Including: interest expense		23,719,626.23	632,663.12	23,726,455.73	9,400,282.65
Interest income		1,572,349.92	63,831.60	3,068,137.48	32,020.12
add: Other income	4.37	4,449,659.88	3,548,959.00	1,057,774.93	
Investment income ("-" for losses)	4.38	-3,451,062.12	-5,390,443.20	-27,108,151.12	-27,108,151.12
Including: income from investment in associates and joint ventures		-5,390,443.20	-5,390,443.20	-27,108,151.12	-27,108,151.12
Financial asset derecognition which measured in amortized cost method					
Net exposure hedge income ("-" for losses)					
Gain on changes in fair value ("-" for loss)					
Losses of credit impairment ("-" for losses)	4.39	-1,258,873.53	-1,478,870.07	-3,483,826.72	-20,066.52
Losses of assets impairment ("-" for losses)	4.40	-9,953,007.03	-9,140,781.65	-10,421,450.74	-5,639,143.73
Asset disposal income ("-" for losses)	4.41	-448,967.59	-158,358.75	-3,068,753.15	-3,068,753.15
II. Operating profits ("-" for losses)		-37,589,859.82	-41,099,574.67	-121,174,290.73	-122,297,601.14
Plus: Non-operating income	4.42	41,077,989.97	55,100.00	278,243.52	71,291.91
Minus: Non-operating expenses	4.43	1,572,672.69	1,572,191.89		
III. Total profits ("-" for total losses)		1,915,457.46	-42,616,666.56	-120,896,047.21	-122,226,309.23
Minus: income tax expenses	4.44	499,515.01		232,672.72	
IV. Net profit ("-" for net loss)		1,415,942.45	-42,616,666.56	-121,128,719.93	-122,226,309.23
1.Classification according to net profit of going concern		1,415,942.45	-42,616,666.56	-121,128,719.93	-122,226,309.23
(1) Continuous operating net profit ("-" for losses)		1,415,942.45	-42,616,666.56	-121,128,719.93	-122,226,309.23
(2) net profit of Termination ("-" for losses)					
2.Classification according to ownership		1,415,942.45		-121,128,719.93	
(1) Net profit attributable to owners of the parent company		1,415,942.45		-121,128,719.93	

(2) Net of profit attributable to owners of Minority shareholders' equity					
V. Net of tax of other comprehensive income					
Net profit attributable to owners of the parent company					
1. Other comprehensive income that cannot be reclassified into gains and losses subsequently					
(1) Changes in net liabilities or net assets arising from re-measurement of defined benefit plan					
(2) Share in other comprehensive income of the investee cannot be reclassified into gains and losses under the equity method					
2. Other comprehensive income to be reclassified into gains and losses subsequently					
(1) Share in other comprehensive income of the investee to be reclassified into gains and losses under the equity method					
(2) Gains and losses on changes in fair value of financial assets available for sale					
(3) Gains and losses arising from reclassification of held-to-maturity investments as financial assets available for sale					
(4) Effective portion of cash flow hedging gains and losses					
(5) Translation differences of financial statements denominated in foreign currency					
Net of tax of other comprehensive income attributable to non-controlling shareholders					
VI. Total comprehensive incomes		1,415,942.45	-42,616,666.56	-121,128,719.93	-122,226,309.23
Total comprehensive income attributable to owners of the parent company		1,415,942.45		-121,128,719.93	
Total comprehensive income attributable to owner's minority shareholders			-		
VII. Earnings per share:					
1. Basic earnings per share (RMB/Share)		0.0119		-1.0147	
2. Diluted earnings per share (RMB/Share)		0.0119		-1.0147	

Legal Representative of Enterprise: Xuechuan Yan

Accounting Principal: Mingxian Tan

Accounting Firm's Principal: Yanli Niu

**Chongqing Jianshe Vehicle System Co., Ltd.**  
**Consolidated Statement Cash Flow and the Company's Statement of Cash Flows**

Items	Note	Year 2020		Year 2019	
		Consolidation	Parent	Consolidation	Parent
I. Cash flows from operating activities:					
Cash received from sale of goods and rendering of services		511,870,586.73	147,889,417.48	466,437,467.29	169,800,318.10
Refunds of taxes and surcharges		13,131,562.71		20,429,357.89	
Cash received from other operating activities	4.46	16,546,105.54	14,729,508.79	37,028,279.25	11,023,912.63
Sub-total of cash inflows from operating activities		541,548,254.98	162,618,926.27	523,895,104.43	180,824,230.73
Cash paid for goods purchased and services received		242,967,204.21	118,365,485.57	301,159,831.44	74,078,877.04

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

(Expressed in CNY unless otherwise stated)



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

Item	Year 2020												Total owners' equity	
	Equity attributable to owners of the parent company											Minority equity		
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive	Special reserves	Surplus reserves	Undistributed profits	Others			Sub-total
		Preferred	Perpetual	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	-1,031,463,363.68		172,172,730.61		172,172,730.61
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	-1,031,463,363.68	-	172,172,730.61		172,172,730.61
III. Increase/(decrease) for the current year ("-" for losses)	-	-	-	-	-	-	-	-	-	1,415,942.45	-	1,415,942.45		1,415,942.45
1. Total comprehensive incomes										1,415,942.45		1,415,942.45		1,415,942.45
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														
(4) Others														
3. Distribution of profits	-	-	-	-	-	-	-	-	-	-	-	-		-
(1) Withdrawal of surplus reserves														
(2) Distribution to owners or shareholders														
(3) Others														
4. Transfers within the owners' equity	-	-	-	-	-	-	-	-	-	-	-	-		-
(1) Conversion of capital reserves into paid-in capital														
(2) Conversion of surplus reserves into paid-in capital														
(3) Recovery of losses by surplus reserve														
(4) Set benefit plan changes carry-over retained income														
(5) Other profits changes carry-over related income														
(6) Others														
5. Special reserves								-						
(1) Amount withdrawn in the current year														
(2) Amount used in the current year														
6. Others														
IV. Ending balance of the current year	119,375,000.00	-	-	-	958,565,294.29	-	9,800.00	-	125,686,000.00	-1,030,047,421.23		173,588,673.06		173,588,673.06

Legal Representative of Enterprise: Xuechuan Yan

Accounting Principal: Mingxian Tan

Accounting Firm's Principal: Yanli Niu

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

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

Legal Representative of Enterprise: Xuechuan Yan

Accounting Principal: Mingxian Tan

Accounting Firm's Principal: Yanli Niu

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

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

Legal Representative of Enterprise: Xuechuan Yan

Accounting Principal: Mingxian Tan

Accounting Firm's Principal: Yanli Niu

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

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

Legal Representative of Enterprise: Xuechuan Yan

Accounting Principal: Mingxian Tan

Accounting Firm's Principal: Yanli Niu

## Notes To Financial Statements

### I .Corporate Information

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

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

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

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

After the completion of this agreement transfer, Chongqing Jianshe mechanical and electrical co., LTD., would no longer hold shares of the company. GSGC became the controlling shareholder of the company, the proportion of shareholding is 71.13%, and the nature of the

shares is State-owned legal person shares.

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

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

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

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

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

## **II .Basis for the Preparation of financial statements**

### **1.Basis for Preparation**

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

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

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

## **2. Going Concern**

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

## **3. Principal accounting policies and accounting estimates**

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

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

### **(2) Accounting period**

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

### **(3) Operating cycle**

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

## **4. Functional currency**

The functional currency is CNY.

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

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

### **(1) Business combination under common control**

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

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

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

### **(2) Combination of enterprises not under the common control**

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

For the business combination under non-common control, the merger costs include the assets paid for obtaining the control right of acquiree by the acquirer, the liabilities occurred or



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

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

For the business combination under non-common control realized step-by-step through multiple transactions, the multiple transactions shall be judged if belong to “the package deal” according to the “Notice on Issuance of Interpretation of Accounting Standards for Business Enterprises from Ministry of Finance” (Finance and Accounting [2012] No.19) and the judgment standards on “the package deal” in Article 51st of “Accounting Standards for

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

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

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

## **6. Preparation of consolidated financial statements**

### **(1) Principle for determining the consolidation scope**

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

Once any changes in the relevant facts or situations resulted in any changes in the elements

involved in the aforesaid definition of “control”, the Company shall carry out a reassessment.

(2) The method of preparing consolidated financial statements

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

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

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

Those not belong to the company in the shareholders' equity and the current net profit or loss of the subsidiaries shall be respectively as the minority equity and the minority interest income and individually listed under the shareholders' equity and the net profit of the consolidated financial statement. The minority equity portion from the net profit or loss in current period shall be as “minority interest income” and listed under the net profit in the consolidated financial statement. Moreover, the minority equity is still offset even if the losses of the subsidiaries undertaken by the minority shareholders are beyond the portion of the

shareholders' equity shared by the minority shareholders of the company at the beginning of period.

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

For the equity investment in the subsidiary through the step-by-step disposal of multiple transactions till the control right lost, the company should respectively dispose all the transactions if belong to the package deal. As long as the terms, conditions and economic influence on all the transactions of the disposal of the equity investment in the subsidiary meet one status below, it usually shows that the multiple transactions matters should be conducted the accounting treatment as the package deal: ① these transactions are made simultaneously or under the consideration of the influence each other. ② these transactions shall be as the whole to achieve one complete business results. ③ one transaction occurs depending on the appearance of other one transaction at least. ④ one transaction is economic under the consideration with other transactions even if it is not economic when individually considerate. For the non-package deal, each transaction shall be respectively conducted the accounting treatment according to the applicable principles of "Partial Disposal of Long-term Equity Investment in Subsidiary without Control Lost" (please refer to (2) ④ in Note 2.13) and "The Control on Original Subsidiary Lost due to Disposal of Part of Equity

Investment or Other Reasons” (details please see forepart). For the package deal from the transactions after the disposal of equity investment in the subsidiary till the control right lost, the transactions shall be as one transaction of the disposal of subsidiary and the control lost for the accounting treatment. Therefore, every balance between the net assets proportion of the subsidiary shared relative to the disposal price and the disposal investment before the control right lost, shall be recognized as other comprehensive incomes in the consolidated financial treatment and transferred into the current profits and losses when the control lost.

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

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

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

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

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

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

The cash stated in cash flow statement refers to cash in hand and bank deposits usable for

payment at any time. Cash equivalent refers to the investments with holding period of less than three months that are readily convertible to known amount of cash and subject to insignificant risk of changes in value.

## **9. Foreign currency business and foreign currency translation**

### **(1) Translation Method of Foreign Currency Transaction**

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

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

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

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

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

### (3) Translation Method of Foreign Currency Financial Statement

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

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

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

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

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

profits and losses.

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

## **10. Financial instruments**

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

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

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



### (1) Debt Instruments

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

#### 1) To be measured at amortized costs.

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

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

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

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

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

## (2) Equity Instruments

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

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

## (3) Financial Liabilities

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

Financial liabilities measured at fair values with variations recorded into the current profits

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

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

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

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

#### (4) Termination Recognition of Financial Assets and Financial Liabilities

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

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

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

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

#### (5) Impairment of Financial Instruments

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

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

- 1) For financial assets, the credit losses are the present values of the difference between the contract cash flows and the expected cash flows payable by the company;
- 2) For leasing receivables, the credit losses are the present values of the difference between the contract cash flows and the expected cash flows payable by the company;
- 3) For any uncommitted loan commitment, the credit losses are the present values of the difference between the contract cash flows payable by the company and the cash flows expected to be collected if the loan commitment holder withdraws corresponding loans. The company's estimations on the expected credit losses of the loan commitment are consistent with its expectations on the utilization of the loan commitments;
- 4) In the case of a financial guarantee contract, the credit losses are the present values of the difference between the amount the company expects to receive from the contract holders, debtors or any other party, and the amount of money the company expects to pay to the contract holder in respect of the credit losses incurred by the contract holder;
- 5) In the case of a financial asset whose credit impairment has occurred on the date as indicated by the balance sheets but is not purchased or originated, the credit losses are referred to the difference between the book balance of the financial assets and the present

values of the estimated future cash flow discounted at the original real interest rates.

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

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

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

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

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

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

Portfolio A of notes receivable	trade acceptances
Portfolio B of notes receivable	bank acceptances

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

Portfolio A of accounts receivable	aging analysis
Portfolio B of accounts receivable	specific identification

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

Portfolio A of other receivables	deposits and securities receivable
Portfolio B of other receivables	advanced money receivable
Portfolio A of long-term receivables	lease receivables

For lease receivables by portfolios, the expected credit losses are calculated by the default risk exposures and the expected credit loss rates of the entire duration with reference to company's historical credit loss experience, and the combination with the current situation and the forecast of future economic conditions. For other receivables and long-term receivables divided into combinations other than lease receivables, the expected credit losses are calculated by the default risk exposure and the expected credit loss rates for the next 12

months or the entire duration.

#### (6) Derivatives and Embedded Derivatives

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

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

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

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

#### (7) Offsets of Financial Assets and Liabilities

When the company is legally entitled to offset the recognized financial assets and financial liabilities, and such right is currently enforceable, and when the company plans to settle such financial assets and pay off the financial liabilities on a net basis or liquidate the financial assets and liabilities, the amount of financial assets and financial liabilities offset against each other are stated in the balance sheets. In addition, financial assets and financial liabilities are shown separately in the balance sheets and are not offset against each other.

#### (8) The Fair Values Determination of Financial Instruments

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

### **11. Inventories**

#### (1) Classification of inventories

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

#### (2) Obtaining and Measurement of Inventories

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

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

If the cost of inventories is higher than the net realizable value at the end of each period, this enterprise shall make the provision for the loss on decline in value of inventories. This enterprise makes provision for the loss on decline in value of inventories on the ground of each item of inventories. If the factors causing any write-down of the inventories have



disappeared, the amount of write-down shall be resumed and be reversed from the provision for the loss on decline in value of inventories that has been made.

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

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

## **12. Contract assets and contract liabilities**

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

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

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

## **13. Held-for-sale assets**

The Company will retrieve its book value by means of selling assets (including the exchange of commercial non-monetary assets) instead of sequentially using a non-monetary asset or a

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

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

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

If any increment occurs in the net amount after the held-for-sale non-current assets on the subsequent balance sheet date deducts selling expense, the amount deducted previously will be recovered and will be transferred back within the amount of asset impairment losses confirmed after being divided into held-for-sale category, and the amount transferred back will be counted into the current profits and losses. There will be no restitution for asset impairment losses confirmed before being divided into held-for-sale category. The amount previously written down by the disposal group held for sale shall be restored and reversed within the amount of asset impairment loss recognized by non-current assets according to the

measurement provisions of accounting standards for Business Enterprises No. 42 – non-current assets held for sale, disposal group and termination of operation after being classified as held for sale, and the reversed amount shall be included in the current profits and losses. The book value of the offset goodwill and the non-current assets that are measured according to the accounting standards for Business Enterprises No. 42 – non-current assets held for sale, disposal group and termination of operation shall not be reversed before they are classified into the categories held for sale.

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

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

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

#### **14. Long-term equity investment**

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

The term "joint control" refers to the joint control over an arrangement of this enterprise in accordance with the contracts and agreements, and decisions over relevant activity of such

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

(1) Determination of investment cost

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

For the merger of enterprises not under the same control, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The merger costs include the assets paid, liabilities occurred or borne and sum of the fair value of the equity securities issued by the purchaser. For the

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

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

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

## (2) Subsequent measurement and recognition of profit or loss

A long-term equity investment of this enterprise that does joint control (not including joint venture) or significant influences over the invested entity shall be measured by employing the

equity method. Besides, the cost method is employed in this enterprise's financial reports to measure the long-term equity investment that could form control over the invested entity.

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

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

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

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

When employing the equity method, this enterprise shall, in accordance with the attributable share of the net profits or losses of the invested entity, recognize the investment profits or losses and adjust the book value of the long-term equity investment. This enterprise shall, in the light of the profits or cash dividends declared to distribute by the invested entity, calculate the proportion it shall obtain, and shall reduce the book value of the long-term equity investment correspondingly. Where any change is made to the owner's equity other than the net profits and losses of the invested entity, the book value of the long-term equity investment shall be adjusted and included in the capital reserves. This enterprise shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. If the accounting policies and accounting periods adopted by the invested entity are different from those adopted by this enterprise, an adjustment shall be made to the financial statements of the invested entity in accordance with the accounting policies and accounting periods of this enterprise and recognize the investment profits or losses and other comprehensive incomes. For the transactions between this

enterprise and its joint ventures and associated entities, where the assets invested or sold do not constitute a business, the unrealized internal transaction profits or losses shall be calculated in accordance with proportion shared, with the proportion shared by this enterprise offset and recognize the investment profits or losses based thereof. However, if losses occurred in the internal transaction between the invested entities is the impairment loss of transferred assets, they shall not be offset. When the assets invested by this enterprise to its joint ventures or associated entities constitute a business, and the investing party obtains long-term equity but without control power, the fair value of the invested business shall be recognized as the initial investment cost of the additional long-term equity investment. The total difference between the original investment cost and the book face of the invested business shall be recorded into the profits or losses of the current period. If the assets purchased from the joint ventures or associated entities constitute a business, this enterprise shall account for the business in accordance with this enterprise Accounting Standard No. 20 - Business Combinations, with the total profits or losses associated with the transaction recognized.

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

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

### 3) Purchase of minority interest

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

then the Company adjusts its retained income.

#### 4) Disposal of long-term equity investment

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

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

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

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

For disposals of long-term investment equity resulting in loss of control over the invested businesses, when compiling individual financial statements, the Company changes to adopt equity method to calculate the remaining equity that is still sufficient to exert joint control or significant influence, and to make adjustments as since it was acquired; and if the remaining equity is not sufficient, it will be handled in accordance with the relevant recognition and



measurement principles for financial instruments and the difference between its fair value and book value will be recorded in current profit and loss since the Company loses control of the invested businesses. For other comprehensive gains recognized by equity method or recognition and measurement principles for financial instruments before the Company obtains control over the invested businesses, the Company adopts the same basis to handle the accounts as the invested businesses directly dispose the related assets or liabilities, and among the invested businesses' net assets that are calculated and recognized by equity method are all other equity changes than net profit and loss, other comprehensive gains and profit distribution carried over pro rata to current profit and loss. For the remaining equity calculated by equity method, other comprehensive gains and other ownership interests will be carried over pro rata while for those treated in accordance with the recognition and measurement principles for financial instruments, other comprehensive gains and other ownership interests will be carried over entirely.

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

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

## **15. Investment property**

Investment properties are properties to earn rentals or for capital appreciation or both.

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

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

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

## 16. Fixed assets and accumulated depreciation

### (1) Criteria for recognition of fixed assets

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

### (2) Classification and depreciation policy of fixed assets

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

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

	depreciation			
--	--------------	--	--	--

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

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

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

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

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

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

### (4) Charge for Major repair

The Company conducts regular checking on major overhaul fee incurred in the fixed asset, and any parts of the fee that have unambiguous evidence to indicate they conform with the condition for confirming fixed asset will be counted into the fixed asset costs,

otherwise into the profit and loss of the current period. During the interval period of regular major overhaul, the fixed asset will be depreciated as before.

### **17. Construction in progress**

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

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

### **18. Borrowing expenses**

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

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

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

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

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

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

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

### **19. Intangible assets**

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

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

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

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

### **20. Research and development expenses**

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

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

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

or there is a potential market for the intangible assets itself for the intangible assets will be used internally; It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; Expenditures attributable to the development phase of the intangible assets can be measured reliably. Development expenditures that do not meet the above conditions are included in the profits and losses of the current period.

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

#### **21. Long-term amortizable expenses**

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

#### **22. Impairment of the long-term assets**

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

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

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

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

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

### **23. Employee compensation**

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

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

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

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

employees' payrolls.

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

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

## **24. Estimated liabilities**

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

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

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

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

## **25. Share-based Payment**

### **(1) Types of Share-based Payment**

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

### **(2) Recognition of Equity Instruments' Fair Value**

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



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

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

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

## **26. Recognition Principles of Revenues**

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

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

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

- A. the customer simultaneously receives and consumes the benefits provided by the company's performance as the company performs; or
- B. the company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- C. the commodities produced by the company in the course of its performance are irreplaceable and the company has the right to collect payments for the part of performance that has been completed so far during the entire contract period.

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

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

(1) Sale of Goods

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

(2) Specific Principles of Main Revenues

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

1) Big customers

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

2) Customers who pay first and pick up later.

According to the customers' demands and relevant billing information, and after the customers pay and confirm the payments, the salesmen deliver the goods according to the unit prices of the sales contracts and the quantities required by the customers with the invoice notices, while the finance department issues invoice to complete the transaction.

3) Aftermarket customers

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

### (3) Income from providing services

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

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

### **27. Governmental subsidies**

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

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

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

The government grants pertinent to assets are recognized as deferred income and are credited to profit or loss by stages in accordance with a reasonable and systematic method within the useful life of the pertinent assets. If the pertinent assets are sold, transferred, scrapped or

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

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

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

## **28. Deferred income tax assets/Deferred income tax liability**

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

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

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

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

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

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

## **29. Income tax expenses**

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

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

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

recognize deferred income tax.

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

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

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

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

### **30. Operational leasing**

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

At the commencement of the lease term, an amount equal to the lower of the fair value of the

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

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

### **31. Other Main Accounting Policies and Estimates**

#### **(1) Discontinued Operation**

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

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

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

### **32. Changes in Major Accounting Policies and Estimations**

#### **(1) Changes in Major Accounting Policies**

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

statement at the beginning of the period is as follows:

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

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

A. Impact on consolidated balance sheet:

Items in statement	New income standard	Original income standard
<b>Assets</b>		
Contract assets		
Inventories		
Accounts receivable		
Non current assets due within one year		
Long-term receivables		
Other non-current assets		
<b>Liabilities</b>		



Items in statement	New income standard	Original income standard
Contract liabilities	1,479,711.62	
Advances from customers		1,672,074.13
Taxes payable		
Non current liabilities due in one year		
Other current liabilities	192,362.51	
Owners` Equity		
Surplus reserves		
Undistributed profits		
Minority interest		

B. Impact on consolidated income statement:

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

② Change of other accounting policies

Non.

(2). Change of accounting estimations

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

### III.Taxation

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

Taxes	Basis of tax assessment	Tax rate %
-------	-------------------------	------------

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

Note:

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

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

#### IV. Notes to the items of consolidated financial statements

##### 1. Cash and cash equivalents

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

Including: Overseas deposits

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

##### 2 Notes receivable

(1) Notes receivable:

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

&

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

(2) Provision for bad debts:

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

Bank Acceptance

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

Trade Acceptance

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

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

---

<b>Total</b>	<b>1,309,000.00</b>
--------------	---------------------

---

(3) Pledged notes at the end of term:

There were no notes receivable pledged at end of term.

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

Items	Amount confirmed at December 31, 2020	Amount not confirmed at December 31, 2020
Bank Acceptance	207,391,919.75	
<b>Total</b>	<b>207,391,919.75</b>	

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

### 3. Accounts receivable

(1) Accounts receivable measured by amortized cost

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

(2) Bad debts reserves

No matter whether there is a significant financing component or not, the company count bad debts reserves for account receivable according to the entire duration of the estimated credit loss.

① Bad Debt Reserves-single allotment amount on Dec 31<sup>st</sup> 2020,

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

②Balance of bad debts reserves:

Portfolio——Aging

	Book Balance	Estimated credit loss rate during the period	Bad debts reserves
1-6 Months	214,500,075.50		-
6Months to 1 year	6,730,740.44	5.00	336,537.03
1 to 2 years	431,589.17	10.00	43,158.92
2 to 3 years	132,486.54	30.00	39,745.96

3 to 4 years	22,006.32	50.00	11,003.16
4 to 5 years			
Over 5 years	6,385,445.56	100.00	6,385,445.56
<b>Total</b>	<b>228,202,343.53</b>		<b>6,815,890.63</b>

③The changes of bad debts reserves:

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

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

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

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

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

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

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

The amount of top five account receivable classified by company throughout this duration is 199,470,492.71 Yuan, accounting for 77.79% of the whole account receivable at end of term. The provision of bad debts is 12,723,992.31 Yuan at the end of duration.

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

#### 4. Prepayments

##### (1) Presentation of Prepayments by aging

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

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

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

## 5. Other receivables

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

### (1) Disclosure of other receivables by category

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

### ① Provision for bad debts

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

	Balance value	Estimated credit loss in the next 12months	Provision for bad debts	Reason
Provision in groups:				



Group 1: aging	5,379,862.00	76.70	4,126,249.09	
Group 2: Individually determined				
Others				
<b>Total</b>	<b>5,379,862.00</b>	<b>76.70</b>	<b>4,126,249.09</b>	

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

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

②The moving of provision for bad debts

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

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

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

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

③Classification of other receivables:

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

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

Company Name	Whether it is related party	Business nature	Ending balance	Aging	Proportion % of total other receivables	Ending balance for bad-debt provision
--------------	-----------------------------	-----------------	----------------	-------	---	---------------------------------------

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

## 6. Inventories

### (1) Category of Inventory

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

&

Item	2019.12.31		
	Book balance	Provision for inventory impairment	Book value
Raw materials	21,124,142.79	457,360.97	20,666,781.82
Goods in progress	7,124,606.32	220,231.20	6,904,375.12

Item	2019.12.31		
	Book balance	Provision for inventory impairment	Book value
Finished goods	124,393,318.77	5,646,017.11	118,747,301.66
Turnover materials			
Supplies Inventory			
Consumptive biological assets			
The completed and unsettled assets resulting from construction contract			
<b>Total</b>	<b>152,642,067.88</b>	<b>6,323,609.28</b>	<b>146,318,458.60</b>

(2) Provision for Inventory

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

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

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

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

Items	Details of provision for inventory	The reason for switching back provision for inventory	The Reason for writing off provision for inventory
Finished goods	Estimated net value is lower than its book cost.		Sale or disposal

## 7. Other current assets

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

## 8. Long-term equity investments

### (1) Classification of Long-term equity investments

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

### (2) Details of Long-term equity investments

Investee	Balance as at January 1, 2019	Increase/decrease in 2020 (+/-)				
		additional investment	Decrease in investment	Profits and losses on investments Recognized under the equity method	Other comprehensive income	Changes in other equity

Joint ventures						
Chongqing Pingshan TK Carburetor Co., Ltd.	38,867,604.85		39,045,423.41	177,818.56		
Chongqing Jianshe Hanon Co., Ltd	191,781,980.78			-5,568,261.76		
<b>Total</b>	<b>230,649,585.63</b>			<b>-5,390,443.20</b>		

&

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

## 9. Other non-current financial assets

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

## 10. Investment properties

(1) Investment properties with cost measurement method

Item	House、 Building	Land use rights	Construction in process	Total
I. Original price				
1. Opening balance	109,254,429.87			109,254,429.87
2. Increase in the current period				
(1) Purchase				
(2) Transferred from construction in progress				
(3) Increased of Enterprise Combination				
3、Decreased amount of the period	72,445,590.49			72,445,590.49
(1) Disposal				
(2) Other transfer	72,445,590.49			72,445,590.49
4、Closing balance	36,808,839.38			36,808,839.38
II . Accumulated depreciation and accumulated amortization				
1、Opening balance	37,325,435.59			37,325,435.59
2、Increase in the current period	1,190,152.44			1,190,152.44
(1) Provision or amortization	1,190,152.44			1,190,152.44
(2) Transfer from fixed assets				
3、Decreased amount of the period	24,750,147.17			24,750,147.17
(1) Disposal				
(2) Other transfer	24,750,147.17			24,750,147.17
4、Balance at period-end	13,765,440.86			13,765,440.86
III. Provisions for impairment				
1、Opening balance				
2、Increase in the current period				
(1) Provision				
3、Increase in the current period				
(1) Disposal				
(2) Other transfer				
4、Balance at period-end				
IV . Book value				
1、Book value of the period-end	23,043,398.52			23,043,398.52
2、Book value of the period-begin	71,928,994.28			71,928,994.28

Note: In this period of investment properties, leasing value of housing buildings decreased

72,445,590.49 Yuan, and it moved from investment properties to fixed assets.

## 11. Fixed assets

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

### (1) Fixed assets and accumulated depreciation

#### ① Fixed assets situation

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



Item	House, Building	Machinery equipment	Transportatio ns	Other equipment	Total
(4) Others					
3、Decrease in the current period		61,843,270.63	1,413,152.85	11,145.98	63,267,569.46
(1) Disposal		61,843,270.63	1,413,152.85	11,145.98	63,267,569.46
(2) Decreased of Enterprise Combination					
(3) Transferred to investment properties					
4、Balance at period-end	94,839,368.95	428,951,260.80	5,490,965.17	17,582,940.09	546,864,535.01
III、Provisions for impairment					
1、Balance at period-beginning		21,065,026.93			21,065,026.93
2、Increase in the current period		11,127,363.40			11,127,363.40
(1) Provision		10,603,959.77			10,603,959.77
(2) Increased of Enterprise Combination		523,403.63			523,403.63
3、Decrease in the current period		17,831,794.24			17,831,794.24
(1) Disposal		17,831,794.24			17,831,794.24
(2) Decrease of Enterprise Combination					
4、Balance at period-end		14,360,596.09			14,360,596.09
IV、Book Value					
1、Book Value of period-end	123,330,819.87	184,390,636.97	651,997.82	1,757,984.03	310,131,438.69
2、Book Value of period-begin	74,865,412.94	201,474,675.84	539,046.71	2,006,306.94	278,885,442.43

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

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

## 12. Construction in progress

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

### (1) Information of construction in progress

Item	2020.12.31			2019.12.31		
	Book balance	Provisions for impairment	Book value	Book balance	Provisions for impairment	Book value
Lighting protection testing fee of technique building	615,980.77		615,980.77	3,284,565.72		3,284,565.72
No.5 assembly line information analyzing system	461,185.83		461,185.83	230,592.92		230,592.92
New energy production line design fee	66,037.74		66,037.74	66,037.74		66,037.74
Intelligent transformation of suspended vane compressor production line	301,886.79		301,886.79			
Mould	426,150.46		426,150.46			
Total quality management system platform implementation				176,724.00		176,724.00
Update of Linotype				73,800.00		73,800.00
OA Updating				26,548.67		26,548.67
<b>Total</b>	<b>1,871,241.59</b>		<b>1,871,241.59</b>	<b>3,858,269.05</b>		<b>3,858,269.05</b>

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

Progress name	Budget	Source of fund	Paid accounting for the budget %	Progress of project %
New energy production line design fee	48,600.00	Self-funding	100.00	100.00
Reformation of multi head drill of caster	73,800.00	Self-funding	100.00	100.00
OA Updating	26,548.67	Self-funding	74.18	74.18
Renovation project of science and technology complex building	4,427,877.00	Self-funding	100.00	100.00
Total quality management system platform implementation	836,283.19	Self-funding	61.47	61.47

Progress name	Budget	Source of fund	Paid accounting for the budget %	Progress of project %
No.5 assembly line information analyzing system	750,265.49	Self-funding	94.34	94.34
Intelligent transformation of suspended vane compressor production line	320,000.00	Self-funding	66.55	66.55
Mould	1,207,161.37	Self-funding	100.00	100.00
monitoring system	13,486.24	Self-funding	100.00	100.00
Air flow meter	42,643.37	Self-funding	100.00	100.00
CNC lathe	28,141.59	Self-funding	100.00	100.00
Vertical band sawing machine	13,180.00	Self-funding	100.00	100.00
Exhaust system	91,858.41	Self-funding	100.00	100.00

&

Process name	2020.1.1	Increase in the period		Decrease in the period		2020.12.31	
	Beginning balance	Amount	Including: capitalization of interest	Transfer to fixed assets	Other decrease	Closing balance	Including: capitalization of interest
New energy production line design	66,037.74					66,037.74	
Reformation of multi head drill of	73,800.00			73,800.00			
OA Updating	26,548.67			26,548.67			
Renovation project of science and technology complex building	3,284,565.72	2,968.28		2,671,553.23		615,980.77	
Total quality management system platform implementation	176,724.00	713,207.54		889,931.54			
No.5 assembly line information	230,592.92	230,592.91				461,185.83	
Intelligent transformation of		301,886.79				301,886.79	

<b>Mould</b>		803,359.45		377,208.99		426,150.46	
<b>monitoring system</b>		13,486.24		13,486.24			
<b>Air flow meter</b>		42,643.37		42,643.37			
<b>CNC lathe</b>		28,141.59		28,141.59			
<b>Vertical band sawing machine</b>		13,180.00		13,180.00			
<b>Exhaust system</b>		91,858.41		91,858.41			
<b>Total</b>	3,858,269.05	2,241,324.58		4,228,352.04		1,871,241.59	

### 13. Intangible assets

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

Item	Land use	Software	Patent right	Non-patented technology	Total
(1) Disposal					
(2) Decrease of enterprise combination					
4、Balance at period-end	18,191,424.21	965,108.29	158,326.47		19,314,858.97
III、Provisions for Impairment					
1、Balance at period-begin					
2、Increase in the current period					
(1) Provision					
3、Decrease in the current period					
(1) Disposal					
4、Balance at period-end					
IV、Book Value					
1、Book Value of period-end	23,934,984.08	915,849.40	2,533,223.49		27,384,056.97
2、Book Value of period-begin	22,823,384.71				22,823,384.71

#### 14. Long-term amortization expenses

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

#### 15. Deferred income tax assets and deferred income tax liability

##### (1) Deferred income tax assets not wrote off

Item	2020.12.31		2019.12.31	
	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences
Provisions for impairment in credit	5,177,039.68	34,306,803.21	5,112,390.59	34,082,603.92
Provisions for impairment in	1,097,038.44	5,955,882.88	948,541.39	6,323,609.28

assets				
<b>Total</b>	<b>6,274,078.12</b>	<b>40,262,686.09</b>	<b>6,060,931.98</b>	<b>40,406,213.20</b>

(2) Deferred income tax liability not wrote off

Item	2020.12.31		2019.12.31	
	Deferred income tax liability	Taxable temporary differences	Deferred income tax liability	Taxable temporary differences
Estimated added value of assets not under the same control	1,520,765.13	6,083,060.52		
Tax deduction for depreciation of fixed assets	387,786.38	1,551,145.52		
<b>Total</b>	<b>1,908,551.51</b>	<b>7,634,206.04</b>		

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

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

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

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

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

<b>Total</b>	<b>190,208,959.14</b>	<b>131,814,476.54</b>
--------------	-----------------------	-----------------------

## 16. Other non-current assets

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

## 17. Short-term borrowings

### (1) Classification of short-term borrowings

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

Notes:

lending institution	Starting date	Termination date	Annual interest rate	Guarantor	Ending balance
Finance company of China South Industries Group	2020/12/11	2021/3/11	4.35 %	Credit borrowings	25,000,000.00
Finance company of China South Industries Group	2020/6/15	2021/6/15	3.92%	Credit borrowings	20,000,000.00
Finance company of China South Industries Group	2020/11/17	2021/11/17	3.92%	Credit borrowings	30,000,000.00
Finance company of China South Industries Group	2020/12/2	2021/12/2	4.35%	Credit borrowings	28,000,000.00
Finance company of China South Industries Group	2020/12/2	2021/12/2	4.35%	Credit borrowings	30,000,000.00
Finance company of China South Industries Group	2020/12/29	2021/12/29	4.35%	Credit borrowings	23,500,000.00
Finance company of China South Industries Group	2020/7/31	2021/7/31	2.00%	Credit borrowings	9,400,000.00
Finance company of China South Industries Group	2020/10/29	2021/10/29	2.00%	Credit borrowings	4,510,000.00
Business department of Chongqing rural commercial bank	2020/1/17	2021/1/16	4.79%	Chongqing Jianshe Vehicle System Co.,Ltd.	17,710,000.00
Business department of Chongqing rural commercial bank	2020/6/19	2021/6/18	4.57%	Chongqing Jianshe Vehicle System Co.,Ltd.	30,000,000.00
Business department of	2020/7/29	2021/7/28	4.57%	Chongqing Jianshe	

Chongqing rural commercial bank				Vehicle System Co.,Ltd.	30,000,000.00
Business department of Chongqing rural commercial bank	2020/8/11	2021/8/10	4.57%	Chongqing Jianshe Vehicle System Co.,Ltd.	30,000,000.00
Business department of Chongqing rural commercial bank	2020/12/4	2021/12/3	4.57%	Chongqing Jianshe Vehicle System Co.,Ltd.	55,790,000.00
High tech Development Zone sub branch of Bank of Chongqing Co., Ltd	2020/4/13	2021/4/12	4.60%	Chongqing Jianshe Vehicle System Co.,Ltd.	24,997,000.00
High tech Development Zone sub branch of Bank of Chongqing Co., Ltd	2020/4/20	2021/4/19	4.60%	Chongqing Jianshe Vehicle System Co.,Ltd.	9,999,500.00
Jiulongpo branch of Chongqing Bank	2020/4/28	2021/4/27	4.60%	Chongqing Jianshe Vehicle System Co.,Ltd.	25,013,500.00
Jiulongpo branch of Chongqing Bank	2020/10/12	2021/5/24	4.60%	Chongqing Jianshe Vehicle System Co.,Ltd.	34,500,000.00
Jiulongpo branch of Chongqing Bank	2020/10/15	2021/5/24	4.60%	Chongqing Jianshe Vehicle System Co.,Ltd.	20,000,000.00
Jiulongpo branch of Chongqing Bank	2020/10/19	2021/5/24	4.60%	Chongqing Jianshe Vehicle System Co.,Ltd.	25,490,000.00
Chongqing Branch of China Everbright Bank Co., Ltd	2020/8/27	2021/8/27	4.35%	Chongqing Jianshe Vehicle System Co.,Ltd.	10,000,000.00
Chongqing Branch of Bank of Communications Co., Ltd	2020/11/3	2021/5/18	4.79%	Chongqing Jianshe Vehicle System Co.,Ltd.	20,000,000.00
Chongqing Jiulongpo branch of Bank of China	2020/2/28	2021/2/27	4.79%	Chongqing Jianshe Vehicle System Co.,Ltd.	50,000,000.00

## 18. Notes payable

Item	2020.12.31	2019.12.31
Bank Acceptance	110,020,000.00	330,644,075.95
Trade Acceptance		
<b>Total</b>	<b>110,020,000.00</b>	<b>330,644,075.95</b>

## 19. Accounts payable

### (1) Presentation of Accounts payable

Aging	2020.12.31	2019.12.31
Within 1 year	284,998,378.45	221,641,634.09
1-2 years	1,837,069.84	904,967.54



2-3 years	0.08	741,395.71
Over 3 years	1,967,798.70	1,905,168.46
<b>Total</b>	<b>288,803,247.07</b>	<b>225,193,165.80</b>

(2) Significant accounts payable for over 1 year.

Item	Ending balance	Reason for unreimbursed or transferred
Sima Measurement and Control Technology Co., Ltd.	722,005.51	Pay by Installments
Beijing Langde Technology Co., Ltd	76,685.41	Pay by Installments
Shanghai zuozhu cooling and heating control technology Co., Ltd	183,310.67	Pay by Installments
Chongqing Huachuang Construction Engineering Co., Ltd	143,206.56	Pay by Installments
Chongqing mechanical and electrical design and Research Institute	375,000.00	Pay by Installments
<b>Total</b>	<b>1,500,208.15</b>	

## 20. Advances from customers

Item	2020.12.31	2019.12.31
Within 1 year		617,356.43
Over 1 year		500,066.92
<b>Total</b>		<b>1,117,423.35</b>

## 21. Contract liabilities

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

&

Item	2020.12.31	2019.12.31
Advance for manufactured products	1,479,711.62	
<b>Total</b>	<b>1,479,711.62</b>	

## 22. Payroll Payable

(1) Presentation of Payroll Payable

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

(2) Presentation of short-term compensation

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
1、Salary, bonus, allowance and subsidy	4,849,754.18	65,915,439.89	65,590,430.19	5,174,763.88
2、Employee benefits		7,421,692.25	6,323,746.95	1,097,945.30
3、Social insurance expenses	643,179.85	9,463,498.50	8,659,693.94	1,446,984.41
Including: medical insurance premium	582,652.93	9,101,797.73	8,540,157.40	1,144,293.26
Work-related injury insurance premium	43,768.51	361,700.77	119,536.54	285,932.74
Maternity insurance premium	16,758.41			16,758.41
Others				
4、Housing fund	1,102,016.46	8,548,102.00	9,269,913.00	380,205.46
5、Labor union expenditures and employee education expenses	467,672.88	2,066,165.22	1,831,574.72	702,263.38
6、Short-term absence with payment				
7、Short-term profit sharing plan				
8、Others		125,159.00	125,159.00	
<b>Total</b>	<b>7,062,623.37</b>	<b>93,540,056.86</b>	<b>91,800,517.80</b>	<b>8,802,162.43</b>

(3) Presentation of defined contribution plans

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

## 23. Taxes and surcharges payable

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

## 24. Other payable

Item	2020.12.31	2019.12.31
Interest payable		
Dividend payable		
Other payable	10,260,888.23	6,087,459.55
<b>Total</b>	<b>10,260,888.23</b>	<b>6,087,459.55</b>

### (1) Other payable

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

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

#### ② Significant other payable for over 1 year

Item	Ending balance	Reason for unreimbursed or transferred
Chongqing Xingsu Logistics Co., Ltd	300,000.00	Undue deposit

Chongqing Shapingba District Ruihe loading and unloading transportation department	100,000.00	Undue deposit
Chongqing Chengbei Logistics Co., Ltd	50,000.00	Undue deposit
Chongqing Huangdao automobile transportation Co., Ltd	50,000.00	Undue deposit
Chongqing Bangbao Auto Parts Co., Ltd	30,000.00	Undue deposit
<b>Total</b>	<b>530,000.00</b>	

## 25. Other current liabilities

Item	2020.12.31	2019.12.31
Taxes to be written off	192,362.51	
<b>Total</b>	<b>192,362.51</b>	

## 26. Share capital

Item	2020.01.01	Increase in the current period	Decrease in the current period	2020.12.31
Total shares	119,375,000.00			119,375,000.00
<b>Total</b>	<b>119,375,000.00</b>			<b>119,375,000.00</b>

## 27. Capital reserve

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

## 28. Other comprehensive income

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

Item	2020.01.01	Reporting Period					2020.12.31
		Income before taxation in the Current Period	Less: recorded in other comprehensive income in prior period and transferred in profit or loss in the Current Period	Less: Income tax expense	Attributable to owners of the Company as the parent after tax	Attributable to non-controlling interests after tax	
Translation difference in foreign currency financial statements							
<b>Total of other comprehensive income</b>	<b>9,800.00</b>						<b>9,800.00</b>

## 29. Surplus reserves

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

## 30. Retained Earnings

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

## 31. Operating income and operating costs

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

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

(2) Primary businesses (by business):

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

(3) Primary businesses (by product):

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

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

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



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

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

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

(6) Information related to performance obligations:

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

(7) Information related to transaction value assigned to residual performance obligations:  
The amount of revenue corresponding to performance obligations of contracts signed but not performed or not fully performed yet was RMB1,479,711.62 at the period-end, among which RMB1,479,711.62 was expected to be recognized in 2021.

### 32. Taxes and surcharges

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

### 33. Selling expenses

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

### 34. General and administrative expenses

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

Agency fee	993,241.03	707,452.22
Travel expenses	397,741.18	841,355.01
Amortization of intangible assets	999,818.65	657,864.72
Conference fees	381,923.64	452,673.18
Business entertainment	356,627.75	516,787.06
Sewage charge	1,905,796.86	1,453,147.03
Legal fare		268,795.70
Others	10,163,006.52	10,580,936.51
<b>Total</b>	<b>69,410,916.79</b>	<b>92,590,185.22</b>

### 35. Research and development expense

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

### 36. Financial expenses

Item	Year 2020	Year 2019
------	-----------	-----------

Interest expenses	22,798,392.28	12,939,583.98
Less: Interest income	1,572,349.92	3,068,137.48
discount rate of bill	921,233.95	10,786,871.75
Exchange gains and losses	87,868.32	63,984.65
Less: gains of exchange	4,538.06	
Cash discount	31,258.10	-310,138.31
Commission Charge and others	224,509.17	882,881.59
<b>Total</b>	<b>22,486,373.84</b>	<b>21,295,046.18</b>

### 37. Other income

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

Government subsidy regarded as other income during the period:

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

Details of government subsidy

Item	Year 2020	Year 2019
Emergency supply subsidy of Chongqing Banan District treasury payment center	100,000.00	
Obtained subsidy for staff stability of Chongqing Jiulongpo District Employment and talent center	3,048,959.00	
Subsidy for talent introduction in 2020	400,000.00	
Reward from Jiulong Park Finance Office of Chongqing hi tech Industrial Development Zone	45,000.00	

Obtained subsidy for international service trade from Jiulongpo District Finance Bureau of Chongqing Jiulongpo District Commerce	10,000.00	
Received patent subsidy from Chongqing Jiulongpo District market supervision and Administration Bureau	23,200.00	
Received subsidies for recruitment of key enterprises from Chongqing Jiulongpo District Finance Bureau	54,200.00	
Received quality management award funds from Chongqing Jiulongpo District market supervision and Administration Bureau	300,000.00	
Received science and technology project subsidy from Chongqing Jiulongpo Finance Bureau	100,000.00	
Obtained patent subsidy fee of Chongqing Intellectual Property Office in 2019	6,000.00	
Received the first batch of special project funds for technological innovation of Chongqing Municipal Bureau in 2020	200,000.00	
Received patent subsidy from Chongqing Jiulongpo District market supervision and Administration Bureau	32,200.00	
Received subsidies for motorcycle EFI project of Banan District treasury payment center	100,000.00	
Received the second industry and information technology fund of 2019 from Chongqing Jiulongpo Finance Bureau's		400,000.00
Received the fund of Science and Technology Committee development and application project		200,000.00
Received R&D fund of 2019 from Chongqing Jiulongpo Finance Bureau		190,000.00
Received new product research fund of 2018 from Chongqing Jiulongpo Finance Bureau's		150,000.00
Received research fund of estimate automobile air-conditioner energy consumption		50,000.00
Received Internet communication fee from Chongqing Jiulongpo Finance Bureau		38,700.00
Third generation service fee	30,100.88	6,274.93
Patent consulting fee from Chongqing Intellectual Property Office		6,000.00
Important hiring subsidies from Chongqing Jiulongpo Finance Bureau		1,100.00
Hiring subsidies from Chongqing Jiulongpo Employment and personal services Bureau		15,700.00
<b>Total</b>	<b>4,449,659.88</b>	<b>1,057,774.93</b>

### 38. Investment income

item	Year 2020	Year 2019
Long-term equity investment income calculated by equity method	-5,390,443.20	-27,108,151.12
Investment income from 50% equity of Chongqing Pingshan TK Carburetor Co., Ltd. remeasured according to the fair value on the purchase day	1,939,381.08	
Disposal of a long-term equity investment of investment returns		

Investment income from remained equity measured at fair value after losing control power		
Investment income from holding of available-for-sale throughout the duration		
Disposal of available-for-sale financial assets investment income		
Investment income from holding of available-for-sale financial assets calculated by amortized cost method		
investment income from disposal of available-for-sale financial assets calculated by amortized cost method		
Investment income from holding of other bond investments		
Investment income from disposal of other bond investments		
Investment income from financial assets measured at fair value through current profit and loss during the duration		
Investment income from disposal of financial assets measured at fair value through current profit and loss		
Investment income from holding of held-to-maturity investments		
Investment income from disposal of held-to-maturity investments		
Investment income from holding of available-for-sale financial assets		
Investment income from disposal of available-for-sale financial assets		
Others		
<b>Total</b>	<b>-3,451,062.12</b>	<b>-27,108,151.12</b>

### 39. Losses from credit impairment

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

### 40. Losses from asset impairment

Item	Year 2020	Year 2019
Losses for falling price of inventory	597,106.59	-4,782,307.01
Impairment loss of long-term equity investments		

Impairment loss of investment Property		
Impairment loss of fixed Asset	-10,550,113.62	-5,639,143.73
Impairment loss of engineering materials		
Impairment loss of construction in progress		
Impairment loss of biological assets		
Impairment loss of oil-and-gas assets		
Losses on intangible asset impairment		
Losses on goodwill impairment		
Losses on bad debt		
Disposal of a long-term equity investment of investment returns		
Investment income from financial assets measured at fair value through current profit and loss during the		
Others		
<b>Total</b>	<b>-9,953,007.03</b>	<b>-10,421,450.74</b>

#### 41. Asset disposal income

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

#### 42. Non-operating income

Item	Year 2020	Year 2019	Amounts included in the non-recurrent profit and loss for the current year
Non-current assets damage and retirement gains	2,160.36		2,160.36
Donation received			
Gains on stock-tacking			
Government subsidies	16,900.00	27,000.00	16,900.00
Others	74,145.66	251,243.52	74,145.66

Profits from merger of enterprises not under the same control	40,984,783.95		40,984,783.95
<b>Total</b>	<b>41,077,989.97</b>	<b>278,243.52</b>	<b>41,077,989.97</b>

Government subsidies included in current profit and loss

Subsidy item	Year 2020	Year 2019
Related to assets:		
Focus on supporting subsidy funds for science and technology enterprises		
Incentives for contributions to economic development		
Related to profits:		
Warehousing reward and R & D investment subsidy of scientific and technological enterprises in Banan District	16,900.00	
Innovation fund by Jiulongpo Treasury payment center		27,000.00
<b>Total</b>	<b>16,900.00</b>	<b>27,000.00</b>

**43. Non-operating expenses**

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

**44. Income tax expenses**

(1) Details of income tax expense

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

(2) Accounting profit and income tax expense adjustment process

Item	Amount of current period
Total profit	1,915,457.46



Income tax expense at statutory / applicable tax rates	478,864.37
Effect of different tax rates applicable to subsidiaries	-192,627.16
Income tax adjustments on prior periods	
Effect of non-taxable income	-9,383,430.46
The impact of R&D expenses	-2,472,093.35
The impact of non-deductible costs, expenses and losses	213,277.80
Affect the use of deferred tax assets early unconfirmed deductible losses	
Deductible losses of unrecognized deferred income tax assets in the current period	11,855,523.81
The adjustment of tax rate leads to the change of the beginning-balance of deferred income tax assets/liabilities	
<b>Total</b>	<b>499,515.01</b>

#### 45. Other comprehensive income

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

#### 46. Items of the statement of cash flows

##### (1) Cash received from other operating activities

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

##### (2) Cash paid for other operating activities

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

##### (3) Cash received from other investing activities

Item	Year 2020	Year 2019
Acquisition of subsidiaries	61,450,668.55	
<b>Total</b>	<b>61,450,668.55</b>	

(4) Cash paid for other investing activities

Item	Year 2020	Year 2019
Financial periodic deposits	40,000,000.00	
Total	<b>40,000,000.00</b>	

(5) Cash received from other financing activities

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

(6) cash paid for other financing activities

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

**47. Supplementary information to the statement of cash flows**

(1) Supplementary information to the statement of cash flows

Supplementary information	Year 2020	Year 2019
<b>1、Net profit adjusted to cash flows from operating activities</b>		
Net profits	1,415,942.45	-121,128,719.93
Add: provision for credit impairment	1,258,873.53	3,483,826.72
Add: provision for assets impairment	9,953,007.03	10,421,450.74
Add: depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	33,781,630.33	32,936,678.21
Amortization of intangible assets	1,004,549.05	657,864.72
Amortization of long-term deferred expenses	49,500.00	1,912,833.34
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	448,967.59	3,068,753.15

Losses on discarding of fixed assets ("-" for gains)	1,572,191.89	
Losses from changes in fair value ("-" for gains)		
Financial expenses ("-" for income)	23,719,626.23	23,726,455.73
Investments losses ("-" for gains)	3,451,062.12	27,108,151.12
Decreases in the deferred income tax assets ("-" for increases)	-213,146.14	-1,210,841.59
Increases in the deferred income tax liabilities ("-" for decreases)	1,908,551.51	
Decreases in inventories ("-" for increases)	-22,827,528.18	31,248,364.66
Decreases in operating receivables ("-" for increases)	-30,853,916.35	-50,994,532.30
Increases in operating receivables ("-" for decreases)	140,343,815.61	52,184,072.85
Others		
Net cash flows from operating activities	165,013,126.67	13,414,357.42
<b>2、Significant investment and financing activities involving no cash receipts and payments</b>		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under financial lease		
<b>3、Net change in cash and cash equivalents:</b>		
Closing balance of cash	79,310,253.55	9,390,326.10
Less: Opening balance of cash	9,390,326.10	72,551,130.34
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	69,919,927.45	-63,160,804.24

(2) Component of cash and cash equivalents

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

## Net cash paid to acquire subsidiaries in the current period

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

## 48. Assets with restrictions on their ownership or use right

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

## 49. Government subsidies

### (1) Government subsidies confirmed in current period

Subsidy item	Amount	Asset-related		Revenue related				Whether actually received
		deferred income	Write-down of book value	deferred income	Other income	Non-operating income	Write-down of cost	
Emergency supply subsidy of Chongqing Banan District treasury payment center	100,000.00				100,000.00			Yes
Obtained subsidy for staff stability of Chongqing Jiulongpo District Employment and talent center	3,048,959.00				3,048,959.00			Yes
Subsidy for talent introduction in 2020	400,000.00				400,000.00			Yes
Reward from Jiulong Park Finance Office of Chongqing hi tech Industrial Development Zone	45,000.00				45,000.00			Yes

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	
Obtained subsidy for international service trade from Jiulongpo District Finance Bureau of Chongqing Jiulongpo District Commerce Committee	10,000.00				10,000.00			Yes
Received patent subsidy from Chongqing Jiulongpo District market supervision and Administration Bureau	23,200.00				23,200.00			Yes
Received subsidies for recruitment of key enterprises from Chongqing Jiulongpo District Finance Bureau	54,200.00				54,200.00			Yes
Received quality management award funds from Chongqing Jiulongpo District market supervision and Administration Bureau	300,000.00				300,000.00			Yes
Received science and technology project subsidy from Chongqing Jiulongpo Finance Bureau	100,000.00				100,000.00			Yes
Obtained patent subsidy fee of Chongqing Intellectual Property Office in 2019	6,000.00				6,000.00			Yes
Received the first batch of special project funds for technological innovation of Chongqing Municipal Bureau in 2020	200,000.00				200,000.00			Yes
Received patent subsidy from Chongqing Jiulongpo District market supervision and Administration Bureau	32,200.00				32,200.00			Yes
Received subsidies for motorcycle EFI project of Banan District treasury payment center	100,000.00				100,000.00			Yes
Third generation service fee	30,100.88				30,100.88			Yes
Reward of medical Treasury science and technology enterprises in Banan District						16,900.00		Yes
<b>Total</b>	<b>4,449,659.88</b>				<b>4,449,659.88</b>	<b>16,900.00</b>		

2). Government subsidies included in current profit and loss

Subsidy item	Asset-related / revenue-related	Included in the Other income	Included in the Non-operating income	Write-down of cost
Emergency supply subsidy of Chongqing Banan District		100,000.00		

Subsidy item	Asset-related / revenue-related	Included in the Other income	Included in the Non-operating income	Write-down of cost
treasury payment center				
Obtained subsidy for staff stability of Chongqing Jiulongpo District Employment and talent center		3,048,959.00		
Subsidy for talent introduction in 2020		400,000.00		
Reward from Jiulong Park Finance Office of Chongqing hi tech Industrial Development Zone		45,000.00		
Obtained subsidy for international service trade from Jiulongpo District Finance Bureau of Chongqing Jiulongpo District Commerce Committee		10,000.00		
Received patent subsidy from Chongqing Jiulongpo District market supervision and Administration Bureau		23,200.00		
Received subsidies for recruitment of key enterprises from Chongqing Jiulongpo District Finance Bureau		54,200.00		
Received quality management award funds from Chongqing Jiulongpo District market supervision and Administration Bureau		300,000.00		
Received science and technology project subsidy from Chongqing Jiulongpo Finance Bureau		100,000.00		
Obtained patent subsidy fee of Chongqing Intellectual Property Office in 2019		6,000.00		
Received the first batch of special project funds for technological innovation of Chongqing Municipal Bureau in 2020		200,000.00		
Received patent subsidy from Chongqing Jiulongpo District market supervision and Administration Bureau		32,200.00		
Received subsidies for motorcycle EFI project of Banan District treasury payment center		100,000.00		
Third generation service fee		30,100.88		
Reward of medical Treasury science and technology enterprises in Banan District			16,900.00	
<b>Total</b>		<b>4,449,659.88</b>	<b>16,900.00</b>	

## V. Change of consolidation scope

### 1. Business combination under different control

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

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

#### (2) Combination cost and goodwill

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

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

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

Item	Chongqing Pingshan TK Carburetor Co., Ltd	
	Fair value on purchase day	Book value on purchase day
<b>Asset</b>		
Monetary assets	61,450,689.09	61,450,689.09
Notes receivable	2,656,242.80	2,656,242.80
Accounts receivable	7,712,897.60	7,712,897.60
Prepayments	329,754.65	329,754.65
Other receivables	636,489.76	636,489.76
Inventories	4,814,007.97	4,814,007.97
Fixed assets	19,801,292.63	16,658,992.63
Construction in progress	682,610.64	682,610.64
Intangible assets	4,675,311.39	1,267,542.93
Long-term prepaid expense	41,250.00	41,250.00
Deferred income tax assets	544,718.27	544,718.27
Total assets	103,345,264.80	96,795,196.34
<b>Liabilities</b>		
Advances from customers	3,979,865.66	3,979,865.66
Accounts payable	44,710.00	44,710.00
Employee benefits payable	13,835,414.10	13,835,414.10
Taxes payable	396,862.23	396,862.23
Other payables	1,081,009.93	1,081,009.93
Deferred income tax liabilities	2,037,793.90	400,276.78
Total liabilities	21,375,655.82	19,738,138.70
<b>Net assets</b>	81,969,608.98	77,057,057.64
Less: minority equity		
Net assets acquired	81,969,608.98	77,057,057.64

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



the acquired equity held before the purchase day and the consideration paid on the purchase day.

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

Name of the acquiree	Book value of original equity held before on the purchase day	The fair value of the original equity held before on the purchase day	Gains or losses arising from the re-measurement of the original equity held before according to the fair value	The method of the fair value and main assumptions on the purchase day	The amount of other comprehensive income transferred into investment income
Chongqing Pingshan TK Carburetor Co., Ltd	39,045,423.41	40,984,804.49	1,939,381.08	The fair value of the equity on the purchase day is determined by the asset-based method and based on the assumption that the enterprise continues to operate and the assets do not change the way of use.	0.00

## VI. Equity in other entities

### 1. Equity in subsidiaries

(1) Composition of enterprise groups

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

### 2. Equity in joint ventures and associates

(1) Major joint ventures

Name of joint venture or	Main business	Registered	Business nature	Shareholding ratio (%)	Accounting treatment methods for the investments in joint
--------------------------	---------------	------------	-----------------	------------------------	---

associate	areas	place		Directly	Indirectly	ventures or associates
Chongqing Hanon Jianshe Automotive Thermal Systems Co., Ltd.	Chongqing	Chongqing	Compressor assembly and core auto parts production	50.00		Equity method

(2) Major financial information of significant joint ventures

Item	Ending balance / Current amount		Beginning balance / Amount of the previous period	
	Chongqing Pingshan TK Carburetor Co., Ltd.	Chongqing Hanon Jianshe Automotive Thermal Systems Co., Ltd.	Chongqing Pingshan TK Carburetor Co., Ltd.	Chongqing Hanon Jianshe Automotive Thermal Systems Co., Ltd.
Current assets		207,788,619.72	85,520,050.06	106,444,360.21
Including: cash and cash equivalents		14,910,653.69	67,698,607.56	1,829,891.00
Non-current assets		403,946,863.16	19,683,842.52	431,151,340.69
Total assets		611,735,482.88	105,203,892.58	537,595,700.90
Current liabilities		147,202,798.08	28,102,195.28	69,997,756.39
Non-current liabilities		95,221,965.54	400,276.78	87,150,701.74
Total liabilities		240,767,353.62	28,502,472.06	157,148,458.13
Minority equity				
Equity attributable to the shareholders of parent company		369,310,719.26	76,701,420.52	380,447,242.77
Shares in net assets calculated according to the shareholding ratios		184,655,359.63	38,350,710.26	190,223,621.39
Adjustment events				
- Goodwill				

Item	Ending balance / Current amount		Beginning balance / Amount of the previous period	
	Chongqing Pingshan TK Carburetor Co., Ltd.	Chongqing Hanon Jianshe Automotive Thermal Systems Co., Ltd.	Chongqing Pingshan TK Carburetor Co., Ltd.	Chongqing Hanon Jianshe Automotive Thermal Systems Co., Ltd.
- Unrealized profits of internal transactions				
- Others				
The book values of equity investments in joint ventures		186,213,719.02	38,867,604.85	191,781,980.78
The fair values of equity investments in joint ventures with a public offer				
Operating income		232,203,748.88	51,209,764.80	90,350,122.19
Financial expenses		4,678,168.50	-2,043,145.37	-96,978.98
Income tax expenses			812,408.78	
Net profit		-11,136,523.51	-23,897,617.66	-26,874,602.49
Net profit from termination				
Other comprehensive income				
Total comprehensive income		-11,136,523.51	-23,897,617.66	-26,874,602.49
Dividends received from joint ventures for the current year			2,000,000.00	

## VII. Related parties and related party transactions

### 1. The parent company of the Company

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

Industries Group Corporation		assets investment	million		
------------------------------	--	-------------------	---------	--	--

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

### The changes of parent company registered capital (million):

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

## 2. Subsidiaries of the Company

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

## 3. The joint ventures and associates of the Company

Please refer to Note VI.2 “Equity in joint ventures and associates” for the details of major joint ventures or associates of the Company.

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

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

## 4. Other related parties of the Company

Name of other related parties	Relationship with the Company
Chongqing Jianshe Industrial (Group) Co., Ltd. ("Jianshe industry ")	Under the common control of the same party
Chongqing Jianshe industry (Group) Co., Ltd. ("Jianshe industry (Group) ")	Under the common control of the same party
South Finance Co., Ltd. ("Finance Company ")	Under the common control of the same party
Chongqing Jianxing Machinery Co., Ltd. ("Jianxing Machinery")	A Joint venture of a subsidiary of a controlling shareholder
Chongqing Changan Automobile Co., Ltd. ("Chongqing Changan")	Under the common control of the same party
Chongqing Changan Automobile Co., Ltd. Beijing Changan Automobile Company ("Beijing Changan")	Under the common control of the same party
Chongqing Changan Suzuki Motor Co., Ltd. ("Changan Suzuki ")	A Joint venture of a subsidiary of a controlling shareholder
Hebei Changan Motor Co., Ltd. ("Hebei Changan ")	Under the common control of the same party
Nanjing Changan Motor Co., Ltd. ("Nanjing Changan ")	Under the common control of the

	same party
Baoding Changan Bus Manufacturing Co., Ltd ("Baoding Changan")	Under the common control of the same party
Hefei Changan Motor Co.Ltd ("Hefei Changan")	Under the common control of the same party
Chongqing South Motorcycle Co.Ltd ("South Motorcycle ")	Under the common control of the same party
Chongqing Changan Motor Customer Service Co., Ltd. ("Changan Motor Customer Service ")	Under the common control of the same party
Chongqing Changan Automobile International Sales & Service Co., Ltd ("Changan Automobile sales ")	Under the common control of the same party
Chongqing North Construction import and export trade co.ltd ("import and export company")	Under the common control of the same party
Hafei Motor share company ("Hafei motor")	Under the common control of the same party
Changan Ford Motor Co.Ltd Harbin branch ("Changan Ford Harbin branch")	A Joint venture of a subsidiary of a controlling shareholder
Harbin dongan Motor Power shares Co. Ltd ("Harbin dongan power")	Under the common control of the same party
Sichuan Huaqing Machinery co. Ltd	Under the common control of the same party
South Air International Co. Ltd ("South Air ")	Under the common control of the same party
Southwest Ordnance Chongqing Environmental Protection Research Institute Co., Ltd ( " Southwest Ordnance" )	Under the common control of the same party
China Ordnance Equipment Group commercial factoring Co., Ltd	Under the common control of the same party
Chongqing Jianshe Yamaha Motorcycle Co., Ltd ( "Jianshe Yamaha" )	A Joint venture of a subsidiary of a controlling shareholder
Chongqing Chang'an Minsheng Logistics Co., Ltd( "Minsheng Logistics " )	A Joint venture of a subsidiary of a controlling shareholder
Chongqing Jianshe lijue Industrial Co., Ltd ( " Jianshe lijue" )	A Joint venture of a subsidiary of a controlling shareholder
Xuechuan Yan	Board Chairman, legal representative
Qihong Dong	Board director
Jiang Yu	Employee director, deputy secretary of Party committee, Secretary of Discipline Inspection Commission, chairman of trade union
Di Zhang	Board director
Yongqiang Zhou	Board director
Lin Hao	Board director
Jiaming Li	Independent director
Fei Xie	Independent director
Wei Liu	Independent director

Weiwei Song	Independent director
Hushan Zhang	supervisory board chairman
Wenbiao Yu	Vice-general manager
Aijun Fan	Vice-general manager
Mingxian Tan	Vice-general manager、Financial Officer-in-charge
Xianyun Lu	Supervisory board chairman
Lungang Zhang	Supervisor
Guoan Qiao	Supervisor
Yongjiang Li	Employee Supervisor
Song Rao	Employee Supervisor

## 5. Related party transactions

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

#### ① Table of sales of goods

Related party	Content of related party transactions	Amount	
		Year 2020	Year 2019
Chongqing Changan Automobile Co., Ltd.	Auto Parts	121,152,914.63	74,175,496.49
Chongqing Changan Suzuki Automobile Co., Ltd.	Auto Parts	8,312,846.45	9,026,012.84
Hefei Changan Automobile Co., Ltd.	Auto Parts	12,311,294.83	11,004,057.30
Nanjing Changan Automobile Co., Ltd.	Auto Parts	1,955,924.44	4,729,999.23
Baoding Changan Automobile Co., Ltd.	Auto Parts	2,231,755.78	5,859,099.25
Hebei Changan Automobile Co., Ltd.	Auto Parts	104,905.84	74,904.83
Beijing Changan Automobile Co., Ltd.	Auto Parts	2,557.55	5,746.23
Chongqing Changan Automobile customer Service Co., Ltd.	Auto Parts	18,532.42	20,146.98
South Air International Co. Ltd ("South Air ")	Auto Parts	144,000.00	144,000.00
Chongqing Jianshe Yamaha Motorcycle Co.,Ltd	Motorcycle Parts	3,469,076.51	2,282,073.73
Chongqing Jianshe industry (Group) Co., Ltd	Parts inspection	948,359.57	
Chongqing Jianshe industry (Group) Co., Ltd	Material	280,236.11	
Chongqing Chang'an Minsheng Logistics Co., Ltd	Storage services	581,396.56	
Southwest Ordnance Chongqing Environmental Protection Research Institute Co., Ltd	Parts inspection	1,039,838.83	
<b>Total</b>		<b>152,553,639.52</b>	<b>107,321,536.88</b>

## (2) The situation of related-party lease

### ① The Company as a lessor:

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

### ② The Company as a lessee:

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

## (3) Related Guarantee

The Company act as guarantor

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

<b>Guarantee</b>	<b>Guaranteed amount</b>	<b>Starting date of guaranty</b>	<b>Maturity date of guaranty</b>	<b>Whether the guarantee has been fulfilled</b>
Chongqing Jianshe Automobile A/C Co., Ltd.	34,500,000.00	2020/10/12	2021/5/24	No
Chongqing Jianshe Automobile A/C Co., Ltd.	20,000,000.00	2020/10/12	2021/5/24	No
Chongqing Jianshe Automobile A/C Co., Ltd.	25,490,000.00	2020/10/19	2021/5/24	No
Chongqing Jianshe Automobile A/C Co., Ltd.	10,000,000.00	2020/8/27	2021/8/27	No
Chongqing Jianshe Automobile A/C Co., Ltd.	20,000,000.00	2020/11/3	2021/5/18	No
Chongqing Jianshe Automobile A/C Co., Ltd.	50,000,000.00	2020/2/28	2021/2/27	No
Chongqing Jianshe Automobile A/C Co., Ltd.	25,020,000.00	2020/7/31	2021/1/31	No
Chongqing Jianshe Automobile A/C Co., Ltd.	46,400,000.00	2020/9/23	2021/3/16	No
Chongqing Jianshe Automobile A/C Co., Ltd.	25,000,000.00	2020/10/16	2021/4/13	No
Chongqing Jianshe Automobile A/C Co., Ltd.	25,000,000.00	2019/7/5	2020/1/5	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	25,300,000.00	2019/7/11	2020/1/11	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	50,000,000.00	2019/8/16	2020/2/15	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	28,570,000.00	2019/9/20	2020/3/20	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	35,710,000.00	2019/10/10	2020/4/9	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	14,285,000.00	2019/10/16	2020/4/15	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	35,710,000.00	2019/10/23	2020/4/22	Yes



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.	46,400,000.00	2019/12/26	2020/6/26	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	25,020,000.00	2020/1/8	2020/7/8	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	30,000,000.00	2019/9/10	2020/9/9	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	30,000,000.00	2019/9/17	2020/9/16	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	28,570,000.00	2020/3/17	2020/9/17	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	30,000,000.00	2019/10/8	2020/9/28	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	12,000,000.00	2019/10/8	2020/9/28	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	24,500,000.00	2019/10/28	2020/10/27	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	50,000,000.00	2019/11/20	2020/11/19	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	34,500,000.00	2019/11/28	2020/11/27	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	55,790,000.00	2019/12/9	2020/12/8	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	20,000,000.00	2019/12/12	2020/12/11	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	40,000,000.00	2020/6/15	2020/12/15	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	25,490,000.00	2019/12/17	2020/12/16	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	20,000,000.00	2019/12/18	2020/12/16	Yes

#### (4) Payroll of core management staff

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

#### (5) Deposits in related parties

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

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

#### (6) Loan from related parties

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

### 6. Related party receivables/payables

#### (1) The item of receivables

Item	Related parties	2019.12.31		2018.12.31	
		book balance	bad-debt provision	book balance	bad-debt provision
Accounts receivable	Chongqing Jianshe Yamaha Motorcycle Co.,Ltd	1,600,948.83		935,022.27	
Accounts receivable	Chongqing Hanon Jianshe Automotive Thermal Systems Co., Ltd.	1,057,181.69		146,715.27	

Accounts receivable	Chongqing Changan Automobile Co., Ltd.	35,860,898.25		23,714,911.56	
Accounts receivable	Hefei Changan Automobile Co., Ltd.	6,144,169.57		7,569,880.13	
Accounts receivable	Baoding Changan Automobile Co., Ltd.	176,024.12		1,464,206.17	
Accounts receivable	Chongqing Changan Suzuki Automobile Co., Ltd.	144,754.60		1,245,998.54	
Accounts receivable	Nanjing Changan Automobile Co., Ltd.	757,093.89		69,349.42	
Accounts receivable	Hebei Changan Automobile Co., Ltd.	125,588.19		36,326.70	
Accounts receivable	Chongqing Changan Automobile Co., Ltd. Beijing Changan Automobile Company ("Beijing Changan")			3,046.25	
Accounts receivable	Hafei motor co., Ltd.	3,999,944.43	3,999,944.43	3,999,944.43	3,999,944.43
Notes receivable	Baoding Changan bus Manufacturing Co., Ltd.	1,080,000.00		230,000.00	
Notes receivable	Chongqing Changan Automobile Co., Ltd.	20,462,109.25		404,031.22	
Notes receivable	Hefei Changan Automobile Co., Ltd	4,501,490.44			
Notes receivable	Nanjing Changan Automobile Co., Ltd	880,000.00			
Other receivables	Chongqing North Jianshe Import and Export trading Co.,Ltd			350,000.00	
Other receivables	Chongqing Jianshe Lijue Industry Co.,Ltd	1,478,870.07		395,723.62	
Other receivables	China South Industries Group Corporation	39,300.00			

(2) The item of payables

Item	Related parties	2019.12.31	2018.12.31
		book balance	book balance
Accounts payable	Chongqing Yamaha Motorcycle Co., Ltd.	23,210.00	23,210.00
Accounts payable	China South Industries Group Commercial Factoring Co.,Ltd	32,950,000.00	11,800,000.00
Other payable	Chongqing Jianshe Industrial (Group) Co., Ltd. ("Jianshe industry(Group) ")	563,402.75	644,513.49
Other payable	Chongqing Jianshe Mechanical and electrical Co., Ltd.		148,008.76

**7. Commitments by related parties**

None

## VIII. Commitments or contingencies

### 1. Significant commitment events

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

### 2. Contingencies

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

## IX. Subsequent events

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

## X. Other significant events

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

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

### 1. Accounts receivable

(1) Accounts receivable measured as amortized cost

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

(2) Bad debt reserves

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

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

	Book balance	Estimated credit losses during the period	Provision for impairment
Within one year	2,189,335.14		

1-2 years			
2-3 years			
Over 3 years	1,291,496.94	100.00	1,291,496.94
<b>Total</b>	<b>3,480,832.08</b>		<b>1,291,496.94</b>

## ②Changes of Bad debt

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

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

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

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

## 2. Other receivables

Item	2020.12.31	2019.12.31
Interest receivable		
Dividend receivable		
Other receivables	934,239.22	2,376,451.69
<b>Total</b>	<b>934,239.22</b>	<b>2,376,451.69</b>

(1) Situation of other receivables

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

1) Provision of bad debts

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

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

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

	Book balance	Estimated credit losses during the period	Provision for impairment	Reason
<b>Provision in single entity</b>				
Chongqing Jinxiang Hoisting equipment manufacturing	16,800.00	100.00	16,800.00	Low recovery possibility
Yangzhou Qionghua decoration engineering equipment	56,500.00	100.00	56,500.00	Low recovery possibility
Chongqing China Customs	78,825.36	100.00	78,825.36	Low recovery possibility

Goods pending quality inspection and goods on exhibition	163,394.48	100.00	163,394.48	Low recovery possibility
Chongqing Jianshe lijue Industrial Co., Ltd	1,478,870.07	100.00	1,478,870.07	Low recovery possibility
<b>Total</b>	<b>1,794,389.91</b>	<b>100.00</b>	<b>1,794,389.91</b>	

## 2) Changes of bad debts provision

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

## 3) Nature classification of other receivables

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

<b>Total</b>	<b>6,854,489.04</b>	<b>6,817,831.44</b>
--------------	---------------------	---------------------

4) Top five other receivable as at December 31, 2020:

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

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

### 3. Long-term equity investments

(1) Classification of long-term equity investment

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

(2) Investments in subsidiaries

Investee	2020.01.01	Increase in 2020	Decrease in 2020	2020.12.31
Chongqing Jianshe Automobile A/C Co., Ltd.	160,000,000.00			160,000,000.00
Chongqing Pingshan TK Carburetor Co.,		39,045,443.95		39,045,443.95



Investee	2020.01.01	Increase in 2020	Decrease in 2020	2020.12.31
Ltd				
Less: provision for long-term investment impairment				
<b>Total</b>	<b>160,000,000.00</b>	<b>39,045,443.95</b>		<b>199,045,443.95</b>

(3) Investments in associates and joint ventures

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

&

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

#### 4. Operating income and operating costs

(1) Operating income and costs are as follows:

Item	Year 2020		Year 2019	
	Income	Cost	Income	Cost
Primary businesses	574,099,625.36	562,455,438.02	590,889,525.63	612,385,017.66

Other businesses	8,020,335.84	3,413,711.76	10,168,004.55	4,143,375.88
<b>Total</b>	<b>582,119,961.20</b>	<b>565,869,149.78</b>	<b>601,057,530.18</b>	<b>616,528,393.54</b>

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

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

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

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

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

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

## 5. Investment income

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

Investment income from holding of other bond investments		
Investment income from disposal of other bond investments		
Investment income from financial assets measured at fair value through current profit and loss during the duration		
Investment income from disposal of financial assets measured at fair value through current profit and loss		
Investment income from holding of held-to-maturity investments	—	—
Investment income from disposal of held-to-maturity investments	—	—
Investment income from holding of available-for-sale financial assets	—	—
Investment income from disposal of available-for-sale financial assets	—	—
Others	—	—
<b>Total</b>	<b>-5,390,443.20</b>	<b>-27,108,151.12</b>

## XII. Supplementary information

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

Item	Amount	Remark
Gains and losses on disposal of non-current assets	-448,967.59	
Tax returns, deduction and exemption approved beyond the authority or without official approval documents		
Government grants included in current profits and losses (except for government grants closely related to the enterprise business, obtained by quota or quantity at unified state standards)	4,466,559.88	
Payment for use of state funds received from non-financial institutions recorded in current profits and losses		
Gains from the difference between the investment costs of acquisition of subsidiaries, associates and joint ventures and share in the net fair value of the identifiable assets of the investee when investing	42,924,165.03	
Gains or losses from non-monetary asset exchange		
Gains or losses from entrusting the investments or management of asset		
Impairment provision for force majeure such as natural calamities		
Profits or losses from debt restructuring		
Restructure expenses, such as the compensation for employee relocation and integration costs		
Gains or losses from transactions with obvious unfair transaction price		

Current net profit and loss of subsidiaries from the beginning of the period to the date of business combination under the common control		
Profits or losses arising from contingencies not related to the company's normal business		
Except for effective hedging business related to the normal business of the company, profits or losses from fair value changes in held-for-trading financial assets and held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets		
Disposal of transactional financial assets, transactional financial liabilities and return on investments available for sale		
Reversal of the impairment provision for receivables subject to separate impairment test	88,468.57	
Profits or losses from entrusted loans		
Profits or losses from fair value changes in investment property subsequently calculated with the fair value mode		
Impacts of one-time adjusting the current profits or losses in accordance with requirements of tax and accounting laws and regulations on the current profits and losses		
Custodian income from entrusted management		
Other non-operating income and expenditure except for the above items	-1,496,366.67	
Other profits or losses which can be deemed as non-recurring profits or losses		
Total non-recurrent gains and losses	45,533,859.22	
Less: income tax impact of non-recurrent gains and losses	76,894.55	
Net non-recurrent gains and losses	45,456,964.67	
Less: net effect of non-recurrent gains and losses attributable to minority shareholders		
Non-recurring gains and losses attributable to common shareholders of the company	45,456,964.67	

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

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

### **XIII. 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[2021]No.302053).
- 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[2021]No.302023).
- VI. Auditing Report on Internal Control for Chongqing Jianshe Vehicle System Co., Ltd. (ZXCGHSZZ[2021]No.302022).
- VII. Special review report on the situation of deposit and loan of Chongqing Jianshe Vehicle System Co., Ltd. from the Military Equipment Finance Co., Ltd. (ZXCGHSZZ[2021]No.302024).
- VIII. Special verification opinion on the deduction of operating income of 2020 of Chongqing Jianshe Vehicle System Co., Ltd. (ZXCGHSZZ[2021]No.302001).

Chongqing Jianshe Vehicle System Co., Ltd.

April 28, 2021