Ningbo Joyson Electronic Corp.

ENGLISH TRANSLATION OF FINANCIAL STATEMENTS
FOR THE YEAR 1 JANUARY 2017 TO 31 DECEMBER 2017
IF THERE IS ANY CONFLICT BETWEEN THE CHINESE
VERSION AND ITS ENGLISH TRANSLATION,
THE CHINESE VERSION WILL PREVAIL

AUDITORS’ REPORT

毕马威华振审字第 1802453 号

The Shareholders of Ningbo Joyson Electronic Corp.:

Opinion

We have audited the accompanying financial statements of Ningbo Joyson Electronic Corp. (“Ningbo Joyson Electronic”), which comprise the consolidated and company balance sheets as at 31 December 2017, the consolidated and company income statements, the consolidated and company cash flow statements, and the consolidated and company statements of changes in shareholders’ equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of Ningbo Joyson Electronic as at 31 December 2017, and its consolidated and company financial performance and cash flows of Ningbo Joyson Electronic for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People’s Republic of China.

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants (“CSAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Ningbo Joyson Electronic in accordance with the China Code of Ethics for Certified Public Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition	
Refer to Note III. 23 of the accounting policy to the financial statements and Note V. 43 to the consolidated financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
Ningbo Joyson Electronic and its subsidiaries (hereinafter referred to as "Ningbo Joyson Electronic Group") are mainly engaged in the R&D, production and sales of automotive components. In 2017, an amount of RMB 26,227,585,083.66 was recognised for the sales of automotive components of Ningbo Joyson Electronic Group. Revenue is recognised when Ningbo Joyson Electronic Group has transferred significant risks and rewards of ownership of its products to customers, and neither retains the right to continue its management nor effectively controls the sold automotive components. Based on the automotive industry practice, sales contracts, signed between Ningbo Joyson Electronic Group and certain OEMs, include terms such as volume rebate and sales discounts. Based on the realised qualified sales volume as at the balance sheet date and the discount rate to be offered to the customers, or pursuant to the best estimates made by the management based on all information available as at the balance sheet date, provision for return on sales is made and used to offset the current year’s revenue.	Our audit procedures to evaluate revenue recognition included the following: • Understand and evaluate the design and implementation effectiveness of key internal controls related to revenue recognition; • Check key customer contracts on a sampling basis to identify terms and conditions related to the transferring of significant risks and ownership and evaluate whether the accounting policies for revenue recognition of Ningbo Joyson Electronic Group meet the requirements of Accounting Standards for Business Enterprises; • On a sampling basis, reconcile the revenue recorded in the current year to relevant supporting documents such as relevant orders, shipping orders, sales invoices, delivery receipts, etc. to evaluate whether revenue is recognised in accordance with the accounting policy of Ningbo Joyson Electronic Group; • Select samples to check relevant supporting files of sales transactions recorded before and after 31 December 2017, including shipping orders signed by customers, to evaluate whether revenue is recorded in the appropriate accounting period;

Key Audit Matters (continued)

Revenue recognition(continued)	
Refer to Note III. 23 of the accounting policy to the financial statements and Note V. 43 to the consolidated financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
We identified revenue recognition as a key audit matter because income is one of the key performance indicators that measure the performance of Ningbo Joyson Electronic Group, and therefor there may exist the risk that the point of time for revenue recognition is ahead of or behind schedule, or the amount of revenue recognition fail to accurately reflect the actual income by using accounting estimates when the management intends to meet performance expectations or targets.	• For long-term sales agreements with OEMs, select samples to check the terms related to sales discounts and supporting documents such as the calculation sheet to evaluate the reasonableness of provision made by the management; • On a sampling basis, check whether there is a significant difference between the amount of the provision at the end of 2016 and the sales discount actually settled in the current year, so as to consider whether there are indications of management bias for the estimate of provision; • Select accounting entries of revenue that meet specific risk criteria and check related supporting files.

Key Audit Matters (continued)

<table>
<tr><th colspan="2">Capitalisation of developments costs</th></tr>
<tr><td colspan="2">Refer to Note III. 17 of the accounting policy to the financial statements and Note V. 14 and 15 to the consolidated financial statements.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>If the development costs are qualified for capitalisation under the Accounting Standards for Business Enterprises, these costs shall be captalised.

Both the determination of the time when the capitalisation requirements are met and the amount of capitalisation involve significant judgement of the management. As at 31 December 2017, the capitalization of development costs of Ningbo Joyson Electronic Group was RMB 1,747,371,262.22.

We identified capitalisation of development costs as a key audit matter because both the determination of the time when the capitalisation requirements are met and the capitalisable amount involve significant judgement of the management.</td><td>Our audit procedures to evaluate capitalisation of development costs included the following:

• Understand and evaluate the design and implementation effectiveness of key internal controls related to capitalisation of development costs;

• Evaluate the policies regarding the capitalisation of development costs adopted by the management pursuant to the Accounting Standards for Business Enterprises;

• On a sampling basis, enquire of relevant R&D personnel to understand whether it is technically feasible to complete relevant project development to enable its use or sale, and to understand whether there exists any termination of development project, making it no longer qualified for capitalisation of development costs.

• On a sampling basis, review and verify the business and technical feasibility reports related to R&D projects prepared by the management;

• On a sampling basis, verify the capitalised project in the current year with related supporting documents (including timesheet data, consumed materials releasing list, expense claim vouchers, etc.), check whether these development capitalisation costs are consistent with supporting documents, so as to assess whether they meet the capitalisation requirements under the Accounting Standards for Business Enterprises.</td></tr>
</table>

Key Audit Matters (continued)

<table>
<tr><th colspan="2">Assessment of goodwill impairment risk</th></tr>
<tr><td colspan="2">Refer to Note III. 18 and 20 of the accounting policy to the financial statements and Note V. 16 to the consolidated financial statements.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As at 31 December 2017, the aggregate carrying value of the goodwill of Ningbo Joyson Electronic Group amounted to RMB 7,828,806,947.65, which represented 22.14% of total assets. Goodwill was derived from acquisitions of various businesses by Ningbo Joyson Electronic Group in previous years.

Impairment tests for goodwill are performed by the management annually. In the test, the management estimates the recoverable amount based on the present value of future cash flows of the asset group or asset groups to which goodwill would be expected to be allocated, and compares the recoverable amount with the carrying amount of the asset group or asset groups (including the allocated goodwill), so as to determine whether there is any impairment. This involves significant management judgement and estimation, particularly in estimating the following :

• Future revenue growth rate;
• Future changes in operating costs;
• Future capital expenditures;
• The discount rates applied.</td><td>Our audit procedures to evaluate the assessment of goodwill impairment risk included the following:

• Based on our understanding of the business of Ningbo Joyson Electronic Group, we evaluated whether the methods adopted by the management in the preparation of the impairment test model and the methods of allocating goodwill to relevant asset group (ie, the lowest level of identifiable asset groups that generate independent cash inflows) or asset groups meet the requirements of the the Accounting Standards for Business Enterprises;

• Compare the key assumptions used in calculating the present value of estimated future cash flows with the history of related asset group or asset groups, including future revenue growth rate, future changes in operating costs and future capital expenditures;

• Compare the revenue growth rate, changes in operating cost and future capital expenditures used in calculating the present value of expected future cash flows with the financial budget approved by the Board of Directors;</td></tr>
</table>

Key Audit Matters (continued)

Assessment of goodwill impairment risk(continued)	
Refer to Note III. 18 and 20 of the accounting policy to the financial statements and Note V. 16 to the consolidated financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
We identified assessment of goodwill impairment risk as a key audit matter because of the inherent complexity of the assessment process and there is subjective judgment from the management when assessing the variable factors and assumptions in the valuation process and because of the potential management bias in considering the variable factors and assumptions.	• Compare the forecasted sales volume with the expected future production supply plan of the OEM, and with reference to the selling price and other costs, evaluate whether the expected capital expenditure is in line with management's asset retirement and replacement plan during the forecast period; • Using the work of our valuation specialists and by comparison of other companies within the industry to evaluate the reasonableness of the discount rate used in estimating the present value of future cash flows; • Obtain the management's sensitivity analysis of the discount rate and other key assumptions used in the present value of estimated future cash flows, and evaluate the possible impact of changes in key assumptions on impairment test and whether there are indicators of management bias; • Evaluate whether the disclosure of goodwill impairment assessment and the key assumptions adopted in the financial statements meet the Accounting Standards for Business Enterprises.

AUDITORS' REPORT (continued)

毕马威华振审字第 1802453 号

Other Information

Ningbo Joyson Electronic's mangement is responsible for the other information. The other information comprises all the information included in 2017 annual report of Ningbo Joyson Electronic, 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the financial reporting process of Ningbo Joyson Electronic's financial reporting process.

AUDITORS' REPORT (continued)

毕马威华振审字第 1802453 号

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements。

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism 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 management.

(4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Ningbo Joyson Electronic 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 Ningbo Joyson Electronic 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 Ningbo Joyson Electronic to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITORS’ REPORT (continued)

毕马威华振审字第 1802453 号

Auditor’s Responsibilities for the Audit of the Financial Statements (continued)

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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, 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.

KPMG Huazhen LLP

Certified Public Accountants
Registered in the People’s Republic of China

Wang Qi (Engagement Partner)

Beijing, China

Chen Yi

27 April 2018

Ningbo Joyson Electronic Corp.
Consolidated balance sheet as at 31 December 2017
(Expressed in Renminbi Yuan)

	Note	*2017*	*2016*
Assets			
Current assets			
Cash at bank and on hand	V.1	4,184,778,367.83	9,191,003,348.07
Derivative financial assets	V.2	533,832.59	11,350,101.43
Bills receivable	V.3	449,163,016.25	752,709,811.96
Accounts receivable	V.4	4,357,842,153.57	4,401,700,195.98
Prepayments	V.5	163,898,562.61	283,943,332.73
Interest receivable		-	1,818,200.86
Other receivables	V.6	601,123,190.92	500,754,914.95
Inventories	V.7	3,787,701,454.32	3,003,625,378.63
Other current assets	V.8	1,658,488,793.86	619,809,048.74
Total current assets		15,203,529,371.95	18,766,714,333.35

The notes on pages 25 to 156 form part of these financial statements.

Ningbo Joyson Electronic Corp.
Consolidated balance sheet as at 31 December 2017(continued)
(Expressed in Renminbi Yuan)

	Note	*2017*	*2016*
Assets(continued)			
Non-current assets			
Available-for-sale financial assets	V.9	117,050,015.55	127,683,809.14
Long-term receivables	V.10	11,366,408.81	11,209,165.55
Long-term equity investments	V.11	163,209,956.82	117,093,705.91
Fixed assets	V.12	6,284,182,683.02	5,578,169,211.23
Construction in progress	V.13	1,362,611,760.89	1,072,097,625.17
Intangible assets	V.14	2,387,443,204.69	2,338,188,311.51
Development costs	V.15	1,118,497,524.25	557,254,560.44
Goodwill	V.16	7,828,806,947.65	7,468,429,933.39
Long-term deferred expenses	V.17	33,055,360.00	37,943,963.92
Deferred tax assets	V.18	600,948,809.89	1,050,487,535.36
Other non-current assets	V.19	244,341,812.96	107,298,680.63
Total non-current assets		20,151,514,484.53	18,465,856,502.25
Total assets		35,355,043,856.48	37,232,570,835.60

The notes on pages 25 to 156 form part of these financial statements.

Ningbo Joyson Electronic Corp.
Consolidated balance sheet as at 31 December 2017(continued)
(Expressed in Renminbi Yuan)

	Note	*2017*	*2016*
Liabilities and shareholders’ equity			
Current liabilities			
Short-term loans	V.20	4,597,414,669.51	3,625,480,525.93
Derivative financial liabilities	V.21	8,590,941.66	1,643,720.21
Bills payable	V.22	139,191,198.93	116,493,129.76
Accounts payable	V.23	5,127,856,178.22	4,303,959,061.39
Advances from customers	V.24	152,647,972.30	176,273,614.04
Employee benefits payable	V.25	486,342,565.76	446,118,968.66
Taxes payable	V.26	403,215,878.47	346,246,398.74
Interest payable	V.27	67,501,999.48	70,351,142.73
Other payables	V.28	690,508,454.74	433,706,031.45
Non-current liabilities due within one year	V.29	868,919,278.11	706,924,447.53
Other current liabilities	V.30	513,464,172.40	1,717,723,847.53
Total current liabilities		13,055,653,309.58	11,944,920,887.97

The notes on pages 25 to 156 form part of these financial statements.

Ningbo Joyson Electronic Corp.
Consolidated balance sheet as at 31 December 2017(continued)
(Expressed in Renminbi Yuan)

	Note	*2017*	*2016*
Liabilities and shareholders' equity(continued)			
Non-current liabilities			
Long-term loans	V.31	6,665,162,663.00	9,113,488,978.42
Debentures payable	V.32	-	399,411,472.53
Long-term payables	V.33	225,268,265.52	205,281,033.37
Long-term employee benefits payable	V.34	667,584,577.23	668,334,506.17
Provisions	V.35	141,624,535.45	21,310,540.89
Deferred income	V.36	15,785,634.38	27,247,564.91
Deferred tax liabilities	V.18	685,567,199.69	818,582,033.28
Other non-current liabilities	V.37	195,537,529.10	189,242,130.18
Total non-current liabilities		8,596,530,404.37	11,442,898,259.75
Total liabilities		21,652,183,713.95	23,387,819,147.72

The notes on pages 25 to 156 form part of these financial statements.

Ningbo Joyson Electronic Corp.
Consolidated balance sheet as at 31 December 2017(continued)
(Expressed in Renminbi Yuan)

	Note	*2017*	*2016*
Liabilities and shareholders' equity(continued)			
Shareholders' equity			
Share capital	V.38	949,289,000.00	949,289,000.00
Capital reserve	V.39	9,996,921,663.15	10,111,843,505.33
Other comprehensive income	V.40	(230,006,657.49)	(147,133,651.63)
Surplus reserve	V.41	87,820,752.64	74,243,968.97
Retained earnings	V.42	1,886,188,764.28	1,715,166,061.64
Total equity attributable to shareholders of the Company		12,690,213,522.58	12,703,408,884.31
Non-controlling interests		1,012,646,619.95	1,141,342,803.57
Total shareholders' equity		13,702,860,142.53	13,844,751,687.88
Total liabilities and shareholders' equity		35,355,043,856.48	37,232,570,835.60

These financial statements were approved by the Board of Directors of the Company on 27 April 2018.

Wang Jianfeng	Li Junyu	Yu Qiwen	(Company stamp)
Legal Representative	The person in charge of accounting affairs	The head of the accounting department	
(Signature and stamp)	(Signature and stamp)	(Signature and stamp)	

The notes on pages 25 to 156 form part of these financial statements.

Ningbo Joyson Electronic Corp.
Company balance sheet as at 31 December 2017
(Expressed in Renminbi Yuan)

	Note	*2017*	*2016*
Assets			
Current assets			
Cash at bank and on hand		1,623,451,286.59	7,974,431,317.43
Accounts receivable	XV.1	5,644,886.30	1,518,371.34
Prepayments		7,274,947.62	3,763,392.92
Interest receivable		12,300,462.34	16,784,923.23
Dividends receivable		314,432,641.70	359,600,000.00
Other receivables	XV.2	829,349,468.56	1,317,895,807.36
Other current assets		1,519,512,501.67	485,503,755.22
Total current assets		4,311,966,194.78	10,159,497,567.50
Non-current assets			
Available-for-sale financial assets		25,000,000.00	83,738,824.94
Long-term equity investments	XV.3	13,030,966,125.55	11,263,169,116.54
Fixed assets		4,893,013.18	5,091,821.97
Construction in progress		262,404,818.21	165,229,248.76
Intangible assets		93,618,737.83	95,463,232.77
Long-term deferred expenses		835,063.06	1,317,354.87
Total non-current assets		13,417,717,757.83	11,614,009,599.85
Total assets		17,729,683,952.61	21,773,507,167.35

The notes on pages 25 to 156 form part of these financial statements.

Ningbo Joyson Electronic Corp.
Company balance sheet as at 31 December 2017(continued)
(Expressed in Renminbi Yuan)

	Note	*2017*	*2016*
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans		3,446,026,000.00	2,740,000,000.00
Accounts payable		4,355,736.27	2,852,922.25
Advances from customers		-	43,322.00
Employee benefits payable		1,199,994.75	299,757.09
Taxes payable		20,142,379.48	33,029,902.89
Interest payable		84,157,078.40	78,862,573.68
Dividends payable		579,147,410.39	569,049,260.00
Other current liabilities		-	1,000,740,000.00
Total current liabilities		4,135,028,599.29	4,424,877,737.91
Non-current liabilities			
Long-term loans		1,179,937,933.13	4,501,094,412.74
Debentures payable		-	399,411,472.53
Total non-current liabilities		1,179,937,933.13	4,900,505,885.27
Total liabilities		5,314,966,532.42	9,325,383,623.18

The notes on pages 25 to 156 form part of these financial statements.

Ningbo Joyson Electronic Corp.
Company balance sheet as at 31 December 2017(continued)
(Expressed in Renminbi Yuan)

	Note	*2017*	*2016*
Liabilities and shareholders' equity(continued)			
Shareholders' equity			
Share capital		949,289,000.00	949,289,000.00
Capital reserve		11,290,260,012.70	11,290,260,012.70
Other comprehensive income		15,850,300.00	(24,429,700.00)
Surplus reserve		41,915,183.73	30,298,016.13
Retained earnings		117,402,923.76	202,706,215.34
Total shareholders' equity		12,414,717,420.19	12,448,123,544.17
Total liabilities and shareholders' equity		17,729,683,952.61	21,773,507,167.35

These financial statements were approved by the Board of Directors of the Company on 27 April 2018.

Wang Jianfeng	Li Junyu	Yu Qiwen	(Company stamp)
Legal Representative	The person in charge of accounting affairs	The head of the accounting department	
(Signature and stamp)	(Signature and stamp)	(Signature and stamp)	

The notes on pages 25 to 156 form part of these financial statements.

Ningbo Joyson Electronic Corp.
Consolidated income statement
for the year ended 31 December 2017
(Expressed in Renminbi Yuan)

	Note	*2017*	*2016*
I. Operating income	V.43	26,605,600,272.90	18,552,409,199.63
II. Less: Operating costs	V.43	(22,245,311,734.75)	(15,055,792,237.94)
Taxes and surcharges	V.44	(54,079,259.42)	(26,741,914.26)
Selling and distribution expenses	V.45	(770,959,776.80)	(468,043,569.24)
General and administrative expenses	V.46	(2,540,090,717.99)	(1,736,957,367.96)
Financial expenses	V.47	(508,999,826.91)	(510,351,966.24)
Impairment losses	V.48	(160,917,481.20)	(13,346,006.24)
Add:Investment income	V.49	691,283,069.90	18,516,852.01
Including: Loss from investments in associates		(5,425,056.70)	(359,490.57)
Losses from asset disposals	V.50	(9,177,116.26)	(989,565.56)
Other income	V.51	40,208,604.89	-
III. Operating profit		1,047,556,034.36	758,703,424.20
Add:Non-operating income	V.52	7,740,588.74	52,709,445.89
Less:Non-operating expenses	V.52	(59,095,289.18)	(1,924,180.43)
IV. Profit before income tax		996,201,333.92	809,488,689.66
Less: Income tax expenses	V.53	(253,572,330.80)	(134,132,862.93)

The notes on pages 25 to 156 form part of these financial statements.

Ningbo Joyson Electronic Corp.
Consolidated income statement
for the year ended 31 December 2017 (continued)
(Expressed in Renminbi Yuan)

	Note	*2017*	*2016*
V. Net profit for the year		742,629,003.12	675,355,826.73
(1) Net profit classified by continuity of operations			
1. Net profit from continuing operations		209,205,819.38	640,953,312.33
2. Net profit from discontinued operations	XIV.1	533,423,183.74	34,402,514.40
(2) Net profit classified by ownership:			
1. Shareholders of the Company		395,870,260.54	453,693,825.86
2. Non-controlling interests		346,758,742.58	221,662,000.87
VI. Other comprehensive income, net of tax	V.40		
Other comprehensive income (net of tax) attributable to shareholders of the Company		(82,873,005.86)	358,036,562.98
(1) Items that will not be reclassified to profit or loss:		357,456.37	(31,787,215.42)
1. Remeasurement of defined benefit plan liability		357,456.37	(31,787,215.42)
(2) Items that may be reclassified to profit or loss:		(83,230,462.23)	389,823,778.40
1. Effective portion of gains or losses arising from cash flow hedging instruments		32,772,111.63	23,899,626.82
2. Translation differences arising from translation of foreign currency financial statements		(116,002,573.86)	365,924,151.58
Other comprehensive income (net of tax) attributable to non-controlling interests		(26,850,461.62)	48,207,590.31

The notes on pages 25 to 156 form part of these financial statements.

Ningbo Joyson Electronic Corp.
Consolidated income statement
for the year ended 31 December 2017 (continued)
(Expressed in Renminbi Yuan)

	Note	*2017*	*2016*
VII. Total comprehensive income for the year		632,905,535.64	1,081,599,980.02
Attributable to:			
Shareholders of the Company		312,997,254.68	811,730,388.84
Non-controlling interests		319,908,280.96	269,869,591.18
VIII. Earnings per share			
(1) Basic earnings per share(Yuan/share)	V.54	0.42	0.66
(2) Diluted earnings per share	V.54	0.42	0.66

These financial statements were approved by the Board of Directors of the Company on 27 April 2018.

Wang Jianfeng	Li Junyu	Yu Qiwen	(Company stamp)
Legal Representative	The person in charge of accounting affairs	The head of the accounting department	
(Signature and stamp)	(Signature and stamp)	(Signature and stamp)	

The notes on pages 25 to 156 form part of these financial statements.

Ningbo Joyson Electronic Corp.
Company income statement for the year ended 31 December 2017
(Expressed in Renminbi Yuan)

	Note	*2017*	*2016*
I. Operating income	XV.4	12,007,596.00	2,735,804.22
Less: Taxes and surcharges		(6,740,870.77)	(2,301,346.50)
General and administrative expenses		(102,820,364.43)	(98,455,930.18)
Financial expenses		(126,135,439.96)	(277,794,024.73)
Add: Investment income	XV.5	317,108,439.27	546,253,427.65
Other income		22,708,261.25	-
II. Operating profit		116,127,621.36	170,437,930.46
Add: Non-operating income		44,054.66	32,593,510.17
Less: Non-operating expenses		-	-
III. Profit before income tax		116,171,676.02	203,031,440.63
Less: Income tax expenses		-	-
IV. Net profit for the year		116,171,676.02	203,031,440.63

The notes on pages 25 to 156 form part of these financial statements.

Ningbo Joyson Electronic Corp.
Company income statement for the year ended 31 December 2017 (continued)
(Expressed in Renminbi Yuan)

	Note	*2017*	*2016*
V. Other comprehensive income, net of tax		40,280,000.00	(24,429,700.00)
(1) Items that will not be reclassified to profit or loss		-	-
(2) Items that may be reclassified to profit or loss		40,280,000.00	(24,429,700.00)
- Effective portion of gains or losses arising from cash flow hedging instruments		40,280,000.00	(24,429,700.00)
VI. Total comprehensive income for the year		156,451,676.02	178,601,740.63

These financial statements were approved by the Board of Directors of the Company on 27 April 2018.

Wang Jianfeng	Li Junyu	Yu Qiwen	(Company stamp)
Legal Representative	The person in charge of accounting affairs	The head of the accounting department	
(Signature and stamp)	(Signature and stamp)	(Signature and stamp)	

The notes on pages 25 to 156 form part of these financial statements.

Ningbo Joyson Electronic Corp.
Consolidated cash flow statement
for the year ended 31 December 2017
(Expressed in Renminbi Yuan)

	Note	*2017*	*2016*
I. Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services		29,366,461,693.80	19,865,989,846.97
Refund of taxes		711,320,829.71	318,324,497.61
Proceeds from other operating activities	V.56(1)	283,650,065.19	172,760,099.62
Sub-total of cash inflows		30,361,432,588.70	20,357,074,444.20
Payment for goods and services		(21,117,569,019.08)	(14,484,320,074.05)
Payment to and for employees		(4,120,685,373.00)	(3,059,084,478.08)
Payment of various taxes		(1,488,677,866.25)	(729,579,642.74)
Payment for other operating activities	V.56(2)	(1,733,171,955.66)	(1,410,400,775.38)
Sub-total of cash outflows		(28,460,104,213.99)	(19,683,384,970.25)
Net cash inflow from operating activities	V.57 (1)(i)	1,901,328,374.71	673,689,473.95

The notes on pages 25 to 156 form part of these financial statements.

Ningbo Joyson Electronic Corp.
Consolidated cash flow statement
for the year ended 31 December 2017 (continued)
(Expressed in Renminbi Yuan)

	Note	*2017*	*2016*
II. Cash flows from investing activities:			
Proceeds from disposal of investments		-	-
Investment returns received		168,819,033.98	37,079,332.31
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		3,885,939.70	6,884,545.61
Net proceeds from disposal of subsidiaries and other business units	V.57(2)	983,533,415.72	-
Proceeds from other investing activities	V.56(3)	3,900,596,522.77	8,032,738,364.77
Sub-total of cash inflows		5,056,834,912.17	8,076,702,242.69
Payment for acquisition of fixed assets, intangible assets and other long-term assets		(3,082,003,345.06)	(2,011,841,311.63)
Payment for acquisition of investments		(248,067,389.80)	(156,720,105.00)
Net payment for acquisition of subsidiaries and other business units		-	(7,326,355,633.10)
Payment for other investing activities	V.56(4)	(4,713,683,311.03)	(7,605,000,000.00)
Sub-total of cash outflows		(8,043,754,045.89)	(17,099,917,049.73)
Net cash outflow from investing activities		(2,986,919,133.72)	(9,023,214,807.04)

The notes on pages 25 to 156 form part of these financial statements.

Ningbo Joyson Electronic Corp.
Consolidated cash flow statement
for the year ended 31 December 2017 (continued)
(Expressed in Renminbi Yuan)

		Note	*2017*	*2016*
III.	Cash flows from financing activities:			
	Proceeds from investors		6,750,000.00	8,250,013,592.00
	Including: Proceeds from non-controlling shareholders of subsidiaries		6,750,000.00	10,000,000.00
	Proceeds from borrowings		10,474,185,763.88	11,517,886,922.06
	Proceeds from issuance of debentures		-	997,000,000.00
	Sub-total of cash inflows		10,480,935,763.88	20,764,900,514.06
	Repayments of borrowings		(12,505,217,577.20)	(4,307,199,479.54)
	Payment for dividends, profit distributions or interest		(1,039,553,221.22)	(527,936,898.99)
	Including: Dividends and profits paid to non-controlling shareholders of subsidiaries		(300,600,000.00)	-
	Payment for other financing activities	V.56(5)	(1,030,850,000.00)	(1,907,476,358.36)
	Sub-total of cash outflows		(14,575,620,798.42)	(6,742,612,736.89)
	Net cash (outflow)/inflow from financing activities		(4,094,685,034.54)	14,022,287,777.17

The notes on pages 25 to 156 form part of these financial statements.

Ningbo Joyson Electronic Corp.
Consolidated cash flow statement
for the year ended 31 December 2017 (continued)
(Expressed in Renminbi Yuan)

	Note	*2017*	*2016*
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(41,249,062.83)	33,146,224.66
V. Net (decrease)/increase in cash and cash equivalents	V.57 (1)(ii)	(5,221,524,856.38)	5,705,908,668.74
Add: Cash and cash equivalents at the beginning of the year		9,079,498,836.83	3,373,590,168.09
VI. Cash and cash equivalents at the end of the year	V.57(3)	3,857,973,980.45	9,079,498,836.83

These financial statements were approved by the Board of Directors of the Company on 27 April 2018.

Wang Jianfeng Legal Representative (Signature and stamp)	Li Junyu The person in charge of accounting affairs (Signature and stamp)	Yu Qiwen The head of the accounting department (Signature and stamp)	(Company stamp)

The notes on pages 25 to 156 form part of these financial statements.

Ningbo Joyson Electronic Corp.
Company cash flow statement for the year ended 31 December 2017
(Expressed in Renminbi Yuan)

		2017	*2016*
I.	Cash flows from operating activities:		
	Proceeds from sale of goods and rendering of services	9,201,916.60	1,518,371.34
	Refund of taxes	44,054.66	-
	Proceeds from other operating activities	4,998,379,497.32	3,835,196,869.98
	Sub-total of cash inflows	5,007,625,468.58	3,836,715,241.32
	Payment to and for employees	(19,803,538.00)	(16,993,123.58)
	Payment of various taxes	(16,715,022.54)	(2,341,830.66)
	Payment for other operating activities	(4,525,213,422.56)	(3,767,258,577.59)
	Sub-total of cash outflows	(4,561,731,983.10)	(3,786,593,531.83)
	Net cash inflow from operating activities	445,893,485.48	50,121,709.49
II.	Cash flows from investing activities:		
	Proceeds from disposal of investments	770,987,500.00	139,630,000.00
	Investment returns received	395,809,614.42	196,795,270.37
	Proceeds from other investing activities	3,120,000,000.00	7,605,279,869.41
	Sub-total of cash inflows	4,286,797,114.42	7,941,705,139.78

The notes on pages 25 to 156 form part of these financial statements.。

Ningbo Joyson Electronic Corp.
Company cash flow statement for the year ended 31 December 2017 (continued)
(Expressed in Renminbi Yuan)

		2017	2016
II.	Cash flows from investing activities: (continued)		
	Payment for acquisition of fixed assets, intangible assets and other long-term assets	(120,169,938.89)	(62,090,284.25)
	Payment for acquisition of investments	(2,472,918,684.07)	(8,543,257,743.98)
	Payment for other investing activities	(4,140,000,000.00)	(7,628,000,000.00)
	Sub-total of cash outflows	(6,733,088,622.96)	(16,233,348,028.23)
	Net cash outflow from investing activities	(2,446,291,508.54)	(8,291,642,888.45)
III.	Cash flows from financing activities:		
	Proceeds from investors	-	8,240,013,592.00
	Proceeds from borrowings	3,603,232,000.00	7,961,992,800.00
	Proceeds from issuance of debentures	-	997,000,000.00
	Sub-total of cash inflows	3,603,232,000.00	17,199,006,392.00
	Repayments of borrowings	(6,553,253,900.00)	(1,931,950,900.00)
	Payment for dividends or interest	(373,193,342.60)	(316,434,032.29)
	Payment for other financing activities	(1,030,850,000.00)	(1,760,906,659.61)
	Sub-total of cash outflows	(7,957,297,242.60)	(4,009,291,591.90)
	Net cash (outflow)/inflow from financing activities	(4,354,065,242.60)	13,189,714,800.10

The notes on pages 25 to 156 form part of these financial statements.

Ningbo Joyson Electronic Corp.
Company cash flow statement for the year ended 31 December 2017 (continued)
(Expressed in Renminbi Yuan)

	2017	*2016*
IV. Effect of foreign exchange rate changes on cash and cash equivalents	(2,528,294.98)	11,528,469.37
V. Net (decrease)/increase in cash and cash equivalents	(6,356,991,560.64)	4,959,722,090.51
Add: Cash and cash equivalents at the beginning of the year	7,970,092,792.43	3,010,370,701.92
VI. Cash and cash equivalents at the end of the year	1,613,101,231.79	7,970,092,792.43

These financial statements were approved by the Board of Directors of the Company on 27 April 2018.

Wang Jianfeng	Li Junyu	Yu Qiwen	(Company stamp)
Legal Representative	The person in charge of accounting affairs	The head of the accounting department	
(Signature and stamp)	(Signature and stamp)	(Signature and stamp)	

The notes on pages 25 to 156 form part of these financial statements.

Ningbo Joyson Electronic Corp.

Consolidated statement of changes in shareholders' equity for the year ended 31 December 2017

(Expressed in Renminbi Yuan)

	Note	Attributable to shareholders of the Company							
	Note	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Sub-total	Non-controlling interests	Total
I. Balance at the beginning of the year		949,289,000.00	10,111,843,505.33	(147,133,651.63)	74,243,968.97	1,715,166,061.64	12,703,408,884.31	1,141,342,803.57	13,844,751,687.88
II. Changes in equity during the year ("-" for decreases)									
1. Total comprehensive income		-	-	(82,873,005.86)	-	395,870,260.54	312,997,254.68	319,908,280.96	632,905,535.64
2. Shareholders' contributions and decrease of capital									
(1) Contribution by ordinary shareholders		-	-	-	-	-	-	6,750,000.00	6,750,000.00
(2) Others		-	(114,921,842.18)	-	-	-	(114,921,842.18)	(133,255,666.80)	(248,177,508.98)
3. Appropriation of profits	V.42								
(1) Appropriation for surplus reserve		-	-	-	13,576,783.67	(13,576,783.67)	-	-	-
(2) Distributions to shareholders		-	-	-	-	(189,857,800.00)	(189,857,800.00)	(300,600,000.00)	(490,457,800.00)
(3) Others		-	-	-	-	(21,412,974.23)	(21,412,974.23)	(21,498,797.78)	(42,911,772.01)
III. Balance at the end of the year		949,289,000.00	9,996,921,663.15	(230,006,657.49)	87,820,752.64	1,886,188,764.28	12,690,213,522.58	1,012,646,619.95	13,702,860,142.53

These financial statements were approved by the Board of Directors of the Company on 27 April 2018.

Wang Jianfeng	Li Junyu	Yu Qiwen	(Company stamp)
Legal Representative	The person in charge of accounting affairs	The head of the accounting department	
(Signature and stamp)	(Signature and stamp)	(Signature and stamp)	

The notes on pages 25 to 156 form part of these financial statements.

Ningbo Joyson Electronic Corp.
Consolidated statement of changes in shareholders' equity for the year ended 31 December 2016
(Expressed in Renminbi Yuan)

	Note	Attributable to shareholders of the Company							
	Note	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Sub-total	Non-controlling interests	Total
I. Balance at the end of the previous year		689,369,800.00	2,253,313,864.09	(505,170,214.61)	54,918,064.75	1,301,798,538.97	3,794,230,053.20	182,171,596.71	3,976,401,649.91
II. Changes in equity during the year ("-" for decreases)									
1. Total comprehensive income		-	-	358,036,562.98	-	453,693,825.86	811,730,388.84	269,869,591.18	1,081,599,980.02
2. Shareholders' contributions and decrease of capital									
(1) Contribution by ordinary shareholders		259,919,200.00	7,972,267,684.28	-	-	-	8,232,186,884.28	10,000,000.00	8,242,186,884.28
(2) Others		-	(113,738,043.04)	-	-	-	(113,738,043.04)	700,386,184.52	586,648,141.48
3. Appropriation of profits									
(1) Appropriation for surplus reserve		-	-	-	19,325,904.22	(19,325,904.22)	-	-	-
(2) Others		-	-	-	-	(21,000,398.97)	(21,000,398.97)	(21,084,568.84)	(42,084,967.81)
III. Balance at the end of the year		949,289,000.00	10,111,843,505.33	(147,133,651.63)	74,243,968.97	1,715,166,061.64	12,703,408,884.31	1,141,342,803.57	13,844,751,687.88

These financial statements were approved by the Board of Directors of the Company on 27 April 2018.

Wang Jianfeng	Li Junyu	Yu Qiwen	(Company stamp)
Legal Representative	The person in charge of accounting affairs	The head of the accounting department	
(Signature and stamp)	(Signature and stamp)	(Signature and stamp)	

The notes on pages 25 to 156 form part of these financial statements.

Ningbo Joyson Electronic Corp.
Company statement of changes in shareholders' equity
for the year ended 31 December 2017
(Expressed in Renminbi Yuan)

	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total
I. Balance at the beginning of the year	949,289,000.00	11,290,260,012.70	(24,429,700.00)	30,298,016.13	202,706,215.34	12,448,123,544.17
II. Changes in equity during the year("-" for decreases)						
1. Total comprehensive income	-	-	40,280,000.00	-	116,171,676.02	156,451,676.02
2. Appropriation of profits						
(1) Appropriation for surplus reserve	-	-	-	11,617,167.60	(11,617,167.60)	-
(2) Distributions to shareholders	-	-	-	-	(189,857,800.00)	(189,857,800.00)
III. Balance at the end of the year	949,289,000.00	11,290,260,012.70	15,850,300.00	41,915,183.73	117,402,923.76	12,414,717,420.19

These financial statements were approved by the Board of Directors of the Company on 27 April 2018.

Wang Jianfeng Legal Representative (Signature and stamp)	Li Junyu The person in charge of accounting affairs (Signature and stamp)	Yu Qiwen The head of the accounting department (Signature and stamp)	(Company stamp)

The notes on pages 25 to 156 form part of these financial statements.

Ningbo Joyson Electronic Corp.
Company statement of changes in shareholders' equity for the year ended 31 December 2016
(Expressed in Renminbi Yuan)

	Share capital	*Capital reserve*	*Other comprehensive income*	*Surplus reserve*	*Retained earnings*	*Total*
I. Balance at the end of the previous year	689,369,800.00	3,317,992,328.42	-	9,994,872.07	19,977,918.77	4,037,334,919.26
II. Changes in equity during the year("-" for decreases)						
1. Total comprehensive income	-	-	(24,429,700.00)	-	203,031,440.63	178,601,740.63
2. Shareholders' contributions and decrease of capital						
(1) Contribution by ordinary shareholders	259,919,200.00	7,972,267,684.28	-	-	-	8,232,186,884.28
3. Appropriation of profits						
(1) Appropriation for surplus reserve	-	-	-	20,303,144.06	(20,303,144.06)	-
III. Balance at the end of the year	949,289,000.00	11,290,260,012.70	(24,429,700.00)	30,298,016.13	202,706,215.34	12,448,123,544.17

These financial statements were approved by the Board of Directors of the Company on 27 April 2018.

Wang Jianfeng	Li Junyu	Yu Qiwen	(Company stamp)
Legal Representative	The person in charge of accounting affairs	The head of the accounting department	
(Signature and stamp)	(Signature and stamp)	(Signature and stamp)	

The notes on pages 25 to 156 form part of these financial statements.

I. Company status

Ningbo Joyson Electronic Co., Ltd. (originally named "Liaoyuan Deheng Co., Ltd." and was renamed "Liaoyuan Joyson Electronics Co., Ltd.", it was changed to current name in February 2014, hereinafter referred to as "Joyson Electronics" or "the Company"), formerly known as Liaoyuan Deheng Co., Ltd, was established on 7 August 1992, registered with Liaoyuan City Business Administration, and approved by Jilin Province Economic Reform Committee, numbered Ji Gai Pi [1992] No.40. Led by Liaoyuan Chemical Fiber Corporation, the Company cooperated with Shanghai Second Textile Machine Co., Ltd., China Chemical Fiber Company and China Jilin International Economic Technical Cooperation Company to establish a directional raising funds company. The raised shares amounted to 65,000,000, with par value of RMB1 per share.

On 10 November 1993, upon the approval of Zheng Jian Fa Shen Zi [1993] No. 69 issed by the China Securities Regulatory Commission, Liaoyuan Deheng Co., Ltd. ("Deheng") raised capital from public by issuing 25,000,000 ordinary shares, totaling 90,000,000 shares thereafter. The increased shares were listed on Shanghai Stock Exchange on 6 December 1993.

The 12th meeting of the 6th Board of Directors of the Company on 15 April 2011 and the 2nd extraordinary shareholders' meeting of the Company on 9 May 2011 approved Proposal on the Relevant Conditions of Significant Assets Restructuring and Non-public Offering of Stock of Liaoyuan Deheng Co., Ltd., the Proposal on the Specific Scheme of Significant Assets Restructuring and Assets Purchase by Issuing Shares and Related Party Transactions of Liaoyuan Deheng Co., Ltd., the Proposal on Signing the "Report on Assets Purchase by Issuing Shares and Related Party Transactions of Liaoyuan Deheng Co., Ltd. (draft)" to carry out significant assets restructuring of the Company. On 29 November 2011, China Securities Regulatory Commission issued the Reply on the Approval of Liaoyuan Deheng Co., Ltd. to Purchase Assets by Issuing Shares to Ningbo Joyson Investment Group Co., Ltd. (Zheng Jian Xu Ke (2011) No.1905), approving Liaoyuan Deheng Co., Ltd to purchase assets by issuing shares to Joyson Investment Group Co., Ltd. (formely "Ningbo Joyson Investment Group Co., Ltd.", "Joyson Group") and persons acting in concert. On 13 December 2011, the renewed registration of relevant assets was completed. The 75% equity of Joyson Electronics, 100% equity of Changchun Joyson Auto Parts Co., Ltd., 82.3% equity of Huade Plastic Manufacturing Co., Ltd. and 100% of Shanghai Huade Benyuan Auto Mirror Co., Ltd. held by Joyson Group and persons acting in concert have all been transferred to Liaoyuan Deheng Co., Ltd. This significant transaction of assets transfer has been completed.

On 29 March 2012, upon the approval of the 6th meeting of the 7th Board of Directors, the Company purchased 74.90% equity of Preh Holding GmbH (hereinafter referred to as “Preh Holding”) and 5.10% equity of Preh GmbH (hereinafter referred to as "Preh") by issuing shares, in the meantime, the Company also purchased 25.10% equity of Preh Holding held by DB AGFund IV GmbH & Co. KG and other institutions and individuals by cash payment. Upon the completion of the transaction, the Company held 100% equity of Preh Holdings and 5.10% of Preh. As at 14 December 2012, Preh Holdings and Preh completed the registration of changes in equity and their corresponding equity has been transferred to the Company.

Upon the approval of the 9th meeting of the 8th Board of Directors of the Company on 15 December 2014 and the 1st extraordinary shareholders' meeting on 12 February 2015, the Company acquired 100% equity of Quin GmbH (“Quin”) by raising funds through non-public offering of shares. As at 27 January 2015 (German time), the transfer of 75% shares of Quin has been completed.

Upon the approval of the 25th meeting of the 8th Board of Directors of the Company on 29 January 2016 and the 3rd extraordinary shareholders' meeting on 25 April 2016, the newly established wholly-owned subsidiary of the Company - Knight Merger Inc. merged KSS Holdings, Inc. (hereinafter referred to as "KSS"), and another subsidiary of the Company - Preh, purchased the automobile information segment of TechniSat Digital GmbH, Daun with the Company. On 4 February 2016, the 26th meeting of the 8th Board of Directors approved relevant proposals for the non-public issuance of shares, so as to raise part of the funds from non-public offering of shares to replace the consideration paid by the Company previously for the automobile information segment of KSS and TechniSat Digital GmbH using self-raised funds. As at 29 April 2016 and 2 June 2016, the acquisition of the automobile information segment business of TechniSat Digital GmbH and the acquisition of 100% equity in KSS have been completed respectively.

The Company and its subsidiaries (the “Group”) are principally engaged in R&D, production and sale of automotive components and components, including Human Machine Interface products, telematics, automobile safety systems, electronic components and assemblies, and electronic products of new energy vehicle, etc. The principal locations of the Group's operations include China, the United States, Mexico, Germany, Italy, Romania, Portugal and Poland. Please refer to Note 7 for related information of the Company's subsidiaries.

II. Basis of preparation

The financial statements have been prepared on the going concern basis.

III. Significant accounting policies and accounting estimates

1 Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards (“CAS”) issued by the Ministry of Finance (“MOF”). These financial statements present truly and completely the consolidated financial position and financial position of the Company as at 31 December 2017, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended.

These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities, No. 15: General Requirements for Financial Reports" as revised by the China Securities Regulatory Commission ("CSRC") in 2014.

2 Accounting period

The accounting period is from 1 January to 31 December.

3 Operating cycle

The Company takes the period from the acquisition of assets for processing to until the ultimate realisation of cash or cash equivalents as a normal operating cycle. The operating cycle of the Company is usually 12 months, and is used to classify the liquidity of assets and liabilities.

4 Functional currency

The Company's functional currency is Renminbi and these financial statements are presented in Renminbi. Functional currency for consolidating the components of the Group are US Dollar, Mexican Peso, Brazilian Real, Euro, Romanian Leu, Polish Zloty, Indian Rupee, Japanese Yen, Korean Won and Renminbi respectively. Financial statements that are denominated in what is different from the Company's functional currency (other than Renminbi) have been translated from their functional currency to Renminbi (see Note III.9).

5 Business combinations

Business combination is the transaction between two separate companies or more which are combined into one reporting entity. The business combination includes business combinations involving entities under common control and business combinations involving entities not under common control.

(1) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The one which acquires the control right of other combination entities is called the merging company while the other combining entities are called the merged companies. The combination date is the date on which one combining enterprise obtains control of other combining entities.

The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings.

Any costs directly attributable to the combination are recognised in profit or loss when incurred.

(2) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. For a business combination not under the common control, the party acquiring control over other entities involved in the merger is the purchaser at the acquisition date and the other entities participating in the consolidation are the acquiree. The acquisition date is the date on which the acquirer obtains control of the acquiree.

For a business combination not under common control, the combination costs comprise the assets paid (including the equity of the acquiree held at the acquisition date), the liabilities incurred or assumed, and the fair value of the equity securities issued by the acquirer at the acquisition date in order to obtain the control over the acquiree. The intermediary fees, such as auditing, legal services, assessment and consulting, and other administrative expenses are is recognised in profit or loss for the current period when incurred. The costs of issuing equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. At the acquisition date, the acquired assets, liabilities and contingent liabilities of the acquiree are measured at the fair value. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill (see Note III.18). Where the cost of acquisition is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer shall firstly review the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree and the cost of the combination. If the cost of the combination is still less than the fair value of the acquiree's identifiable net assets obtained in the merger, the difference is recognised in profit or loss for the current period after reassessment. If the contingent consideration involved is included in the combination cost at its fair value on the acquisition date and there is a new or additional evidence for the existence of a new or further evidence of the existence of the acquisition date within 12 months after the acquisition date, the consolidated goodwill will also be adjusted.

The deductible temporary difference that the acquirer obtained from the acquiree wasn't confirmed because of not fitting for the confirmation condition of the deferred tax asset recognition on the purchase date. It will be recognised if the purchaser obtains new or further information indicating that the situation above exists and the purchaser's economic benefits created from the deductible temporary differences can be achieved on the purchase date. Meanwhile, the goodwill should be offset. If the goodwill is not adequate, the difference will be recognised as profit or loss for the current period. In addition to the above, the recognition of deferred income tax assets related to business combination is recognised in profit or loss for the current period.

For a business combination involving entities not under common control and achieved in stages, pursuant to the judgement standards of "a bundled transaction", if not belonging to "a bundled transaction", it should be distinguished as the individual financial statements and the consolidated financial statements and accounted for respectively.

- In the individual financial statements, the sum of the carrying amount of the equity investment held by the acquiree before the acquisition date and the additional investment cost at the acquisition date shall be taken as the initial investment cost of the investment; the equity interest held by the purchaser before the acquisition date, where other comprehensive income is involved, other comprehensive income related to the disposal of the investment shall be accounted for on the same basis as the assets or liabilities directly disposed of by the purchaser (ie, except that the equity method recalculates in the acquiree, measured in net profit or net assets of the beneficiaries of the plan, the rest is transferred to the current investment income).

- In the consolidated financial statements, the equity of the acquiree held prior to the acquisition date is re-measured at the fair value at the acquisition date, and the difference between the fair value and the book value is recognised in the current investment income; if the equity interest in the acquiree relates to other comprehensive income, the other comprehensive income associated with it shall be accounted for using the same basis as the assets or liabilities directly disposed of by the purchaser (i.e., except that the equity method is applied to the acquiree, or the corresponding share of changes in the net liabilities or net assets of the beneficiary plan, the rest shall be converted into the current investment income of the acquisition date).

6 Consolidated financial statements

(1) General principles

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Subsidiaries represent the entities controlled by the Company. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Company will re-evaluate the changes in the relevant elements of the above-mentioned control definition once the relevant facts and circumstances have changed.

(2) Subsidiaries acquired through a business combination

From the date of obtaining the actual control of the net assets and production and operation decisions of the subsidiaries, the Group began to incorporate them into the scope of consolidation; from the date of loss of actual control, the Group ceased to be included in the consolidation scope. For the disposal of subsidiaries, the results of operations and cash flows prior to disposal have been properly included in the consolidated income statement and consolidated cash flow statement; the subsidiaries disposed in the current period shall not adjust the beginning balance of the consolidated balance sheet.Where a subsidiary was acquired during the reporting period, through a business combination involving entities not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date. The business results and cash flows of the subsidiaries acquired not under the common control are included in the consolidated income statement and consolidated cash flow statement as appropriate, and the opening balance and the balance of the consolidated financial statements are not adjusted. Where a subsidiary was acquired during the reporting period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements based on the carrying amounts of the assets and liabilities of the subsidiary in the financial statements of the ultimate controlling party as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated.The operating results and cash flows of the subsidiaries under the common control from the beginning of the current period to the combination date are appropriately included in the consolidated income statement and consolidated cash flow statement, and the comparative figures of the consolidated financial statements are adjusted at the same time.

In the preparation of the consolidated financial statements, if the accounting policies or accounting periods adopted by the subsidiaries and the Company are not consistent, the financial statements of the subsidiaries shall be adjusted in accordance with the Company's accounting policies and accounting periods. For the subsidiaries acquired through business combination not under the common control, the financial statements are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant balances, transactions and unrealised profits in the Group are offset in the preparation of the consolidated financial statements. For unrealised loss from the intra-group transactions, where there is evidence that indicates the loss is related to the impairment loss of relevant assets, the loss shall be recognised fully.

The shareholders’ equity, current net profit or loss and comprehensive income of the subsidiary are not separately attributable to the Company and are presented separately as minority interests, profit or loss for minority shareholders and other comprehensive income in the consolidated financial statements under shareholders' equity, net profit and comprehensive income. The portion of the net profits and losses of the subsidiaries in the current period is the minority shareholders' equity, which is listed as "minority shareholders' profit and loss" under the item of net profit in the consolidated income statement. The losses of the subsidiaries shared by the minority shareholders are more than the minority shareholders' share at the beginning shareholders' equity of the subsidiary, and the minority interests are still offset.

When the Company has lost control of the original subsidiary due to disposal of part of the equity investment or other reasons, the remaining equity will be reassessed at the fair value at the date of loss of control. The difference between the consideration obtained from disposal of the equity and the fair value of the remaining equity less the share of the net assets of the original subsidiary that is calculated on the basis of the original shareholding from the date of purchase and is included in the current period of loss of control Investment income. Other comprehensive income related to the original equity investment of the subsidiary shall be accounted for on the same basis as the assets or liabilities directly disposed by the purchaser at the time of loss of control (that is, in addition to the re-measurement of the original subsidiary's benefit plan net liabilities or net assets, the rest shall be converted into current investment income). Thereafter, the remaining shares of the Company shall be subsequently measured in accordance with Note III.10. or Note III.13.

If the Company disposes of the equity investment of the subsidiary through several transactions until the loss of control right, it needs to distinguish whether the transactions involving the disposal of the equity investment of the subsidiary until the loss of control rights belong to a bundled transaction. The terms, conditions and economic impact of disposing of transactions in a subsidiary's equity investments are, in one or more of the following cases, generally indicating that multiple transactions should be accounted for as a bundled transaction:

- arrangements are entered into at the same time or in contemplation of each other;
- arrangements work together to achieve an overall commercial effect;
- the occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;
- one arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

If each of the multiple transactions does not form part of a bundled transaction, which shall be accounted for in accordance with the accounting policy for partial disposal of long-term equity investment in subsidiaries where control is retained (see Note III.13 (2)) and the loss of control of the former subsidiaries due to the disposal of partial equity investment or other reasons (see previous paragraph). If each of the multiple transactions for the disposal of equity investment of subsidiaries until the loss of control forms part of a bundled transaction which eventually results in the loss of control in the subsidiary, these multiple transactions are accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary’s net assets (calculated continuously from the acquisition date) in each transaction prior to the loss of control shall be recognised in other comprehensive income and transferred to profit or loss when the parent eventually loses control of the subsidiary.

7 Joint arrangement

A joint arrangement is an arrangement of which two or more parties have joint control. The Group classifies the joint arrangement into joint operations and ioint ventures in accordance with their rights and obligations under the joint venture arrangement. A joint operation refers to the joint venture arrangement in which the Group enjoys the relevant assets of the arrangement and undertakes the relevant liabilities of the arrangement. A joint venture refers to a joint venture arrangement in which the Group has the right to enjoy only the net assets of the arrangement.

The Group's investment in the joint venture is accounted for using the equity method and is accounted for in accordance with the accounting policies described in Note III.13 (2).

The Group recognises the assets held jointly by the Group, the liabilities assumed by the Group alone and the jointly held assets and liabilities recognised in accordance with the share of the Group. As a joint venture, the Group recognises that the Group 's share of the common operating assets; the recognition of the expenses incurred by the Group as a result of the sale of the Group; and the recognition of the costs of the joint operation in accordance with the share of the Group. When the Group invests or sells assets jointly as a joint venture (the asset does not constitute a business, the same below), or purchases assets from a joint operation, The Group only recognises that the transaction resulted from the sale of the asset to a third party of the profits and losses attributable to co-operation of other participants in the part. In the event of asset impairment losses, the Group recognises the loss in full in the event that the Group invests or sells the assets to the joint operation. The Group recognises the loss as a result of the share of the Group’s assets acquired from joint operation.

8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdraw on demand, and short-term (generally from the date of purchase, within three months due), highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

9 Foreign currency transactions and translation of foreign currency financial statements

(1) Foreign currency transactions

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to functional currency. However, foreign currency exchange transactions or transactions involving the conversion of foreign currency are converted to functional currency based on the actual exchange rate.

(2) Conversion of foreign currency monetary items and foreign currency non-monetary items

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss, are included in the current profits and losses, except the following:

- they arise from the re-translation of the principal and interest of specific borrowings for the acquisition, construction of qualifying assets;

- available-for-sale foreign currency monetary items, except the amortised cost, other exchange differences arising from changes in the carrying amount of balances are included in other comprehensive income.

Non-monetary items that are measured at historical cost in foreign currencies are translated to RMB using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rate at the date the fair value is determined; the resulting exchange differences are recognised in profit or loss, except for the differences arising from the re-translation of available-for-sale financial assets, which are recognised in other comprehensive income.

(3) Translation of foreign currency statement

In the case of foreign currency monetary items that substantially constitute net investment in overseas operations, exchange differences arising as a result of exchange rate changes are recognised as other comprehensive income as "translation differences of foreign currency statements"; for disposal of overseas operations, it is included in the disposal of current profits and losses. Assets and liabilities of foreign operation are translated to RMB at the spot exchange rate at the balance sheet date. Equity items, excluding “Retained earnings”, are translated to RMB at the spot exchange rates at the transaction dates. Income and expenses of foreign operation are translated to RMB at the current average exchange rates at the transaction dates. The undistributed profit at the beginning of the year is the undistributed profit at the end of the previous year. The undistributed profit at the end of the year is calculated according to the profit distribution after conversion. The resulting translation differences are recognised in other comprehensive income. The translation differences accumulated in shareholders’ equity with respect to a foreign operation is transferred to profit or loss in the period when the foreign operation is disposed.

In the preparation of consolidated financial statements involving a foreign operation, if there is a foreign currency monetary item that substantially constitutes a net investment in a foreign operation, the exchange difference arising from change in exchange rates is recognised as other comprehensive income as a "translation difference". The disposal of a foreign operation is recognised in profit or loss.

The opening balance and the actual balance of the previous year are stated based on the amount after the translation of the financial statements of previous year.

In case of disposal of the whole owner's equity of the Group's foreign operations or the loss of control over the foreign operation due to the disposal of part of the equity investment or other reasons, the balance of the equity attributable to the foreign enterprise. The difference in translation of foreign currency statements of owners' equity of the Company shall be transferred to the profit or loss of the current disposal period.

In the event of disposal of part of equity investment or other reasons that reduce the proportion of overseas business interests, but not lose control over the overseas operation, the foreign currency translation differences related to the disposal of foreign operations shall be vested in minority interests and not transferred to the current profits and losses. When the overseas operation is part of the equity interest in the joint venture or joint venture, the foreign currency translation difference related to the overseas operation shall be transferred to the profit or lossof the current period according to the proportion of disposal of the overseas operation.

10 Financial instruments

Financial instruments include cash at bank and on hand, investments in debt and equity securities other than those classified as long-term equity investments (see Note III.13), receivables, payables, loans and borrowings, debentures payable and share capital.

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument. Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

(1) Recognition of fair value of financial assets and financial liabilities

Fair value is the price that arm's length market participants would receive from the sale of an asset or pay to transfer a liability in a routine transaction under the market conditions at the measurement date. Where there is an active market for financial instruments, the Group adopts the quoted prices in the active market to determine its fair value. Quotations in active markets refer to prices that are readily available from exchanges, brokers, industry associations, pricing services, etc., and represent the prices of actual market transactions in fair trade. Where there is no active market for financial instruments, the Group considers the characteristics (including the status and location of assets, restrictions on the sale or use of assets, etc.) of market participants when pricing relevant assets or liabilities on the measurement date, and adopts appropriate valuation techniques with sufficient available data and other information. The valuation techniques used mainly include market method, income method and cost method.

(2) Classification, recognition and measurement and measurement of financial assets

If the financial assets are traded in a conventional manner, accounting recognition and derecognition shall be conducted on the trading day. The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets.

- Financial assets at fair value through profit or loss

  Including financial assets held for trading and financial assets designated at fair value through profit or loss.

  Trading financial asset are financial assets that meet one of the following conditions:

  - The purpose of the acquisition of the financial asset is mainly for sale in the near future;

  - Part of the identifiable financial instrument combination for centralized management with objective evidence indicating that the Company has recently adopted a short-term profit approach to manage the portfolio;

  - If it is a derivative, unless the derivative is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an equity instrument that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

  Financial assets measured at fair value through profit or loss is subsequently measured at fair value. Gains or losses arising from changes in fair value and dividends and interest associated with these financial assets are recognised in profit or loss for the current period.

- Held-to-maturity investments

  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

  Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, Gains or losses arising from derecognition, impairment or amortisation are recognised in profit or loss for the current period.

  The effective interest rate method refers to the method of calculating the amortised cost and interest income or expenditure of each period in accordance with the effective interest rate of a financial asset or a financial liability (including Company’s financial assets or financial liabilities). The effective interest rate refers to the interest rate used to discount the future cash flow of a financial asset or financial liability within the expected duration or a shorter period to the current book value of the financial asset or financial liability.

In calculating the effective interest rate, the Group estimates the future cash flows (regardless of future credit losses), taking into account all the terms of the financial assets or financial liabilities, as well as the payment of financial assets or financial liabilities between the parties to the contract or charges, fees and discounts or premiums that are part of the effective interest rate.

- Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market including account receivables and other receivables. The Group's financial assets classified as loans and receivables include bills receivable, accounts receivable, interest receivable, dividends receivable and other receivables

Receivables are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortisation are recognised in profit or loss for the current period.

- Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale and those financial assets in addition to financial assets at fair value through profit or loss, loans and receivables and held-to-maturity investments.

The final cost of an investment in debt instruments available for sale is determined in accordance with its amortised cost method, that is, the amount initially recognised, less the principal repayment, plus or minus the accumulative amortisation amount of the difference between the initial recognised amount and the amount due, using the effective interest method and minus the amount of impairment loss. The final cost of an investment in an equity instrument available for sale is its initial acquisition cost.

The available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value are recognised as other comprehensive income, except for impairment losses and exchange differences relating to amortised costs in foreign currency, which is transferred out when the financial asset is derecognised and recorded into profit or loss. However, the equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured, and the derivative financial assets linked to the equity instrument and settled through the delivery of the equity instrument, are subsequently measured at cost.

The interest obtained during the holding period of the available-for-sale financial assets and cash dividends declared by the investee are recognised as investment income.

The Group classifies financial liabilities into different categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. Financial liabilities are measured initially at fair value. For financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial liabilities, any related directly attributable transaction costs are included in their initial costs.

- Financial liabilities at fair value through profit or loss

  The condition for the financial liabilities classified as trading and the financial liabilities designated at fair value through profit or loss at initial recognition and that for the financial assets classified as trading and financial assets designated at fair value through profit or loss at initial recognition are consistent.

  Financial liabilities at fair value through profit or loss are subsequently measured at fair value, and gains or losses from the changes in the fair value and the dividends and interests relating to the financial liabilities are recognised in profit or loss。

- Other financial liabilities

  Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

  Other financial liabilities include liabilities arising from financial guarantee contracts. Financial guarantees are contracts that require the Group (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Where the Group issues a financial guarantee, subsequent to initial recognition, the guarantee is measured at the higher of the amount initially recognised less accumulated amortisation and the amount of a provision determined in accordance with the principles for contingent liabilities (see Note III.21).

  A derivative financial liability that is linked to and must be settled by delivery of an equity instrument that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are subsequently measured at cost. Liabilities other than those arising from financial guarantee contracts are subsequently measured at amortised cost using the effective interest method, the gains or losses arising from derecognition or amortisation are recognised in profit or loss.

(3) Presentation of financial assets and financial liabilities

When the Group currently has a legally enforceable right to set off the recognised financial assets and financial liabilities, and the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, financial assets and financial liabilities are generally presented in the balance sheet after being offset. Otherwise, financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset.

(4) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when one of the following conditions is met:

- the Group’s contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset;
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred;

- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in shareholders' equity.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is discharged or cancelled or expires.

(5) Impairment of financial assets

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised

The Group conducts separate impairment tests on financial assets with significant individual amounts. For individual financial assets with insignificant amounts, they are individually tested for impairment or are included in the Group's financial assets with similar credit risk characteristics for impairment testing. Impairment of financial assets (including individually significant and insignificant financial assets) that have not been impaired shall be tested separately, including impairment testing on the combination of financial assets with similar credit risk characteristics. Financial assets that have been individually recognised as impairment losses are not included in the Group's financial assets with similar credit risk characteristics for impairment testing.

Objective evidence that a financial asset is impaired includes but is not limited to:

(a) significant financial difficulty of the issuer or obligor;
(b) a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
(c) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
(d) the disappearance of an active market for that financial asset because of financial difficulties faced by the issuer;
(e) significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of an investment in an equity instrument may not be recovered by the investor;
(f) a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

For the calculation method of impairment of receivables, refer to Note III.11. The impairment of other financial assets is measured as follows:

- Held-to-maturity investments

  The carrying amount of the financial assets measured at cost or amortised cost is reduced to the present value of the expected future cash flows and recognised as an impairment loss in the current profits and losses. If, after an impairment loss has been recognised on held-to-maturity investments, there is a recovery in the value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding what the amortised cost would have been had no impairment loss been recognised in prior years.

- Available-for-sale financial assets

  When the relevant factors determine that the fair value of the available-for-sale equity instrument is a serious or non-temporary decrease, it indicates that the available-for-sale equity investment is impaired.

  When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that has been recognised directly in shareholders' equity is reclassified to profit or loss even though the financial asset has not been derecognised The cumulative loss transferred out is the initial acquisition cost of the asset, principal amount and amortised amount, the current fair value and the impairment loss originally recorded in the profit and loss.

  If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. An impairment loss recognised for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

  The impairment loss on an investment in unquoted equity instrument whose fair value cannot be reliably measured or a derivative financial asset that is linked to and must be settled by delivery of an equity instrument are not reversed.

(6) Derivatives and embedded derivative instruments

Derivative instruments are initially measured at fair value on the date of signing of the relevant contract and are subsequently measured at fair value. Except for the hedging instruments designated as hedging instruments that are highly effective in hedging, whose gains or losses arising from changes in their fair value will be determined based on the nature of the hedge relationship in accordance with the requirements of the hedge accounting period, other derivative instruments' changes in fair value are recognised in current profit or loss.

(7) Equity instruments

An equity instrument is a contract that proves that the Company has a residual interest in the assets after deducting all liabilities. The Company issues (including refinancing), repurchases, sells or writes off equity instruments which are accounted for as equity changes. Changes in the fair value of equity instruments are not recognised. Transaction costs related to equity transactions are deducted from equity.

When the Company repurchases its own shares, those shares are treated as treasury shares. All expenditure relating to the repurchase is recorded in the cost of the treasury shares, with the transaction recording in the share register. Treasury shares are excluded from profit distributions and are presented as a deduction under shareholders' equity in the balance sheet.

When treasury shares are cancelled, the share capital should be reduced to the extent of the total par value of the treasury shares cancelled. Where the cost of the treasury shares cancelled exceeds the total par value, the excess is deducted from capital reserve (share premium), surplus reserve and retained earnings sequentially.

If the cost of treasury shares cancelled is less than the total par value, the difference is credited to the capital reserve (share premium).

When treasury shares are disposed of, any excess of proceeds above cost is recognised in capital reserve (share premium); otherwise, the shortfall is deducted against capital reserve (share premium), surplus reserve and retained earnings sequentially.

(8) Convertible instruments

- Convertible instruments containing an equity component

  Convertible instruments issued by the Group that can be converted to equity shares, where the number of shares to be issued and the value of consideration to be received at that time do not vary, are accounted for as compound financial instruments containing both liability and equity components.

  The initial carrying amount of a compound financial instrument is allocated to its equity and liability components. The amount recognised in the equity is the difference between the fair value of the instrument as a whole and the separately determined fair value of the liability component (including the fair value of any embedded derivatives other than the equity component). Transaction costs that relate to the issuance of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

  Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method, unless it is designated upon recognition at fair value through profit or loss. The equity component is not re-measured.

  If the convertible instrument is converted, the liability component, together with the equity component, is transferred to equity. If the convertible instrument is redeemed, the consideration paid for the redemption, together with the transaction costs that relate to the redemption, are allocated to the liability and equity components.The method used to allocate the consideration and transaction costs is the same as that used for issuance. After allocating the consideration and transaction costs, the difference between the allocated and carrying amounts is charged to profit and loss if it relates to the liability component or is directly recognised in equity if it relates to the equity component.

- Other convertible instruments not containing an equity component

  For other convertible instruments issued by the Group which do not contain an equity component, at initial recognition, the derivative component is measured at fair value, and any excess of proceeds over the derivative component is recognised as the liability component.

  The derivative component is subsequently measured at fair value, and gains or losses from the changes in the fair value are recognised in profit or loss. The liability component is subsequently carried at amortised cost using the effective interest method.

  On conversion, the carrying amounts of the derivative and liability components are transferred to equity. If the instrument is redeemed, any difference between the redemption amount paid and the carrying amounts of both components is recognised in profit or loss.

(9) Preference shares and perpetual bonds

The preferred shares, perpetual bonds and other financial instruments issued by the Group are classified as financial assets, financial liabilities or equity instruments based on their economic substance after considering the definition of financial assets, financial liabilities and equity instruments. Preferred shares, perpetual bonds shall be recognised as equity instrument if they meet following requirements

Such financial instruments do not include cash payment, other financial asset payment, contracts that include obligations to exchange financial assets or liabilities under adverse conditions;

If the financial instrument is a non-derivative instrument, it does not include a contractual obligation to deliver a variable quantity of its own equity instrument for settlement; if it is a derivative instrument, it can only be settled by exchanging a fixed amount of cash or other financial assets with a fixed number of Company's own equity instruments.

In addition to the financial instruments classified as equity instruments in accordance with the above conditions, other financial instruments issued by the Group shall be classified as financial liabilities.

If the financial instruments issued by the Group are compound financial instruments, they are recognised as liabilities at fair value, and the amount after deducting the liabilities is recognised as other equity instruments. The transaction costs incurred in the issuance of the compound financial instruments shall be allocated among the liabilities component and the equity component in proportion to their respective total issue price.

Financial instruments classified as financial liabilities, such as preference shares and perpetual bonds, related interest, dividends, gains or losses, and gains or losses arising from redemption or refinancing, except for borrowings that meet capitalisation conditions The expenses (see Note III.16) are included in profit or loss.

Financial instruments classified as financial liabilities, such as preference shares and perpetual bonds, its issuance (including refinancing), repurchase, sales or write-off are accounted for as equity changes, and related transaction costs are also deducted from equity. The distribution of dividends to holders of equity instruments is recognised as profit distribution.

Changes in the fair value of equity instruments are not recognised.

11 Receivables

The Group assesses the carrying amount of the receivables at the balance sheet date and makes provision for impairment if the following objective evidences indicate that the receivables are impaired:

- the debtor has serious financial difficulties;
- the debtor breached the terms of the contract (such as the payment of interest or principal occurred default or overdue, etc.);
- the debtor is likely to close down or other financial restructuring;
- other receivables that impaired the objective basis.

Receivables are assessed for impairment on an individual basis and on a collective group basis as follows.

Where impairment is assessed on an individual basis, an impairment loss in respect of a receivable is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. Impairment losses are recognised in profit or loss.

The assessment is made collectively where receivables share similar credit risk characteristics (including those not having been individually assessed as impaired), based on their historical loss experiences, and adjusted by the observable factors reflecting current economic conditions.

If there is a recovery in the value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding what the amortised cost would have been had no impairment loss been recognised in prior years at the date the impairment is reversed.

Where the Group transfers receivables to financial institutions without recourse, the difference between the carrying amount of the accounts receivable after deducting the book value of the accounts receivable and the related taxes and fees shall be recorded in the profit or loss.

(a) Receivables that are individually significant and assessed individually for impairment:

The Group conducts separate impairment tests on receivables with significant individual amounts and tests individually based on the balance of accounts receivable from a single client which is more than a certain amount. An impairment loss in respect of a receivable is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate.

For subsidiaries of the Group in China, the Group shall recognise the receivables with the amount of RMB 5 million or more as a significant individual amount. For subsidiaries of the Group not in China, regardless of whether individual amount is significant or not, for accounts receivable with objective evidence of impairment, provision for bad and doubtful debts is individually made.

(b) Receivables that are individually insignificant but assessed individually for impairment:

For receivables that are individually insignificant but assessed individually for impairment, an impairment loss in respect of a receivable is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate.

Receivables that have not been individually assessed as impaired in the assessments in (a) and (b) above, are included in the collective assessment of impairment for receivables sharing similar credit risk characteristics.

Method of provisioning for receivables with similar credit risk characteristics that are collectively assessed for impairment	
Receivables without special risks, such as reserve funds, deposit, margin and those covered by trade credit insurance, etc.	No provision is made
Human-computer interaction products and intelligent auto interconnection business	Percentage of balance method
Automotive components and automobile safety business	Ageing analysis method

The provisioning for groups of receivables using the ageing analysis method:

Ageing	*Provision as a percentage of accounts receivable (%)*		
	Domestic automotive components business	Overseas automotive components business	Automobile safety business
Within 1 year (inclusive)			
Including: Within 90 days (inclusive)	0	0	0
Over 90 days but within 120 days (inclusive)	0	50	25
Over 120 days but within 180 days (inclusive)	0	100	25
Over 180 days but within 270 days (inclusive)	5	100	50
Over 270 days but within 360 days (inclusive)	5	100	75
Over 1 year but within 2 years (inclusive)	10	100	100
Over 2 years but within 3 years (inclusive)	20	100	100
Over 3 years but within 4 years (inclusive)	50	100	100
Over 4 years but within 5 years (inclusive)	80	100	100
Over 5 years	100	100	100

The provisioning for groups of receivables using the percentage of balance method:

Name of group	*Provision as a percentage of accounts receivable (%)*
Human-computer interaction products and intelligent auto interconnection business	1.00-1.50

12 Inventories

(1) Classification

Inventories include raw materials, work in progress, semi-finished goods, finished goods, reusable materials and goods intransit. Reusable materials include low-value consumables, packaging materials and other materials, which can be used repeatedly but do not meet the definition of fixed assets.

(2) Measurement method

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditure incurred in bringing the inventories to their present location and condition. Borrowing costs directly related to the production of qualifying inventories are also included in the cost of inventories (see Note III.16). In addition to the purchase cost of raw materials, work in progress and finished goods include direct labour costs and an appropriate allocation of production overheads.

Costs of a construction contract comprise the direct and indirect costs attributable to the contract and incurred during the period from the date of entering into the contract to the final completion of the contract. The costs incurred plus recognised profits (or less recognised losses) and progress billings in respect of construction contract are offset and the net amount is presented in the balance sheet. The excess of (a) costs incurred plus recognised profits (less recognised losses) over (b) progress billings is presented in the balance sheet as inventory, or as advances from customers when (b) exceeds (a).

Cost of inventories recognised is calculated using the weighted average method.

(3) Basis for determining the net realisable value and method for provision for obsolete inventories

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The net realisable value of materials held for use in the production is measured based on the net realisable value of the finished goods in which they will be incorporated. The net realisable value of the inventory held to satisfy sales or service contracts is measured based on the contract price, to the extent of the quantities specified in sales contracts, and the excess portion of inventories is measured based on general selling prices.

In determining the net realisable value of inventories, taking the conclusive evidence obtained, taking into account the purpose of the holding of the inventory and the effect of the events after the balance sheet date.

At the balance sheet date, inventories are carried at the lower of cost and net realisable value. Any excess of the cost over the net realisable value of each category of inventories is recognised as a provision for the impairment, and is recognised in profit or loss. Provision for impairment of inventories is usually based on the difference between the cost of a single item of inventory and its net realisable value.

After the provision for diminution in value of inventories is made, if the factors affecting the inventory write-down have disappeared and the net realisable value of the inventories is higher than its carrying amount, the amount of reversal shall be reversed in the original provision for diminution in value of inventories, and recorded in profit or loss.

(4) Inventory count system

The Company maintains a perpetual inventory system.

(5) Amortisation of low - value consumables and packaging materials

The low-value consumables are amortised at one-off amortisation method at the time of requisition, and included in the costs of relevant assets or profit or loss.

13 Long-term equity investments

Long-term equity investments referred to in this section refer to long-term investments in which the Company has control, joint control or significant influence over the investee. The Company's long-term equity investments that have no control, joint control or significant influence over the investee are accounted for as available-for-sale financial assets or at fair value through profit or loss (Note III.10).

The term "joint control" refers to the control that the Company has in common with an arrangement in accordance with the relevant agreement, and the related activities (i.e. the activities with significant influences over the rewards of the arrangements) of the arrangement must be agreed upon by the participants who share the control.

When determining whether there is joint control over an investee, the Group usually considers the following factors:

- Whether any participant can not control the related activities of the invested entity alone;

- Whether decisions concerning the related activities of the invested entity need to be agreed by the controlling parties.

Significant influence means that the Company has the right to participate in decision-making on the financial and operating policies of the investee, but it cannot control or jointly control the formulation of these policies with other parties.

(1) Initial recognition

- The initial cost of a long-term equity investment acquired through a business combination involving entities under common control is the Company's share of the carrying amount of the subsidiary's equity in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to the share premium in the capital reserve, with any excess adjusted to retained earnings. For a long-term equity investment in a subsidiary acquired through a business combination achieved in stages which do not form a bundled transaction and involving entities under common control, the Company determines the initial cost of the investment in accordance with the above policies. The difference between this initial cost and the sum of the carrying amount of previously-held investment and the consideration paid for the shares newly acquired is adjusted to capital premium in the capital reserve, with any excess adjusted to retained earnings.

- For a long-term equity investment obtained through a business combination not involving entities under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree. For a long-term equity investment obtained through a business combination not involving entities under common control and achieved through multiple transactions in stages which do not form a bundled transaction, the initial cost comprises the carrying amount of the previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date.

  The intermediary fees, such as audit, legal service, assessment consultation and other related management expenses incurred by the merger party or the purchaser for the business combination shall be recorded into the profit or loss at the time of occurrence.

- Other equity investments other than long-term equity investment arising from business combination are initially measured at cost. The cost is determined by the difference between the cash purchase price actually paid by the Company and the equity securities issued by the Company in respect of the long-term investment. Fair value, the value agreed upon in the investment contract or agreement, the fair value or the book value of the assets transferred out in the non-monetary asset exchange transaction, and the fair value of the long-term equity investment. The costs, taxes and other necessary expenses directly related to the acquisition of the long-term investment are included in the investment cost.

(2) Subsequent measurement

Unless the investments are qualified for held for sale (See Note III.28), long-term investments with common control over the investees (other than those that form a common operating entity) or significant influence are accounted for using the equity method. In addition, the Company adopts the cost method to calculate the long-term investment that can control the investee.

- Long-term equity investment accounted for using the cost method

  When the cost method is adopted, the long-term equity investment is measured at the initial investment cost, and the cost of the long-term investment is added or withdrawn. The investment income is recognised in cash dividends or profits declared by the investee, except for the actual paid price or cash dividend declared or unpaid cash dividend or profit included in the consideration

  Long-term equity investment accounted for using the cost method are stated in the balance sheet at cost less accumulated impairment losses.

  For the impairment of long-term equity investment accounted for using the cost method, refer to Note III.20.

  In the Group’s consolidated financial statements, long-term equity investment accounted for using the cost method are accounted for in accordance with the policies described in Note III.6.

- Long-term equity investment accounted for using the equity method

  When the initial investment cost of a long-term equity investment is greater than the fair value of the investee's identifiable net assets at the time of investment, the initial investment cost of the long-term equity vestment shall not be adjusted. When the initial investment cost is less than the investment, the difference between the fair value of the identifiable net assets of the Company and the identifiable net assets of the Company shall be included in profit or loss and the cost of the long-term equity investment shall be adjusted accordingly.

  When the equity method is adopted, the investment income and other comprehensive income shall be recognised separately according to the net profit and loss and other comprehensive income realised by the investee unit that should be or should be shared. Meanwhile, the book value of the long-term equity investment shall be adjusted accordingly to the investee's net profit and loss, other comprehensive income and other changes in the owner's equity other than the distribution of profits. The book value of the long-term equity investment shall be adjusted accordingly, and included in the capital reserve. When recognising the share of the net profit or loss of the investee, the Company shall recognise the net profit of the invested entity based on the fair value of the identifiable assets of the investee when obtaining the investment. If the accounting policies and accounting periods adopted by the investee are not consistent with those of the Company, the financial statements of the investee shall be adjusted in accordance with the Company's accounting policies and accounting periods, and the investment income and other comprehensive income shall be recognised accordingly. For the transactions between the Group and associates and joint ventures, the investment or sale of assets does not constitute a business, the unrealised gains and losses of internal transactions in accordance with the proportion calculated to be part of the Group shall be offset, based on which investment profit or loss isrecognised. However, if the losses of unrealised internal transactions between the Group and the investee belong to the impairment losses on the transferred assets, it shall be recognised in full instead of being offset.

When the net loss attributable to the investee is recognised, the book value of the long-term equity investment and other long-term equity investments which substantially constitute the net investment in the investee shall be reduced to zero. In addition, if the Group has the obligation to bear additional losses on the investee, it shall recognise the estimated liabilities according to the obligation assumed and take into account the current investment loss. If the investee's net profit is realised in a later period, the Group will resume the recognition of the amount of the share of proceeds after the amount of the share of profits has made up the unrecognised loss share.

For the impairment of long-term equity investment accounted for using the equity method, refer to Note III.20.

- Acquisition of minority interests

in the preparation of the consolidated financial statements, the difference between the new long-term equity investment acquired as a result of the purchase of the minority interest and the net assets share of the subsidiary shall continue to be calculated from the acquisition date in accordance with the new shareholding capital reserve and capital reserve are insufficient for offsetting, and retained earnings are adjusted.

- Disposal of long-term equity investment

In the consolidated financial statements, the parent company partially disposes of the long-term equity investment of the subsidiary without losing control, and the difference between the disposal price and the net assets of the subsidiary in respect of the disposal of the long-term equity investment is included in the shareholders' equity; if the long-term equity investment in the subsidiary results in the loss of control over the subsidiary, the relevant accounting policies refers to Note III.6(2).

For the disposal of long-term equity investment in other cases, the difference between the book value and the actual acquisition price shall be included in the current profits and losses.

For the long-term equity investment accounted for using the equity method, if the remaining equity after disposal is still accounted for using the equity method, the other comprehensive income originally recorded in shareholders’ equity shall be adopted on the basis of proportion when it is disposed of, using the same basis of accounting as the investee disposes of relevant assets or liabilities. The owner’s equity recognised as a result of changes in the owners’ equity other than net profit or loss, other comprehensive income, and profit distribution of the investee is transferred to profit or loss on a pro-rata basis.

For the long-term equity investment accounted for using the cost method, if the remaining equity after disposal is still accounted for using the cost method, the other comprehensive income recognised using the equity method or financial instrument recognition and measurement criteria accounting before the control of the investee is obtained, shall be adopted on the basis of proportion when it is disposed of, using the same basis of accounting as the investee disposes of relevant assets or liabilities, and it shall be carried forward on a pro rata basis. The change in owners’ equity other than net profit or loss, other comprehensive income, and profit distribution of the investee’s net assets that are accounted for using the equity method is carried forward to profit or loss on a pro-rata basis.

When preparing financial statements, the Company applies equity method in terms of remaining stock rights that can pose common control or significant influence on investee when the Company loses control over investee after disposal. Meanwhile, the Company applies equity method and then carries forward the remaining stock rights that are deemed to be originally acquired. The accounting of the remaining stock rights that cannot pose common control or significant influence on the investee shall comply with relevant provisions of financial instruments. The difference between the book value and the fair value on the date of losing control shall be recognised in profit or loss. Other comprehensive income, that incurred before control over investee and are measured with equity method or guidelines of financial instrument, shall apply same accounting method as that of investee on relevant assets and liabilities when the Company loses control. Except for net profit and loss, other comprehensive income, and profit sharing, all other owner’s equity that are recognised via equity method shall be recognised in profit or loss upon losing control. If the equity method is applied to the remaining stock rights, other comprehensive income and other owner’s equity should be carried forward on the basis of pro rata; if the guidelines of financial instruments are applied to the remaining stock rights, all other comprehensive income and other owner’s equity shall be carried forward in full.

When the Company loses control over or significant influence on investee due to disposal, the difference between the book value and fair market value of the remaining stock rights that are measured with guidelines of financial instruments shall be recognised in profit or loss. The other comprehensive income measured with equity method shall apply the same accounting as that of investee on related assets and liabilities when equity method is terminated. The owner’s equity that are recognised due to the changes of investee’s net profit and loss, other comprehensive income and profit sharing shall all be carried forward to profit or loss when equity method is terminated.

The Company disposes of the equity investment in the subsidiaries through multiple transactions until it loses control. If the above transaction belongs to a bundled transaction, the transactions will be accounted for as a transaction to dispose of the equity investment in the subsidiaries with loss of control. Before the loss of control, the difference between the book value of the long-term equity investment corresponding to each disposal price and the equity that was disposed shall be recognised as other comprehensive income before it is transferred to profit or loss when the control right is lost.

14 Fixed assets

(1) Recognition of fixed assets

Fixed assets are tangible assets held by the Company for production, rendering of services, leasing or administration with a useful life exceeding one year. Fixed assets shall be recognised only when it is probable that economic benefits will flow to the Company and the amounts can be reliably measured. The fixed assets are initially measured at cost and taking into account the effect of the estimated disposal costs.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note III.15.

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

Useful lives, residual values and depreciation methods are reviewed at least at each year-end, in case of any changes, they will be accounted for as changes in accounting estimates. Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

(2) Depreciation of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

Class	*Depreciation method*	*Estimated useful life (years)*	*Residual value rate (%)*	*Depreciation rate (%)*
Plant and buildings	Straight-line method	10 - 50 years	0 - 10	1.80 - 10.00
Machinery and equipment	Straight-line method	5 - 15 years	0 - 10	6.00 - 20.00
Other equipment	Straight-line method	5 years	4 - 10	18.00 - 19.20
Motor vehicles	Straight-line method	2 - 20 years	0 - 10	6.00 - 50.00
Land	No Depreciation	Not definite	0	0.00

The estimated net residual value is the amount after deducting the estimated disposal cost from the disposal of the asset, which is assumed by the Company when the estimated useful life of the fixed asset is full and at the end of its useful life.

The overseas land held by the Group is in possession of ownership, without definite useful life, therefore, no provision is made, and it is stated in the balance sheet at cost less accumulated impairment losses

(3) For the impairment of the fixed assets, refer to Note III.20.

(4) Recognition, measurement and depreciation of fixed assets acquired under finance leases

A financial lease is a lease that transfers substantially all of the risks and rewards associated with the ownership of the property, and the ownership may or may not be transferred eventually.The fixed assets acquired under finance leases are depreciated using the same policy as the self-owned fixed assets. If it is reasonable to determine that the ownership of the leased asset can be acquired at the expiry of the lease term, it shall be depreciated over the useful life of the leased asset. If it is not reasonable to determine that the ownership of the leased asset can be acquired after the expiration of the lease term, it shall be depreciated over the shorter of the lease term and the useful life of the leased asset.

(5) Disposal of fixed assets

When the fixed asset is holding for disposal or when no future economic benefit is expected to be generated from its use or disposal, the carrying amount of a fixed asset is derecognised. Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

15 Construction in progress

The cost of construction in progress is determined according to the actual expenditure incurred, including all necessary construction expenditures incurred during the construction period and other relevant expenses. The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note III.16), and any other costs directly attributable to bringing the asset to working condition for its intended use.

A self-constructed asset is classified as construction in progress and transferred to fixed asset when it is ready for its intended use. No depreciation is provided against construction in progress.

For the impairment of the construction in progress, refer to Note III.20.

16 Borrowing costs

Borrowing costs include interest on borrowings, amortisation of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings. Borrowing costs that can be directly attributable to the acquisition, construction or production of qualifying assets, capitalisation of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition, and construction or production that are necessary to prepare the asset for its intended use or sale are in progress, and ceases when the assets become ready for their intended use or sale. Other borrowing costs are recognised as financial expenses when incurred.

Where funds are borrowed specifically for the acquisition, and construction or production of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset. To the extent that the Group borrows funds generally and uses them for the acquisition, and construction or production of a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditure on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the initially recognised amount of the borrowings.

During the capitalisation period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognised as a financial expense when incurred.

The capitalisation period is the period from the date of commencement of capitalisation of borrowing costs to the date of cessation of capitalisation, excluding any period over which capitalisation is suspended. Capitalisation of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition, and construction or production that are necessary to prepare the asset for its intended use or sale are in progress, and ceases when the assets become ready for their intended use or sale. Capitalisation of borrowing costs is suspended when the acquisition, and construction or production activities are interrupted abnormally for a period of more than three months. Assets qualified for capitalisation refer to assets such as fixed assets, investment properties and inventories that need to be purchased or constructed for a considerable period of time to reach their intended use or sale.

Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally for a continuous period of more than three months. The borrowing costs continue to be capitalised in the period when it is interrupted normally.

17 Intangible assets

Intangible assets are identifiable non-monetary assets that are owned or controlled by the Group and have no physical form.

(1) Measurement method

Intangible assets are initially measured at cost. Expenses relating to intangible assets are included in the cost of intangible assets if the relevant economic benefits are likely to flow to the Company and the cost can be reliably measured. Expenditures for other items other than the above are recognised in profit or loss when incurred.

The acquired domestic land use rights are usually accounted for as intangible assets. Construction of self-developed buildings and other buildings, the relevant land use rights and building construction costs are accounted for as intangible assets and fixed assets. In the case of outsourced houses and buildings, the relevant consideration will be allocated between the land use rights and the building, and for those that are difficult to rationally allocate, all of them are accounted for as fixed assets.

The acquired overseas land use rights with undefinite useful life are measured as fixed asset. For details, refer to Note III. 14.

For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised using the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale (see Note III.28). Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note III.20).

The respective amortisation periods for intangible assets are as follows:

Item	*Amortisation period (years)*
Land-use right	40 – 50 years
Software and patents	5 - 10 years
Non-patents	5 - 12 years
Capitalised development costs	5 years
Customer relationship and platform	12 years
Trademarks	20 years
Franchise, industrial property right	5 years

For an intangible asset with definite useful life, the Group reviews the useful life and amortisation method at the end of each financial year. It shall be accounted for as changes in accounting estimates in case of any differences.

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. The Group reassesses the useful lives of intangible assets with indefinite useful lives in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, the Group estimates its useful life and accounts for it in accordance with the same policy as intangible assets with finite useful lives described above.

(2) Expenditure on internal research and development

Expenditure on an internal research and development project is classified into expenditure incurred during the research phase and expenditure incurred during the development phase.

Expenditure during the research phase is expensed when incurred.

Expenditure incurred during the development phase are recognised as intangible assets if they meet the following conditions simultaneously. Otherwise, it shall be included in profit or loss.

- It is technically feasible to complete the intangible assets so that it can be used or sold;
- The Group has the intention to complete, use or sell the intangible assets;
- The ways in which intangible assets generate economic benefits, including the existence of a market or intangible assets in which products can be proved to exist where the intangible assets are produced, and intangible assets which will be used internally can prove the usefulness on their own;
- The Group has sufficient technical, financial and other resources to support the development of the intangible assets and the ability to use or sell the intangible assets;
- Expenditure attributable to the development stage of the intangible assets can be reliably measured.

If it is not possible to distinguish between expenditure at the research stage and expenditure at the development stage, all the expenditures that are expected to be incurred shall be reocgnised in profit or loss.

Capitalised development costs are stated in the balance sheet at cost less impairment losses (see Note III.20).

(3) Impairment test of intangible assets and provision for impairment

For the impairment of intangible assets and provision for impairment, refer to Note III.20.

18 Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under a business combination not involving entities under common control.

Goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment losses (see Note III.20). On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

19 Long-term deferred expenses

Long-term deferred expenses are expenses that have occurred but shall be allocated over the reporting period and subsequent periods with allocation period of one year or more. Long-term deferred expenses mainly include renovation expenses and leasehold improvements. Long-term deferred expenses are amortised on a straight-line basis over the expected benefit period.

Amortisation period of expenses:

Item	*Amortisation period*
Leasehold improvements	5 years

20 Impairment of long-term assets

For non-current non-financial assets such as fixed assets (excluding land), construction in progress, intangible assets with definite useful life, long-term equity investments in subsidiaries, joint ventures, associates and long-term deferred expenses, etc., the carrying amounts of these assets are reviewed at each balance sheet date based on the internal and external sources of information to determine whether there is any indication of impairment. If any indication exists, the recoverable amount of the asset is estimated. Land, goodwill, intangible assets with an indefinite useful life, and intangible assets that are not yet ready their usable status, impairment test is carried out annually, irrespective of whether there is any indication of impairment.

The Group calculates and recognises the provision for impairment based on individual asset. If it is difficult to estimate the recoverable amount of an individual asset, it is estimated based on the cash generating unit which the asset belongs. An asset group is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value less costs to sell and its present value of expected future cash flows. The fair value of the asset is determined according to the price of the sale agreement in the arm’s length transaction; if there is no sales agreement but there is an active market for the asset, the fair value shall be determined according to the buyer's bid of the asset; if there is no sales agreement and the active market of the asset, the fair value of assets is estimated based on the best available information. Disposal costs include legal costs related to the disposition of assets, related taxes, removal charges, and direct costs incurred to bring the asset to a salable condition. The present value of the expected future cash flow of the asset shall be determined by discounting the discounted cash flow at the appropriate discount rate according to the expected future cash flow generated during the continuous use of the asset and at the final disposal.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly.

Goodwill separately presented in the financial statements is allocated to the asset group or asset groups that are expected to benefit from the synergies of the business combination when carrying out an impairment test. If the recoverable amount of the asset group or the combination of the asset group including the goodwill of the assessed goodwill is lower than its book value, the impairment loss shall be recognised. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

21 Provision

A provision is recognised for an obligation related to a contingency if the following conditions are met.

- The Group has a present obligation;
- It is probable that an outflow of economic benefits will be required to settle the obligation;
- The obligation can be estimated reliably.

At the balance sheet date, considering the factors such as risks, uncertainties and time value of money related to a contingency, a provision is measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where there is a continuous range of possible outcomes for the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined according to the following circumstances:

- Where the contingency involves a single item, the best estimate is the most likely outcome.
- Where the contingency involves a large population of items, the best estimate is determined by weighing all possible outcomes by their associated probabilities.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

If the expenses required to settle the estimated liabilities are expected to be compensated in whole or in part by the third party, the amount of the compensation will be recognised as an asset separately and the amount of the compensation will not exceed the book value of the estimated liability.

(1) Pending onerous contract

An onerous contract is a contract that the fulfilling of contractual obligation would inevitably costs more than expected economic benefits. Where the pending contract becomes an onerous contract and the obligation arising from the onerous contract satisfies the conditions for recognition of the aforesaid provision, the portion where the estimated loss of the contract exceeds the recognised impairment loss, if any, of the asset of the contract is recognised as provision.

(2) Restructuring obligation

In the case of a detailed and formal restructuring plan that has been disclosed, the amount of the estimated liability shall be determined in accordance with the direct expenses related to the restructuring.

(3) Warranty provisions

Warranty provisions is made based on contract terms, existing knowledge and historical experience. In the event that such contingencies have already become a current obligation and the fulfillment of such current obligations is likely to result in an outflow of economic benefits, the best estimate of the contingencies required for the fulfillment of the relevant current obligations is recognised as provision.

22 Share-based payments

(1) Accounting treatment of share-based payments

Share-based payments are transactions in which an equity instrument is granted or a liability is determined on the basis of equity instruments for the purpose of obtaining services from employees or other parties. Share-based payments are divided into equity-settled share-based payments and cash-settled share-based payments.

- Equity-settled share-based payments

  Where the Group uses shares or other equity instruments as consideration for services received from the employees, the payment is measured at the fair value of the equity instruments granted to the employees at the grant date. If the equity instruments granted to employees vest immediately, the fair value of the equity instruments granted is fully recognised as costs or expenses on the grant date, with a corresponding increase in capital reserve. If the equity instruments granted do not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Group recognises an amount during the vesting period based on the best estimate of the number of equity instruments expected to vest. The Group measures the services received at the grant-date fair value of the equity instruments and recognises the costs or expenses as the services are received, with a corresponding increase in capital reserve.

  If the fair value of the other party's services can be measured reliably, the fair value of the other party's services is measured at fair value on the acquisition date. If the fair value of the other party's services cannot be reliably measured, the fair value of the equity instruments can be measured reliably, it shall be measured based on the fair value of the equity instruments when the services are received, and included in relevant costs or expenses, with a corresponding increase in shareholder equity.

  When the Group receives services, but has no obligation to settle the transaction because the relevant equity instruments are issued by the Company's ultimate parent or its subsidiaries outside the Group, the Group also classifies the transaction as equity-settled.

- Cash-settled share-based payments

  Where the Group receives services from employees by incurring a liability to deliver cash or other assets for amounts that are determined based on the price of shares or other equity instruments, the service received from employees is measured at the fair value of the liability incurred. If a cash-settled share-based payment vests immediately, the Group immediately recognises on the grant date the costs or expenses and the liability incurred at the fair value of the liability incurred. If a cash-settled share-based payment does not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Group recognises costs or expenses as services are received, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting.

  Until the liability is settled, the enterprise shall remeasure the fair value of the liability at each balance sheet date and at the date of settlement, with changes recongised in profit or loss for the current period.

When the Group receives services and has the obligation to settle the transaction, but the relevant equity instruments are issued by the Company's ultimate parent or its subsidiaries outside the Group, the Group classifies the transaction as cash-settled.

(2) The accounting policies for modifications and cancellations of the share-based payment transactions

When the Group makes amendments to the share-based payment plan, if the fair value of the equity instruments granted is increased, the increase in the fair value of the equity instruments shall be recognised accordingly. The increase in the fair value of equity instruments refers to the difference between the fair value of the equity instruments before and after the modification. If the modification reduces the total fair value of the share-based payments or other unfavorable means, the accounting treatment of the acquired services will continue to be treated as if the change had never occurred unless the Group has cancelled some or all of the rights granted equity instruments.

During the waiting period, if the equity instruments granted are cancelled, the Group will cancel the equity instruments granted as an accelerated right of exercise. The amount recognised in the remaining waiting periods shall be immediately recognised in the profit or loss and the capital reserve shall be recognised. If the employee or other party can choose to meet the non-exercisable conditions but is not satisfied within the waiting period, the Group will treat it as a cancellation of the grant of equity instruments.

(3) Accounting treatment for share payment transactions involving the Group and its shareholders or actual controller

Accounting treatment for share payment transactions that involves the Group and its shareholders or actual controller and that one of the settlement company and receiving company is within the Group and the other one is not is as follows:

- If the settlement company cleared with its own equity instruments, the share-based payment transactions are treated as an equity settlement, otherwise as a cash settlement.

  If the settlement company is the investor of the receiving company, it shall recognise long-term equity investment of the receiving company in accordance with the fair value of the equity instruments or the fair value of the liability, and recognise capital reserve (other capital reserve) or liabilities.

- If the receiving company does not have settlement obligation or provide its own equity instruments for its employees, the share payment transactions shall be recognised as equity payment; if the receiving company has settlement obligation and does not provide its own equity instruments to its employees, the share payment transactions shall be recognised as cash payment.

  If the share payment transactions incur within subsidiaries, the settlement company and the receiving company are different, the accounting treatment of share payment transactions in each company's individual financial statement shall refer to the principles mentioned above.

23 Revenue recognition

Revenue is the gross inflow of economic benefits arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Group, the revenue and costs can be measured reliably and the following conditions are met:

(1) Sale of goods

Revenue is recognised when the general conditions stated above are satisfied, and significant risks and rewards of ownership of goods have been transferred to the buyer, and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable under the sales contract or agreement. For revenue generated from the sale of automotive components, it is recognised when the customers or the carriers designated by the customers' signs after receiving the goods and relevant income has been earned or obtaining evidence for charging sales proceeds. Revenue from the sale of tooling is recognised when the Group obtains the customer's approval of the tooling test results and agrees that the Group starts mass production of the tooling-related products.

(2) Rendering of services

Revenue is measured at the fair value of the consideration received or receivable under the contract or agreement.

Where the outcome of a transaction involving the rendering of services can be estimated reliably, revenue is recognised by reference to the stage of completion based on the proportion of costs incurred to date to the estimated total costs.

Reliable estimates of the results of the rendering of labour services mean that the following conditions are met at the same time:

- the amount of revenue can be reliably measured;
- the relevant economic benefits are likely to flow into the enterprise;
- the degree of completion of the transaction can be reliably determined;
- transactions have occurred and the cost can be reliably measured.

Where the outcome cannot be estimated reliably, revenues are recognised to the extent of the costs incurred that are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost; otherwise, the costs incurred are recognised in profit or loss and no service revenue is recognised.

When the Group enters into contracts or agreements with other enterprises including sales of goods and provision of services, if the sales of goods and provision of services can be distinguished and measured separately, the sales of goods and the provision of labor services shall be accounted for separately; If the sales of goods and provision of services cannot be differentiated, or if it can be differentiated but cannot be measured separately, the contract shall be treated as sales of goods.

(3) Revenue from construction contracts

When the construction contracts can be reliably estimated, contract revenue, corresponding receivables and contract costs are recognised using the percentage of completion method at the balance sheet date. The stage of completion of a contract is determined based on the proportion of contract costs incurred for work performed to date to the estimated total contract costs. For the fixed price contract, the outcome of a construction contract can be estimated reliably when:

- the total contract revenue can be measured reliably;
- contract-related economic benefits are likely to flow into the company;
- actual contract costs can be clearly distinguished and reliably measured;
- the stage of completion of a contract and cost to complete the contract can be reliably determined.

For the cost-plus contract, the outcome of the construction contract can be estimated reliably when

- contract-related economic benefits are likely to flow into the company;
- actual contract costs can be clearly distinguished and reliably measured

If the outcome of the construction contract cannot be reliably estimated, but the contract cost can be recovered, the contract revenue is recognised on the basis of the actual recoverable contract cost. The contract cost is recognised as the contract expenses in the current period; if the contract cost cannot be recovered, expenses shall be recognised immediately incurred and no revenue shall be recognised. If the uncertainties that result in unreliable estimates no longer exist, contract revenues and expenses shall be recognised based on percentage of completion method.

If the estimated total cost of the contract exceeds the total contract revenue, the estimated loss shall be recognised as current expenses.

(4) Royalties

Royalty income from intangible assets is determined according to the period and fee calculation method as stipulated in the relevant contracts or agreements。

(5) Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable effective interest rate.

24 Employee benefits

The Company's employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. According to applicable local laws and regulations, the Company and other subsidiaries provide employee pension plan and social security benefits (if any).

(1) Short-term employee benefits

Short-term employee benefits mainly includes wages, bonuses, allowances and subsidies, employee benefits, medical insurance, maternity insurance, work injury insurance, housing provident fund, trade union funds and staff education funding and non-monetary benefits. In the accounting period in which employees provides services for the Company, the actual short-term employee's remuneration shall be recognised as liabilities and included in the current profit or loss or related asset cost. Non-monetary benefits are measured at fair value.

(2) Post-employment benefits – defined contribution plans

Pursuant to the relevant laws and regulations of the People’s Republic of China, the Group participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions payable are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or include in the cost of assets where appropriate.

(3) Post-employment benefits – defined benefit plans

In accordance with the projected unit credit method, the Group measures the obligations under defined benefit plans using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, and discount obligations under the defined benefit plans to determine the present value of the defined benefit liability.The Group attributes benefit obligations under a defined benefit plan to periods of service provided by respective employees. Service cost and interest expense on the defined benefit liability are charged to profit or loss or recognised as part of the cost of assets, and remeasurements of defined benefit liability are recognised in other comprehensive income.

(4) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of when the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal or when the Group recognises the costs associated with the restructuring involving the payment of termination benefits. But if the termination benefits are not expected to be fully paid within twelve months after the end of the annual reporting period, then shall be accounted for as other long-term employee benefits.

The recognition of the costs associated with the restructuring involving the payment of termination benefits refers to when the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The employees' internal retirement plan is accounted for using the same principle of the above-mentioned termination benefits. The Group recognises the salaries of the early retired employees and social insurance premiums expected to be paid for the period from the date when the employee ceases to provide service to the normal retirement date as profit or and loss (termination benefits) when it satisfies the conditions for recognition of provisions.

(5) Other long-term employee benefits

If other long-term employee benefits provided by the Group to employees meet the defined contribution plan, they shall be accounted for as defined contribution plans, otherwise, they shall be accounted for as defined benefit plan.

25 Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contribution from the government in the capacity as an investor in the Group. Government grants are divided into asset-related government grants and income-related government subsidies. Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets; the rest of the government subsidies are defined as government grants related to income. If the government document does not specify the object of subsidy, the subsidy is divided into income-related government grants and government subsidies related to assets in the following ways: (1) If the government documents specify the specific items for which the subsidy is targeted, the budget of the project will be divided into the relative proportion of the expenditure amount of the asset and the expenditure amount of the expenses, which shall be reviewed at each balance sheet date and changed if necessary. (2) If the government document only specifies the use for general statements, without specifying a specific project, it shall be accounted for as government grants related to income.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value. If the fair value can not be obtained reliably, it shall be measured at the nominal amount. Government grants measured at nominal amount are recognised directly in profit or loss.

A government grants is recognised and measured based on the amount actually received. But if there is conclusive evidence at the end of the period that relevant requirements of the financial supporting policy is expected to be met, it shall be measured based on the amount receivable. (1) The grant receivable receivable has been confirmed by the authorised government department, or it can be reasonably measured according to relevant provisions of the officially announced fiscal fund management method, and it is expected that there will be no significant uncertainty regarding its amount; (2) It is based on the local financial department which formally promulgates and voluntarily publishes the financial support projects with financial fund management measures, and the measures are for inclusive purpose (any enterprise that meets the prescribed conditions may apply) instead of specifically targeting at specific companies; (3) The relevant grant has been expressly committed with an appropriation limit, and the appropriation is guaranteed by corresponding financial budget, so it can be reasonably guaranteed that it can be received within the prescribed time limit; (4) In accordance with the specific circumstances of the Group relating to the grant, other relevant conditions (if any) should be met.

A government grant related to an asset is initially recognised as deferred income and amortised to other income or non-operating income using the reasonable and systematic method over the useful life of the asset. A grant that compensates the Group for expenses to be incurred in the future is initially recognised as deferred income, and released to other income or non-operating income in the periods in which the expenses or losses are recognised, otherwise, the government grant shall be directly recognised in other income or non-operating income.

When the recognised government grant needs to be refunded, the balance of the relevant deferred income is offset against the carrying amount of the deferred income. The excess is recognised in profit or loss; if there is no related deferred income, it shall be directly included in profit or loss.

26 Income tax expenses

Income tax expenses include current tax and deferred tax.

At the balance sheet date, the current income tax liabilities (or assets) for the current period and the previous period are measured at the expected amount of income tax payable (or refunded) in accordance with the tax law. The amount of taxable income on which the current income tax expenses are calculated is calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years in accordance with the relevant tax laws.

The difference between the book value of certain assets and liabilities items and their tax bases, and the difference between the carrying amount of the items that cannot be recognised as assets and liabilities but which can determine the basis of taxation thereof according to the tax law and the basis of taxation temporary differences, the use of balance sheet debt method to recognise deferred income tax assets and deferred income tax liabilities.

The initial recognition of goodwill and the initial recognition of assets or liabilities arising from a transaction that is neither a business combination nor an accounting profit or taxable income (or deductible loss) and the deferred income tax liabilities are not recognised. In addition, for taxable temporary differences related to investments in subsidiaries, associates and joint ventures, if the Group is able to control the timing of the reversal of temporary differences and the temporary differences are unlikely to be reversed in the foreseeable future and the deferred income tax liabilities are not recognised. In addition to the above exceptions, the Group recognises all other deferred income tax liabilities arising from taxable temporary differences.

Deductible temporary differences relating to the initial recognition of assets or liabilities arising from transactions that are neither a business combination nor in the event of an accounting profit or taxable income (or deductible loss), and are not recognised deferred tax assets. In addition, deductible temporary differences related to investments in subsidiaries, associates and joint ventures, if temporary differences are not likely to be reversed in the foreseeable future or are not likely to be available in the future for deductible temporary differences in the taxable income, not to confirm the relevant deferred income tax assets. In addition to the above exceptions, the Group recognises deferred income tax assets arising from other deductible temporary differences to the extent that it is probable that taxable income will be available to offset the deductible temporary differences.

For deductible losses and tax deductions that can be carried forward for subsequent years, it is probable that the amount of future taxable income used to offset deductible losses and tax credits will be limited to the corresponding deferred income tax assets.

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amounts of the assets and liabilities, using tax rates enacted at the reporting date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

In addition to the recognition of other comprehensive income or directly included in the shareholders' equity transactions and events related to the current income tax and deferred income tax into other comprehensive income or shareholders' equity, and business combination of deferred income tax adjustment of the carrying value of goodwill, the rest current income tax and deferred income tax expense or income are recognised to profit or loss.

The Group's current income tax assets and current income tax liabilities are presented at the amount after being offset when the Group has a statutory right to settle on a net basis and is intended to settle on a net basis or when assets are acquired and liabilities are settled simultaneously.

When the Group has a statutory right to settle current income tax assets and current income tax liabilities on a net basis, different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered. The Group's current income tax assets and current income tax liabilities are presented at the amount after being offset.

27 Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, the legal title to the asset may eventually be transferred or not. An operating lease is a lease other than a finance lease.

(1) Operating lease charges

Rental payments under operating leases are recognised as part of the cost of another related asset or as profit or loss on a straight-line basis over respective periods of the lease term. The initial direct costs are recognised in profit or loss. Contingent rental payments are expensed as incurred.

(2) Assets leased out under operating leases

Fixed assets leased out under operating leases, are depreciated in accordance with the Group’s depreciation policies described in Note III.14 (2). Impairment losses are recognised in accordance with the accounting policy described in Note III.20. Income derived from operating leases is recognised in profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately. Contingent rentals are recognised as income as they are earned.

(3) Assets acquired under finance leases

When the Group acquires an asset under a finance lease, the asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, each determined at the inception of the lease. At the commencement of the lease term, the minimum lease payments are recorded as long-term payables. The difference between the carrying amounts of the leased assets and the minimum lease payments is accounted for as unrecognised finance charges. Initial direct costs attributable to a finance lease that are incurred by the Group are added to the carrying amount of the leased asset. Depreciation and impairment losses are accounted for in accordance with the accounting policies described in Notes III.14 (2) and III.20, respectively. The minimum lease payments, net of unrecognised finance charges, are recognised as long-term liabilities and long-term liabilities due within one year respectively.

Unrecognised finance charges arising from a finance lease are recognised using an effective interest method over the lease term (Note III.16). Contingent lease payments are expensed as incurred.

At the balance sheet date, the long-term payables arising from finance leases, net of the unrecognised finance charges, are analysed and separately presented as long-term payables or non-current liabilities due within one year.

(4) Assets leased out under finance leases

At the commencement of the lease term, the Group recognises the aggregate of the minimum lease receipts determined at the inception of a lease and the initial direct costs as finance lease receivable, and recognises unguaranteed residual value at the same time. The difference between the aggregate of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the aggregate of their present value is recognised as unearned finance income. The balance of financial lease receivables, net of unearned finance income, are recognised as long-term debt and long-term debt due within one year respectively.

The unearned finance income from a finance lease is calculated using the actual interest rate method over the lease term. Contingent rentals are recognised as income when they are earned.

28 Assets held for sale and discontinued operations

(1) Assets held for sale

The Group classified a non-current asset or disposal group as held for sale when the carrying amount of a non-current asset or disposal group will be recovered through a sale transaction rather than through continuing use.

A disposal group refers to a group of assets to be disposed of, by sale or otherwise, together as a whole in a single transaction and liabilities directly associated with those assets that will be transferred in the transaction.

A non-current asset or disposal group is classified as held for sale when all the following criterias are met:

- According to the customary practices of selling such asset or disposal group in similar transactions, the non-current asset or disposal group must be available for immediate sale in their present condition subject to terms that are usual and customary for sales of such assets or disposal groups;

- Its sale is highly probable, that is, the Group has made a resolution on a sale plan and has obtained a firm purchase commitment. The sale is to be completed within one year.

Non-current assets or disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (except financial assets (see note III.10), deferred tax assets (see note III.26)) initially and subsequently. Any excess of the carrying amount over the fair value less costs to sell is recognised as an impairment loss in profit or loss.

(2) Discontinued operations

The Group classifies a separate component as a discontinued operation either upon disposal of the operation or when the operation meets the criteria to be classified as held for sale if it, is separately identifiable and satisfies one of the following conditions:

- It represents a separate major line of business or a separate geographical area of operations;

- It is part of a single co-ordinated plan to dispose of a separate major line of business or a separate geographical area of operations;

- It is a subsidiary acquired exclusively with a view to resale.

Where an operation is classified as discontinued in the current period, profit or loss from continuing operations and profit or loss from discontinued operations are separately presented in the income statement for the current period. Profit or loss from continuing operation in the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

29 Hedge accounting

Hedge accounting is a method which recognises in profit or loss the offsetting effect of changes in the fair value of the hedging instrument and the hedged item in the same accounting period(s).

Hedged items are the items that expose the Group to risks of changes in fair value or future cash flows and that are designated as being hedged. The Group's hedged items include a firm commitment that is settled with a fixed amount of foreign currency and exposes the Group to foreign currency risk and net investments in overseas institutions that exposes the Group to foreign currency risk.

A hedging instrument is a designated derivative whose changes in fair value or cash flows are expected to offset changes in the fair value or cash flows of the hedged item. For a hedge of foreign currency risk, a non-derivative financial asset or non-derivative financial liability may also be used as a hedging instrument.

The hedge is assessed by the Group for effectiveness on an ongoing basis and judged whether it was highly effective throughout the accounting periods for which the hedging relationship was designated. A hedge is regarded as highly effective if both of the following conditions are satisfied:

- at the inception and in subsequent periods, the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated;

- the actual results of offsetting are within a range of 80% to 125%.

(1) Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in shareholders' equity as a separate component. That effective portion is adjusted to the lesser of the following (in absolute amounts):

- the cumulative gain or loss on the hedging instrument from inception of the hedge;

- the cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge.

The ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is removed from shareholders' equity and included in the initial cost of the non-financial asset or liability. recognised in profit or loss in the same periods during which the non-financial asset or non-financial liability affects profit or loss. However, if the Group expects that all or a portion of a net loss recognised directly in shareholders' equity will not be recovered in future accounting periods, it reclassifies from equity to profit or loss the amount that is not expected to be recovered.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is removed from equity and recognised in profit or loss in the same period during which the financial asset or financial liability affects profit or loss. However, if the Group expects that all or a portion of a net loss recognised directly in shareholders' equity will not be recovered in future accounting periods, it reclassifies from equity to profit or loss the amount that is not expected to be recovered.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is removed from shareholders' equity and recognised in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting, the Group will discontinue the hedge accounting treatments prospectively. In this case, the gain or loss on the hedging instrument that remains recognised directly in shareholders' equity from the period when the hedge was effective is not reclassified into profit or loss and is recognised in accordance with the above policy when the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the gain or loss on the hedging instrument that remains recognised directly in shareholders' equity from the period when the hedge was effective is reclassified into profit or loss immediately.

(2) Fair value hedges

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment.

The gain or loss from re-measuring the hedging instrument at fair value is recognised in profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting, the Group discontinues prospectively the hedge accounting treatments. If the hedged item is a financial instrument measured at amortised cost, any adjustment to the carrying amount of the hedged item is amortised to profit or loss from the adjustment date to the maturity date using the recalculated effective interest rate at the adjustment date

(3) Hedge of net investment in foreign operation

A hedge of a net investment in a foreign operation is a hedge of the exposure to foreign exchange risk associated with a net investment in a foreign operation. The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised directly in shareholders' equity as a separate component until the disposal of the foreign operation, at which time the cumulative gain or loss recognised directly in shareholders' equity is recognised in profit or loss. The ineffective portion is recognised immediately in profit or loss.

30 Profit distributions

Dividends or profit distributions proposed in the profit appropriation plan, which will be approved after the balance sheet date, are not recognised as a liability at the balance sheet date but are disclosed in the notes separately.

31 Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Company determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

32 Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system after taking the materiality principle into account. Two or more operating segments may be aggregated into a single operating segment if the segments have the similar economic characteristics and are same or similar in respect of the nature of each segment's products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

33 Significant accounting estimates and judgments

In the course of applying the accounting policies, the Group needs to judge, estimate and assume the book value of the items that cannot be accurately measured due to the inherent uncertainties in operating activities. These judgments, estimates and assumptions are based on past experience of the management of the Group and are based on other relevant factors. These judgments, estimates and assumptions affect the reported amounts of income, expenses, assets and liabilities and the disclosure of contingent liabilities at the balance sheet date. However, the actual results of these estimated uncertainties may differ from the current estimates of management of the Group, resulting in a material adjustment to the carrying amount of the assets or liabilities to be affected in the future.

The aforesaid judgments, estimates and assumptions are reviewed on a regular basis. If changes in accounting estimates only affect the current period, the impact is recognised in the period of change; if both the current period and the future period are affected, the impact is recognised in the current period and in future periods.

At the balance sheet date, the key areas in which the Group needs to make judgments, estimates and assumptions on the amount of items of financial statements are as follows:

(1) Provision for bad and doubtful debts of accounts receivable

As described in Note III.11, receivables that are measured at amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flows of an individual debtor or the debtors, and significant changes in the financial environment that have an adverse effect on the debtor. If there is objective evidence of a recovery in the value of receivables which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed.

(2) Provision for impairment of inventories

As described in Note III.12, the net realisable value of inventories is under management's regular review, and as a result, provision for impairment of inventories is recognised for the excess of inventories' carrying amounts over their net realisable values. When making estimates of net realisable value, the Group takes into consideration the use of inventories and other information available to form the underlying assumptions, including the inventories' market prices and the Group's historical operating costs. The actual selling price, the costs of completion and the costs necessary to make the sale and related taxes may vary based on changes in marketing conditions and manufacturing technology or the actual use of the inventories, resulting in changes in the provision for impairment of inventories. The net profit or loss may then be affected in the period when the provision for impairment of inventories is adjusted.

(3) Fair value of financial instruments

For financial instruments that do not have an active market, the Group determines the fair value through various valuation methods. These valuation methods include discounted cash flow model analysis. At the time of valuation, the Group needs to estimate the future cash flow, credit risk, market volatility and correlation, and select the appropriate discount rate. These related assumptions are uncertain and their changes will have an impact on the fair value of the financial instruments.

(4) Impairment of long-term assets

As described in Note III.20, other assets other than inventories and financial assets are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the long-term assets. If any such indication exists, an impairment loss is recognised.

The recoverable amount of an asset (asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. When a market price of the asset (the asset group) cannot be obtained reliably, and the fair value of the asset cannot be estimated reliably, the recoverable amount is calculated based on the present value of estimated future cash flows. In assessing the present value of estimated future cash flows, significant judgements are exercised to estimate the asset's production, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumptions.

(5) Depreciation and amortisation

As stated in Note III. 14 and 17, the depreciation and amortisation of fixed assets and intangible assets are accounted for over their useful life after taking into account their residual value. The Group reviews its useful life periodically to determine the amount of depreciation and amortisation to be included in each reporting period. The useful life is determined by the Group based on its past experience with similar assets and in combination with the expected technical update. If significant changes have occurred in previous estimates, depreciation and amortisation charges are adjusted in the future.

(6) Development costs

In determining the amount of capitalisation, the Group's management needs to make assumptions about the estimated future cash flows of the assets, the applicable discount rate and the expected benefit period.

As at 31 December 2017, the balance of intangible assets developed by the Group was RMB 628,873,737.97. The management of the Group considers that the prospects and current developments of the business are promising. The market's response to the products produced by the intangible assets also confirms the management's previous estimates of the expected revenue of the project. However, increasing competition also makes management to reconsider the assumptions about market shares and the expected gross margin of the products. After a thorough review, the management of the Group believes that the book value of such intangible assets can be fully recovered even if the rate of return on the product is reduced. The Group will continue to closely monitor the situation and adjust relevant accounting estimates when there are signs that indicate necessary adjustments.

(7) Deferred income tax assets

When assessing whether there will be sufficient future taxable profits available against which the deductible temporary differences can be utilised, the Group recognises deferred tax assets to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, using tax rates that would apply in the period when the asset would be utilised. In determining the amount of deferred tax assets, the Group exercises judgements about the estimated timing and amount of taxable profits of the following periods, and of the tax rates applicable in the future according to the existing tax policies and other relevant regulations. Differences between such estimates and the actual timing and amount of future taxable profits and the actual applicable tax rates affect the amount of deferred tax assets that should be recognised.

(8) Income tax

In the normal business activities of the Group, there are certain uncertainties in the final tax treatment and calculation of some transactions. Whether certain items can be reported before tax depends on the tax authority’s approval. If there is a discrepancy between the final recognised result of these taxation matters and the originally estimated amount, the discrepancy will have an impact on the current income tax and deferred income tax during the period of final recognition.

(9) Defined benefit plan - post-employment benefit plan

The amount of expenses and liabilities of the defined benefit plan - post-employment benefit plan of the Company is determined on the basis of various assumptions. These assumptions include discount rate, average medical expense growth rate, growth rate of retiree subsidy and other factors. Differences between actual results and assumptions will be recognised and credited to the current costs as occurred. Although the management considered the assumptions are reasonable, changes in actual experience values and assumptions will affect the Company's balance of benefits and liabilities of the defined benefit plan - post-employment benefit plan.

(10) Provisions

The Group estimates and makes relevant provisions for product quality assurance, estimated contract losses, liquidated damages for late delivery, etc., based on the terms of the contract, existing knowledge and historical experience. In the event that such contingent events have formed a current obligation and the performance of such current obligations is likely to result in the outflow of economic benefits to the Group, the Group's best estimate of contingent expenses in respect of contingent obligations recognised as the estimated liabilities.The recognition and measurement of the estimated liabilities is largely dependent on management's judgment. During the process of judgment, the Group assesses the risks, uncertainties and the time value of money in respect of such contingencies.

The Group provides customers with after-sale quality maintenance commitments for the sale, maintenance and remanufacturing of goods sold. The estimated maintenance experience of the Group has been taken into account in the forecast period, but recent maintenance experience may not reflect future maintenance situation. Any increase or decrease in the provision may affect future years' profit or loss.

34 Changes in significant accounting policies

(1) Description and reasons of changes in accounting policies

The MOF issued the Accounting Standards for Business Enterprises No. 42 – Non-current Assets or Disposal Groups Held for Sale and Discontinued Operations (“CAS 42”) and the revised Accounting Standards for Business Enterprises No. 16 – Government Grants (“CAS 16 (2017)”) respectively in April and May. The effective dates of CAS 42 and CAS 16 (2017) are 28 May 2017 and 12 June 2017 respectively.

The significant accounting policies after adopting the above accounting standards are summarised in Note 3.

In addition, the MOF issued the *“Notice on Revision of the Illustrative Financial Statements”* (Caikuai [2017] No.30) in December 2017. The Group has prepared financial statements for the year ended 31 December 2017 in accordance with this document.

Impacts of the adoption of the above accounting standards and regulation are as follows:

(i) Held for sale and discontinued operations

Pursuant to the requirements of CAS 42 relating to the classification, measurement and presentation of non-current assets or disposal groups held for sale and the presentation of discontinued operations, the Group has revisited the existing non-current assets or disposal groups held for sale and discontinued operations as of 28 May 2017, and applied the related accounting policies prospectively. The Group’s accounting treatment and disclosures of the non-current assets or disposal groups held for sale and discontinued operations in 2016 are based on the previously applicable CAS requirements before the issuance of CAS 42.

After the adoption of CAS 42, the Group has revised the presentation of the financial statements, including the separate presentation from continuing operations and discontinued operations in the consolidated income statement.

(ii) Government grants

Pursuant to CAS 16 (2017), the Group has revisited the existing government grants as of 1 January 2017, and applied the related accounting policies prospectively. The Group's accounting treatment and disclosures of the government grants in 2016 are based on the previously applicable CAS requirements before the issuance of CAS 16 (2017). The adoption of CAS 16 (2017) has no material effect on the financial position and financial performance of the Group.

The impact of adoption of CAS 16 (2017) is as follows:

- A government grant related to income previously recognised as non-operating income is reclassified as other income in the income statement based on the economic substance if the government grant received is related to the Group's ordinary activities. The government grant is included in non-operating income or expenses if it is not related to the Group's ordinary activities;

- The amortisation method of deferred income related to government grants is changed from average useful life amortisation method to a reasonable and systematic amortisation method.

(iii) Gains from asset disposals

The Group has prepared financial statements for the year ended 31 December 2017 in accordance with Caikuai [2017] No.30. Comparative figures have been adjusted retrospectively. The adoption of Caikuai [2017] No.30 has no material effect on the financial position and financial performance of the Group.

According to this regulation, the Group has added a separate line item "Gains from asset disposals" in the income statement. Gains or losses from disposals of non-current assets (excluding financial instruments and long-term equity investment) or disposal groups classified as held for sale, and gains or losses from disposals of fixed assets, construction in progress, bearer biological assets and intangible assets not classified as held for sale are included in this item. In addition, gains or losses from disposals of non-current assets arising from debt restructuring or gains or losses from non-monetary exchanges are included in this item. The above gains or losses were previously presented in "Non-operating income" or "Non-operating expenses".

(2) Effect of changes in accounting policies on the current year financial statements

The following tables provide estimates of the impact on each of the line items in the consolidated income statement and income statement, had the previous policies still been applied in the year.

- The effects on each of the line items in the 2017 and 2016 consolidated income statement and income statement are analysed as follows:

	Effect of new policy increase / (decrease) in the line items for the year		Effect of new policy increase / (decrease) in the line items for the year	
	2017 The Group	2017 The Company	2016 The Group	2016 The Company
Loss from disposal of assets	(9,177,116.26)	-	(989,565.56)	-
Other income	40,208,604.89	22,708,261.25	-	-
operating profit	31,031,488.63	22,708,261.25	(989,565.56)	-
Add: Non-operating income	(44,783,536.35)	(22,708,261.25)	(4,859,315.36)	-
Less: Non-operating expense	13,752,047.72	-	5,848,880.92	-
Profit before income tax	-	-	-	-
Net profit and total comprehensive income for the year	-	-	-	-
Net profit from continuing operations	209,205,819.38	-	640,953,312.33	-
Net profit from discontinued operations	533,423,183.74	-	34,402,514.40	-

- The changes in accounting policies had no effects on each of the line items in the consolidated balance sheet and balance sheet for the year ended 31 December 2017.

IV. Taxation

1 Main types of taxes and corresponding tax rates

(1) The Company and its domestic subsidiaries

Tax type	Tax basis
Value-added tax (VAT)	Output VAT is calculated on 17%, 13% or 6% revenue from product sales and rendering of services. The basis for VAT payable is to deduct input VAT from the output VAT for the period.
Corporate income tax	Based on 25% of taxable profit.
City maintenance and construction tax	Based on 1% or 7% of turnover tax paid.
Education surcharge	Based on 3% of turnover tax paid.
Local education surcharge	Based on 2% of turnover tax paid.

(2) Subsidiaries in Germany

Tax type	Tax basis
VAT	Output VAT is calculated on 19% of revenue from taxable product and services. The basis for VAT payable or refundable is to deduct input VAT from the output VAT for the period.
Corporate income tax	Based on 15% of taxable profit.
Solidarity surcharge	Based on 5.50% of corporate income tax.
Business tax	Based on 13.30% (average) of taxable profit.

(3) Subsidiaries in the U.S.

Tax type	Tax basis
Business tax	Based on 90%~7.25% of taxable profit.
Federal tax	Based on 15%, 34% or 35% of taxable profit. (Note)
Alternative minimum tax	Based on 20% of taxable profit. (Note)
Local tax	Based on 1%~12% of taxable profit.
State tax - sales and use taxes	Based on 2.90%~7.25% of taxable profit.
State tax – income tax/ franchise tax	Based on 6%-9% of taxable profit.

Note: The Tax Cuts and Jobs Act passed in December 2017, which reduced the federal corporate income tax rate from 35% to 21%, effective from January 2018, and repeals the corporate alternative minimum tax regime.

(4) Subsidiaries in Mexico

Tax type	Tax basis
VAT	Output VAT is calculated on 16% of revenue from taxable product and services.
Corporate income tax	Based on 30% of taxable profit.

(5) Subsidiaries in Portugal

Tax type	Tax basis
VAT	Output VAT is calculated on 23%, 13% or 6% of revenue from taxable product sales and services. The basis for VAT payable is to deduct input VAT from the output VAT for the period.
Corporate income tax	Based on 21% of taxable profit.
State surtax	No taxation for taxable income below 1,500,000 euros; 3% for taxable income between 1,500,000 and 7,500,000; 5% for taxable income between 7,500,000 and 35,000,000; 7% for taxable income over 35,000,000.
City maintenance and construction tax	Based on 1.50% of taxable items.

(6) Subsidiaries in Romania

Tax type	Tax basis
VAT	Output VAT is calculated on 19%, 9% or 5% of revenue from taxable product sales and services. The basis for VAT payable is to deduct input VAT from the output VAT for the period.
Corporate income tax	Based on 5% or 16% of taxable profit.

(7) Subsidiaries in Italy

Tax type	Tax basis
Corporate income tax	Based on 27.5% of taxable income.
VAT	Based on 22%, 10% or 4% of revenue from taxable product and services.
Regional tax	Based on 3.9% of taxable profit.

(8) Subsidiaries in Poland

Tax type	Tax basis
VAT	Output VAT is calculated on 23.00% of revenue from taxable product and services. The basis for VAT payable or refundable is to deduct input VAT from the output VAT for the period.
Corporate income tax	Based on 19% of taxable profit.

2 Tax preferential treatments

(1) Ningbo Joyson Automotive Electonic Holding Co., Ltd. ("Joyson Automotive") obtained the high-tech enterprise certificate with the license No. GR201733100386, which was issued jointly by Ningbo Science and Technology Bureau, Ningbo Finance Bureau, Ningbo State Tax Bureau and Ningbo Local Tax Bureau on 29 November 2017. The certificate is valid for three years. The corporate income tax rate applicable to Joyson Automotive during 2017 to 2019 is 15%.

(2) Ningbo Joyson Technology Co., Ltd. ("Joyson Technology") obtained the high-tech enterprise certificate with the license No. GF201533100038, which was issued jointly by Ningbo Science and Technology Bureau, Ningbo Finance Bureau, Ningbo State Tax Bureau and Ningbo Local Tax Bureau on 27 October 2015. The certificate is valid for three years. The corporate income tax rate applicable to Joyson Automotive during 2015 to 2017 is 15%.

(3) Ningbo Preh Joyson Automotive Electronic Co., Ltd. ("Ningbo Preh") obtained the high-tech enterprise certificate with the license No. GR201533100077, which was issued jointly by Ningbo Science and Technology Bureau, Ningbo Finance Bureau, Ningbo State Tax Bureau and Ningbo Local Tax Bureau on 29 October 2015. The certificate is valid for three years. The corporate income tax rate applicable to Ningbo Preh during 2015 to 2017 is 15%.

(4) Wuhan Joyson Automotive Components Co., Ltd. ("Wuhan Joyson") obtained the high-tech enterprise certificate with the license No. GR201642000611, which was issued jointly by Science and Technology Department of Hubei Province, Financial Department of Hubei Province, State Tax Bureau of Hubei Province and Local Tax Bureau of Hubei Province on 13 December 2016. The certificate is valid for three years. The corporate income tax rate applicable to Wuhan Joyson during 2016 to 2018 is 15%.

(5) Yanfeng KSS (Shanghai) Automotive Safety Systems Co., Ltd. ("Yanfeng KSS") obtained the high-tech enterprise certificate with the license No. GR201731000500, which was issued jointly by Science and Technology Commission of Shanghai Municipality, Finance Bureau of Shanghai Municipality, State Tax Bureau of Shanghai Municipality and Local Tax Bureau of Shanghai Municipality on 23 October 2017. The certificate is valid for three years. The corporate income tax rate applicable to Yanfeng KSS during 2017 to 2019 is 15%.

(6) Pursuant to the Notice on Widening the Scope of Income Tax Incentives for Small Low Profit Enterprises (Cai Shui [2017] No. 43) issued by the Ministry of Finance and the State Administration of Taxation, Shanghai Joyson Intelligent Automotive Technology Co., Ltd. is qualified for small low profit enterprises. Its income is reduced by 50% and included in taxable porfit and applicable corporate income tax rate is 20%.

(7) Pursuant to the Notice on Issues Concerning Relevant Tax Policies in Deepening the Implementation of the Western Development Strategy issued by the Ministry of Finance, the General Administration of Customs, and the State Administration of Taxation (Cai Shui [2011] No. 58), from 1 January 2011 to 31 December 2020, the enterprise income tax imposed upon any enterprise established in western regions and included among the encouraged industries shall be collected at the reduced rate of 15%. Therefore, Western-based subsidiary, Chengdu Joyson Automotive Electronic Components Co., Ltd., a subsidiary established by the Company in western regions, is entitled to applicable preferential tax rate.

V. Notes to the consolidated financial statements

1 Cash at bank and on hand

Item	*2017*	*2016*
Cash on hand	488,190.21	540,565.67
Deposits with banks	3,857,485,790.24	9,072,472,899.29
Other monetary funds	326,804,387.38	117,989,883.11
Total	4,184,778,367.83	9,191,003,348.07
Including: Total overseas deposits	1,320,528,736.64	551,535,797.17

As at 31 December 2017, the details of the Group's restricted cash at bank and on hand can be referred to Note V.58 Assets with restricted ownership or right of use.

2 Derivative financial assets

Item	*2017*	*2016*
Foreign currency forward contract	533,832.59	11,350,101.43

The Group has entered into certain foreign currency forward contracts to hedge the uncertainty arising from foreign currency exchange rate fluctuations. As at 31 December 2017, the nominal amounts of the foreign currncy forward contracts held by the Group were USD7,000,000.00 (sell dollar against euro), USD26,000,000.00 and USD21,178,100.00 (sell euro against dollar); the fair values were RMB533,832.59, RMB-2,569,928.67 and RMB-1,853,055.38 respectively, which were included in derivative financial assets and derivative financial liabilities. See Note V.60 (1) (b) for details.

3 Bills receivable

(1) Classification of bills receivable

Item	*2017*	*2016*
Bank acceptance bills	439,366,051.79	742,525,360.58
Commercial acceptance bills	9,796,964.46	10,184,451.38
Total	449,163,016.25	752,709,811.96

All of the above bills are due within one year.

(2) As at 31 December 2017, the Group had no pledged bills receivable (As at 31 December 2016: Nil).

(3) Outstanding endorsed or discounted bills that have not matured at the end of the year:

Item	*Amount derecognised at year end*
Bank acceptance bills	522,708,018.60

The Group endorsed notes receivable that have not matured to the suppliers to settle certain accounts payable. The management of the Group believes that almost all the risks and rewards of the ownership of the notes that have not matured have been transferred, and the present obligations of relevant accounts payable have been discharged, so the relevant notes receivable and accounts payable have been derecognised.

(4) As at 31 December 2017, the Group had no bills transferred to accounts receivable due to non-performance of the issuers at the end of the year (As at 31 December 2016: Nil).

4 Accounts receivable

(1) Accounts receivable by customer type are as follows:

Type	*2017*	*2016*
Receivables from third parties	4,435,459,805.77	4,458,904,234.81
Receivables from related parties	4,759,947.37	-
Sub-total	4,440,219,753.14	4,458,904,234.81
Less: Provision for bad and doubtful debts	(82,377,599.57)	(57,204,038.83)
Total	4,357,842,153.57	4,401,700,195.98

(2) The ageing analysis of accounts receivable is as follows:

Ageing	*2017*	*2016*
Within 1 year (inclusive)	4,366,443,685.01	4,387,108,019.81
Over 1 year but within 2 years (inclusive)	38,627,431.79	59,465,706.35
Over 2 years but within 3 years (inclusive)	27,006,890.60	2,456,366.55
Over 3 years	8,141,745.74	9,874,142.10
Sub-total	4,440,219,753.14	4,458,904,234.81
Less: Provision for bad and doubtful debts	(82,377,599.57)	(57,204,038.83)
Total	4,357,842,153.57	4,401,700,195.98

The ageing is counted starting from the date when accounts receivable are recognised.

(3) Accounts receivable by category

	2017					2016				
	Book value		Provision for bad and doubtful debts		Carrying amount	Book value		Provision for bad and doubtful debts		Carrying amount
Category	*Amount*	*Percentage (%)*	*Amount*	*Percentage (%)*		*Amount*	*Percentage (%)*	*Amount*	*Percentage (%)*	
Individually significant and assessed for impairment individually	-	-	-	-	-	-	-	-	-	-
Collectively assessed for impairment based on credit risk characteristics	4,431,765,750.90	99.81	73,923,597.33	89.74	4,357,842,153.57	4,455,337,372.08	99.92	53,637,176.10	93.76	4,401,700,195.98
Sub-total	4,431,765,750.90	99.81	73,923,597.33	89.74	4,357,842,153.57	4,455,337,372.08	99.92	53,637,176.10	93.76	4,401,700,195.98
Individually insignificant but assessed for impairment individually	8,454,002.24	0.19	8,454,002.24	10.26	-	3,566,862.73	0.08	3,566,862.73	6.24	-
Total	4,440,219,753.14	100.00	82,377,599.57	100.00	4,357,842,153.57	4,458,904,234.81	100.00	57,204,038.83	100.00	4,401,700,195.98

(4) Additions, recoveries or reversals of provision for bad and doubtful debts during the year:

	2017
Balance at the beginning of the year	57,204,038.83
Additions during the year	37,804,077.63
Written-off during the year	(14,998,632.91)
Changs in exchange rate	2,368,116.02
Balance at the end of the year	82,377,599.57

As certain receivables of the Company's overseas subsidiaries can not be recovered, provision for bad and doubtful debts amounting to RMB 14,998,632.91 is made during the year.

(5) Five largest accounts receivable by debtor at the end of the year

The total of five largest accounts receivable of the Group at the end of the year is RMB 1,672,559,552.41, representing 37.67% of the total accounts receivable at the end of the year, and the balance of provision for bad and doubtful debts at the end of the year is RMB 5,279,452.39.

(6) Derecognition of accounts receivable due to transfer of financial assets

In 2017, the Group transferred RMB 774,534,796.25 (2016: RMB 407,031,839.24) accounts receivable to financial institutions without recourse, and the loss from derecognition amounting to RMB 15,553,841.25 (2016: RMB 8,730,579.59) is charged to profit or loss.

(7) As at 31 December 2017, the details of the Group's restricted accounts receivable can be referred to Note V.58 Assets with restricted ownership or right of use.

5 Prepayments

(1) Prepayments by category:

Item	*2017*	*2016*
Purchase of tooling	91,344,335.01	179,899,357.78
Purchase of raw materials	59,187,962.55	45,658,943.75
Service charge	3,998,529.34	2,457,189.57
Utilities	2,286,868.83	1,706,330.44
Others	7,080,866.88	54,221,511.19
Total	163,898,562.61	283,943,332.73

(2) The ageing analysis of prepayments is as follows:

Ageing	*2017*		*2016*	
	Amount	*Percentage (%)*	*Amount*	*Percentage (%)*
Within 1 year (inclusive)	161,250,236.20	98.38	281,773,427.25	99.24
Over 1 year but within 2 years (inclusive)	1,801,147.37	1.10	1,886,418.61	0.66
Over 2 years but within 3 years (inclusive)	566,829.26	0.35	255,150.07	0.09
Over 3 years	280,349.78	0.17	28,336.80	0.01
Total	163,898,562.61	100.00	283,943,332.73	100.00

The ageing is counted starting from the date when prepayments are recognised.

(3) Five largest prepayments by debtor at the end of the year

The total of five largest prepayments of the Group at the end of the year is RMB 57,198,277.91, representing 34.90% of the total prepayments.

6 Other receivables

(1) Other receivables by customer type:

Customer type	*2017*	*2016*
Receivables from third parties	591,123,190.92	500,784,606.85
Receivables from related parties	10,000,000.00	-
Sub-total	601,123,190.92	500,784,606.85
Less: Provision for bad and doubtful debts	-	(29,691.90)
Total	601,123,190.92	500,754,914.95

(2) The ageing analysis of other receivables is as follows:

Ageing	*2017*	*2016*
Within 1 year (inclusive)	601,123,190.92	500,784,606.85
Sub-total	601,123,190.92	500,784,606.85
Less: Provision for bad and doubtful debts	-	(29,691.90)
Total	601,123,190.92	500,754,914.95

The ageing is counted starting from the date when other receivables are recognised.

(3) Other receivables by category:

	2017					2016				
	Book value		Provision for bad and doubtful debts		Carrying amount	Book value		Provision for bad and doubtful debts		Carrying amount
Category	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Collectively assessed for impairment based on credit risk characteristics	601,123,190.92	100.00	-	-	601,123,190.92	500,754,914.95	99.99	-	-	500,754,914.95
Sub-total	601,123,190.92	100.00	-	-	601,123,190.92	500,754,914.95	99.99	-	-	500,754,914.95
Individually insignificant but assessed for impairment individually	-	-	-	-	-	29,691.90	0.01	29,691.90	100.00	-
Total	601,123,190.92	100.00	-	-	601,123,190.92	500,784,606.85	100.00	29,691.90	100.00	500,754,914.95

(4) Additions, recoveries or reversals of provision for bad and doubtful debts during the year

	2017
Balance at the beginning of the year	29,691.90
Written-off during the year	(29,691.90)
Balance at the end of the year	-

(5) Other receivables categorised by nature

Nature of other receivables	*2017*	*2016*
Amount to be reimbursed	236,663,611.40	21,760,101.18
Tax refund receivable	165,112,793.89	350,068,916.99
Deposit	96,484,408.09	48,734,147.81
Supplier rebate receivables	28,316,594.46	33,061,054.28
Receivable from associates	10,000,000.00	-
Staff petty cash	9,601,912.58	8,842,775.01
Others	54,943,870.50	38,317,611.58
Sub-total	601,123,190.92	500,784,606.85
Less: Provision for bad and doubtful debts	-	(29,691.90)
Total	601,123,190.92	500,754,914.95

(6) Five largest other receivables by debtor at the end of the year

Debtor	*Nature of the receivable*	*Balance at the end of the year*	*Ageing*	*Percentage of total other receivables (%)*	*Ending balance of provision for bad and doubtful debts*
1 Debtor A	Amount to be reimbursed	210,657,924.74	Within 1 year	35.04	-
2 Debtor B	Tax refund receivable	140,008,651.91	Within 1 year	23.29	-
3 Debtor C	Tax refund receivable	23,114,373.13	Within 1 year	3.85	-
4 Debtor D	Deposit	16,538,824.07	Within 1 year	2.75	-
5 Debtor E	Supplier rebate receivables	13,466,986.20	Within 1 year	2.24	-
Total		403,786,760.05		67.17	-

7 Inventories

(1) Inventories by category:

	2017			2016		
Item	*Book value*	*Provision for impairment of inventories*	*Carrying amount*	*Book value*	*Provision for impairment of inventories*	*Carrying amount*
Raw materials	2,065,332,973.14	(200,192,974.22)	1,865,139,998.92	1,472,249,842.35	(135,168,985.17)	1,337,080,857.18
Work in progress	832,330,368.52	(11,677,951.42)	820,652,417.10	682,271,583.43	(6,746,064.26)	675,525,519.17
Finished goods	1,085,356,263.20	(28,621,995.75)	1,056,734,267.45	966,836,355.63	(18,041,869.75)	948,794,485.88
Consumables	2,157,391.47	-	2,157,391.47	3,419,210.52	-	3,419,210.52
Goods in transit	43,017,379.38	-	43,017,379.38	38,805,305.88	-	38,805,305.88
Total	4,028,194,375.71	(240,492,921.39)	3,787,701,454.32	3,163,582,297.81	(159,956,919.18)	3,003,625,378.63

The above inventories are expected to be turned over in 1 year.

The Group’s year end balance of inventories does not include capitalised borrowing costs (2016: Nil).

The details of the Group's restricted inventories can be referred to Note V.58 Assets with restricted ownership or right of use.

(2) Provision for impairment of inventories:

Item	*Balance at the beginning of the year*	*Provision for the year*	*Written-off during the year*	*Transfer out in consolidation*	*Change in exchange rate*	*Balance at the end of the year*
Raw materials	135,168,985.17	65,822,846.54	(8,047,925.23)	(570,439.70)	7,819,507.44	200,192,974.22
Work in progress	6,746,064.26	8,438,354.60	(148,004.77)	-	(3,358,462.67)	11,677,951.42
Finished goods	18,041,869.75	48,284,074.28	(40,101,317.04)	-	2,397,368.76	28,621,995.75
Total	159,956,919.18	122,545,275.42	(48,297,247.04)	(570,439.70)	6,858,413.53	240,492,921.39

In accordance with the Group’s accounting policy, inventories are carried at the lower of cost and net realisable value, provision for impairment is made for the raw materials, work in progress and finished goods whose costs are higher than their net realisable value.

8 Other current assets

Item	*2017*	*2016*
Wealth management products(Note)	1,512,630,137.00	505,000,000.00
Deferred expense	71,949,761.48	74,796,513.82
Prepaid/deductible taxes	70,998,822.28	36,420,907.89
Others	2,910,073.10	3,591,627.03
Sub-total	1,658,488,793.86	619,809,048.74
Less: Provision for bad and doubtful debts	-	-
Total	1,658,488,793.86	619,809,048.74

Note: During the year, the Group used its spare cash to invest in wealth management products issued by banks and other financial institutions. These wealth management products usually have a preset maturity period and expected return, covering a wide range of investments, including government and corporate bonds, central bank bills, money market funds, and other Chinese listed and unlisted equity securities. These wealth management products are assessed at fair value and are designated as financial assets at fair value through profit or loss.

9 Available-for-sale financial assets

(1) Available-for-sale financial assets

	2017			*2016*		
Item	*Book value*	*Provision for impairment*	*Carrying amount*	*Book value*	*Provision for impairment*	*Carrying amount*
Available-for-sale equity instruments - At cost	117,050,015.55	-	117,050,015.55	127,683,809.14	-	127,683,809.14

(2) Available-for-sale financial assets at cost at the end of the year:

Investees	*Book value*					
	Balance at the beginning of the year	*Additions during the year*	*Reductions during the year*	*Change in exchange rate*	*Balance at the end of the year*	*Percentage of share-holding in investees (%)*
Shenzhen Vcyber Technology Co., Ltd.	50,000,000.00	-	(50,000,000.00)	-	-	-
TSINDA KSS Automobile Active Safety Systems CO., Ltd.	679,278.60	-	-	-	679,278.60	20.00
Active Protective Technologies, Inc.	6,203,325.54	-	-	(557,781.59)	5,645,543.95	8.90
Zhejiang Material Industry Electronic Technologies CO., Ltd.	2,081,100.00	-	-	-	2,081,100.00	20.00
Car Joy Global Limited	53,720,105.00	29,923,988.00	-	-	83,644,093.00	10.08
Ningbo Zhongcheng New Energy Industry Investment CO., Ltd.	15,000,000.00	10,000,000.00	-	-	25,000,000.00	10.00
Total	127,683,809.14	39,923,988.00	(50,000,000.00)	(557,781.59)	117,050,015.55	

In 2017, there is no cash dividends derived from the Group’s available-for-sale financial assets (2016: Nil).

In 2017, the Group disposed of the investment in Shenzhen Vcyber Technology Co., Ltd. and an investment income of RMB 5,380,000.00 was recognized.

(3) As at 31 December 2017, there was no impairment of the Group's available-for-sale financial assets (As at 31 December 2016: Nil).

10 Long-term receivables

	2017			*2016*		
Item	*Book value*	*Provision for impairment*	*Carrying amount*	*Book value*	*Provision for impairment*	*Carrying amount*
Reinsurance of defined benefit plan (Note)	10,594,045.93	-	10,594,045.93	11,099,982.74	-	11,099,982.74
Others	772,362.88	-	772,362.88	109,182.81	-	109,182.81
Total	11,366,408.81	-	11,366,408.81	11,209,165.55	-	11,209,165.55

Note: The reinsurance of defined benefit plan represents the contracts that Preh and KSS signed with Allianz, Swiss Life and Generali China to secure the payment of its staff pension. Its changes in fair value offset the present value of plan assets for the defined benefit plan.

11 Long-term equity investments

(1) Long-term equity investments by category:

Item	*2017*	*2016*
Investments in joint ventures	107,706,065.33	111,902,370.65
Investments in associates	55,503,891.49	5,191,335.26
Sub-total	163,209,956.82	117,093,705.91
Less: Provision for impairment	-	-
Total	163,209,956.82	117,093,705.91

(2) Movements of long-term equity investments during the year are as follows:

		Movements during the year				
Investee	*Balance at the beginning of the year*	*Increase during the year*	*Investment income recognised under equity method*	*Provision for impairment*	*Change in exchange rate*	*Balance of provision for impairment at the end of the year*
Joint ventures						
Shanghai Joyson Dehui Equity Investment GP	23,902,370.65	-	(227,052.66)	-	-	23,675,317.99
Zhongxin Integrated Circuit (Ningbo) Co., Ltd.	88,000,000.00	-	(3,969,252.66)	-	-	84,030,747.34
Sub-total	111,902,370.65	-	(4,196,305.32)	-	-	107,706,065.33
Associates						
Innoventis GmbH	5,191,335.26	-	-	-	352,042.84	5,543,378.10
Preh Sweden	-	38,401.70	-	-	863.07	39,264.77
AutoIO Thechology Co.,Ltd.	-	47,150,000.00	(1,168,426.63)	-	-	45,981,573.37
Ningbo Junyuan Plastics Technology Co., Ltd.	-	4,000,000.00	(60,324.75)	-	-	3,939,675.25
Sub-total	5,191,335.26	51,188,401.70	(1,228,751.38)	-	352,905.91	55,503,891.49
Total	117,093,705.91	51,188,401.70	(5,425,056.70)	-	352,905.91	163,209,956.82

(3) As at 31 December 2017, there was no impairment of the Group's long-term equity investments (As at 31 December 2016: Nil).

12 Fixed assets

(1) Fixed assets

Item	Plant & buildings	Machinery & equipment	Other equipment	Motor vehicles	Land use rights	Total
Cost						
Balance at the beginning of the year	2,055,460,764.85	5,306,850,119.34	2,819,734,721.96	39,695,034.12	363,833,036.10	10,585,573,676.37
Purchases during the year	138,379,489.72	458,195,364.90	381,334,304.88	2,880,603.81	146,487.99	980,936,251.30
Transfers from construction in progress during the year	153,693,836.04	419,395,066.37	319,777,604.96	3,480,169.76	-	896,346,677.13
Disposals or written-offs during the year	(34,915,596.13)	(228,176,539.20)	(95,529,204.33)	(1,954,979.83)	(23,427,700.06)	(384,004,019.55)
Change in consolidation scope during the year	(140,938,816.83)	(39,702,790.89)	(48,587,958.66)	-	-	(229,229,566.38)
Change in exchange rate	86,155,198.63	85,558,028.46	69,848,253.87	(563,565.97)	13,060,558.97	254,058,473.96
Balance at the end of the year	2,257,834,876.28	6,002,119,248.98	3,446,577,722.68	43,537,261.89	353,612,383.00	12,103,681,492.83
Accumulated depreciation						
Balance at the beginning of the year	640,048,994.25	2,597,486,352.05	1,751,521,099.76	18,306,707.09	-	5,007,363,153.15
Charge for the year	87,164,553.29	550,611,303.00	442,795,816.55	6,216,783.75	-	1,086,788,456.59
Disposals or written-offs during the year	(23,609,524.72)	(186,143,727.17)	(74,062,778.59)	(1,797,406.12)	-	(285,613,436.60)
Change in consolidation scope during the year	(40,608,909.93)	(29,544,605.15)	(39,267,600.72)	-	-	(109,421,115.80)
Change in exchange rate	32,491,776.13	46,250,386.26	41,624,314.54	(28,837.97)	-	120,337,638.96
Balance at the end of the year	695,486,889.02	2,978,659,708.99	2,122,610,851.54	22,697,246.75	-	5,819,454,696.30
Provision for impairment						
Balance at the beginning of the year	-	15,106.95	26,205.04	-	-	41,311.99
Change in exchange rate	-	1,024.46	1,777.06	-	-	2,801.52
Balance at the end of the year	-	16,131.41	27,982.10	-	-	44,113.51
Carrying amounts						
At the end of the year	1,562,347,987.26	3,023,443,408.58	1,323,938,889.04	20,840,015.14	353,612,383.00	6,284,182,683.02
At the beginning of the year	1,415,411,770.60	2,709,348,660.34	1,068,187,417.16	21,388,327.03	363,833,036.10	5,578,169,211.23

(2) Fixed assets under finance leases

	2017				2016			
Item	Cost	Accumulated depreciation	Provision for impairment	Carrying amount	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery & equipment	538,622,917.39	235,059,368.56	-	303,563,548.83	427,189,043.32	163,321,863.89	-	263,867,179.43
Other equipment	5,057,887.78	4,110,407.68	-	947,480.10	7,881,497.06	5,172,039.98	-	2,709,457.08
Total	543,680,805.17	239,169,776.24	-	304,511,028.93	435,070,540.38	168,493,903.87	-	266,576,636.51

Fixed assets under finance leases represent the machinery & equipment and other equipment for manufacturing and operation in the Company’s subsidiaries as Preh and Quin.

(3) Fixed assets leased out under operating leases

Item	*Year-end carrying amount*
Plant & buildings	4,376,696.47

(4) As at 31 December 2017, the Group had no fixed assets with pending certificates of ownership (As at 31 December 2016: Nil).

(5) As at 31 December 2017, the details of the Group's restricted fixed assets can be referred to Note V.58 Assets with restricted ownership or right of use.

13 Construction in progress

(1) Construction in progress

	2017			*2016*		
Project	*Book value*	*Provision for impairment*	*Carrying amount*	*Book value*	*Provision for impairment*	*Carrying amount*
Tooling	69,038,348.09	-	69,038,348.09	151,308,885.10	-	151,308,885.10
Machinery & equipment	812,833,331.92	-	812,833,331.92	581,080,688.94	-	581,080,688.94
Decoration, reconstruction, etc.	134,855,297.40	-	134,855,297.40	119,144,702.44	-	119,144,702.44
Joyson New Industrial Zone infrastructure project	345,884,783.48	-	345,884,783.48	220,563,348.69	-	220,563,348.69
Total	1,362,611,760.89	-	1,362,611,760.89	1,072,097,625.17	-	1,072,097,625.17

(2) Movements of major construction projects in progress during the year

Project	*Balance at the beginning of the year*	*Movements during the year*	*Transfers to fixed assets*	*Change in exchange rate*	*Balance at the end of the year*	*Accumulated capitalised interest*	*Including: Interest capitalised in 2017*	*Interest rate for capitalisation in 2017 (%)*	*Sources of funding*
Tooling	151,308,885.10	(7,555,273.19)	(74,715,263.82)	-	69,038,348.09	-	-	-	Own funds
Machinery & equipment	581,080,688.94	1,037,696,046.66	(729,904,217.34)	(76,039,186.34)	812,833,331.92	15,384,853.38	15,384,853.38	4.75%	Own funds, loans Loans
Decoration, reconstruction, etc.	119,144,702.44	49,239,061.35	(91,727,195.97)	58,198,729.58	134,855,297.40	-	-	-	Own funds
Joyson New Industrial Zone infrastructure project	220,563,348.69	125,321,434.79	-	-	345,884,783.48	21,862,522.61	12,335,077.17	4.75%	Own funds, loans
Total	1,072,097,625.17	1,204,701,269.61	(896,346,677.13)	(17,840,456.76)	1,362,611,760.89	37,247,375.99	27,719,930.55		

14 Intangible assets

(1) Intangible assets

Item	*Land use rights*	*Software and patent right*	*Know-how*	*Capitalised development costs*	*Customer relationship and platform*	*Trademarks*	*Franchise, industrial property right*	*Total*
Cost								
Balance at the beginning of the year	215,009,856.13	605,932,794.79	1,953,259,426.08	947,823,683.02	1,036,483,511.03	243,952,984.22	18,157,681.78	5,020,619,937.05
Purchase during the year	144,844,105.88	78,071,181.16	-	-	-	-	12,804,329.91	235,719,616.95
Internal development during the year	-	-	-	390,230,797.05	-	-	-	390,230,797.05
Disposals or written-offs during the year	-	(5,273,818.71)	(1,757,713.61)	(83,048.36)	-	-	-	(7,114,580.68)
Change in consolidation scope during the year	-	(64,089,317.18)	-	(14,184,707.39)	-	-	-	(78,274,024.57)
Change in exchange rate	-	34,432,201.70	(22,231,600.97)	43,674,276.12	(60,182,238.59)	(14,163,980.80)	(1,477,083.51)	(19,948,426.05)
Balance at the end of the year	359,853,962.01	649,073,041.76	1,929,270,111.50	1,367,461,000.44	976,301,272.44	229,789,003.42	29,484,928.18	5,541,233,319.75
Accumulated amortisation								
Balance at the beginning of the year	20,709,096.61	344,214,495.03	1,240,913,089.54	442,857,967.68	601,362,172.60	23,284,210.74	9,090,593.34	2,682,431,625.54
Charge for the year	4,571,252.03	101,019,298.55	98,492,088.06	264,930,087.56	42,369,329.98	14,840,290.33	4,593,242.57	530,815,589.08
Disposals or written-offs during the year	-	(3,640,237.04)	-	-	-	-	-	(3,640,237.04)
Change in consolidation scope during the year	-	(40,964,050.65)	-	-	-	-	-	(40,964,050.65)
Change in exchange rate	-	21,801,333.10	(28,614,639.61)	30,799,207.23	(36,317,234.81)	(1,841,977.26)	(679,500.52)	(14,852,811.87)
Balance at the end of the year	25,280,348.64	422,430,838.99	1,310,790,537.99	738,587,262.47	607,414,267.77	36,282,523.81	13,004,335.39	3,153,790,115.06
Provision for impairment								
Balance at the beginning of the year and at the end of the year	-	-	-	-	-	-	-	-
Carrying amounts								
At the end of the year	334,573,613.37	226,642,202.77	618,479,573.51	628,873,737.97	368,887,004.67	193,506,479.61	16,480,592.79	2,387,443,204.69
At the beginning of the year	194,300,759.52	261,718,299.76	712,346,336.54	504,965,715.34	435,121,338.43	220,668,773.48	9,067,088.44	2,338,188,311.51

The carrying amount of intangible assets of the Group arising from internal development is 26.34% of the total carrying amount of intangible assets at the end of the year.

(2) Land use rights pending certificates of ownership

Project	*Carrying amount*	*Reason why certificates of ownership are pending*
Land use rights	83,100,000.00	In the process of application for registration

15 Development costs

Project	*Balance at the beginning of the year*	*Internal development*	*Recognised as intangible assets*	Change in exchange rate	*Balance at the end of the year*
Product development costs	557,254,560.44	947,408,414.19	(390,230,797.05)	4,065,346.67	1,118,497,524.25

16 Goodwill

(1) Changes in goodwill

Name of investee or events from which goodwill arose	*Balance at the beginning of the year*	*Additions during the year*	*Disposals during the year*	*Change in exchange rate*	*Balance at the end of the year*
Book value					
KSS Holdings, Inc. (Note1)	6,334,713,707.60	812,961,953.09	-	(372,110,111.98)	6,775,565,548.71
Preh Car Connect GmbH (formerly known as“TechniSat Digital GmbH, Dresden”)	771,219,286.21	-	-	52,299,112.65	823,518,398.86
QUIN GmbH	190,551,763.02	-	-	12,921,990.28	203,473,753.30
Preh IMA Automation Amberg GmbH (Note 2)	76,217,230.81	-	(76,217,230.81)	-	-
Preh IMA Automation Evansville Inc., USA (Note 2)	69,509,274.35	-	(69,509,274.35)	-	-
Preh IMA Automation GmbH (Note 2)	1,549,017.34	-	(1,549,017.34)	-	-
Others	24,669,654.06	-	-	1,579,592.72	26,249,246.78
Sub-total	7,468,429,933.39	812,961,953.09	(147,275,522.50)	(305,309,416.33)	7,828,806,947.65
Provision for impairment	-	-	-	-	-
Sub-total	-	-	-	-	-
Carrying amount	7,468,429,933.39	812,961,953.09	(147,275,522.50)	(305,309,416.33)	7,828,806,947.65

Note 1: The Company completed the acquisition of KSS and its subsidiaries on 2 June 2016. The deductible temporary differences arising from the tax losses incurred before the acquisition date, by KSS US entities was preliminarily booked using the original book value in KSS consolidated financial statements as at the acquisition date, amounted to RMB 550,209,953.09. Within 12 months from the date of acquisition, the Company further evaluated the unutilized tax losses incurred prior to the acquisition date, and considered it had not met the deferred tax asset recognition criteria on the acquisition date, and therefore reversed the corresponding deferred income tax assets and increased goodwill. Upon the Company obtained the control of KSS, it became aware that some OEM customers had submitted claims to KSS prior to acquisition date on certain quality issue of KSS products, which may result in future outflow of KSS economic benefits after the acquisition date. Based on the relevant information obtained during the measurement period, the Company reasonably assessed the fair value of the contingent liability, amounting to RMB 262,752,000.00, and recognised as the liabilities assumed in the business combination. Goodwill is adjusted accordingly.

Note 2: The Group disposed of Preh IMA Automation GmbH and its subsidiaries on 30 June 2017. The goodwill arising from the acquisition of the above companies during previous years was transferred out upon disposal and included in profit or loss.

(2) Provision for impairment of goodwill

Based on the analysis of the asset group or asset groups that can benefit from the synergies of the business combination, the goodwill is allocated by business segments, which mainly include automobile safety system business, intelligent auto interconnection business and overseas automotive components business. These business segments that make up the asset group or asset groups are the lowest levels of goodwill monitored by the Group for internal management purposes.

(i) Automotive safety systems business

The goodwill of the Group's automotive safety system business is mainly derived from the acquisition of KSS, its recoverable amount is recognised based on the present value of expected future cash flows. The present value of expected future cash flows from automotive safety system business was projected based on the most recent five-year financial budgets approved by management and a pre-tax discount rate of 13.54%. The cash flows beyond the five-year budget period were assumed to keep stable.

(ii) Intelligent auto interconnection business

The goodwill of the Group's intelligent auto interconnection business is mainly derived from the acquisition of TechniSat Automotive Information Business, its recoverable amount is recognised based on the present value of expected future cash flows. The present value of expected future cash flows from intelligent auto interconnection business was projected based on the most recent three-year financial budgets approved by management and a pre-tax discount rate of 12.17%. The cash flows beyond the three-year budget period were assumed to keep stable.

(iii) Overseas automotive components business

The goodwill of the Group's overseas automotive components business is mainly derived from the acquisition of Quin, its recoverable amount is recognised based on the present value of expected future cash flows. The present value of expected future cash flows from overseas automotive components business was projected based on the most recent five-year financial budgets approved by management and a pre-tax discount rate of 12.79%. The cash flows beyond the five-year budget period were assumed to keep stable.

The projected recoverable amount of the aforementioned business segment did not result in the recognition of impairment losses. However, it is expected that the key assumptions relating to the present value of future cash flows may change. Management believes that if the key assumptions change negatively, this may result in the carrying amount of the Group's asset group or asset groups (including goodwill) higher than the recoverable amount.

The calculation of the present value of the projected future cash flow of the above business segments adopts sales revenue growth rate and operating expense/profit rate as key assumptions. Management determines these assumptions based on the history prior to the budget period.

17 Long-term deferred expenses

Item	*Balance at the beginning of the year*	*Additions during the year*	*Amortisation for the year*	*Change in exchange rate*	*Balance at the end of the year*
Leasehold improvements	37,943,963.92	5,995,053.47	(12,331,399.09)	1,447,741.70	33,055,360.00
Less: Provision for impairment	-	-	-	-	-
Total	37,943,963.92	5,995,053.47	(12,331,399.09)	1,447,741.70	33,055,360.00

18 Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets and deferred tax liabilities

	2017		2016	
Item	*Deductible or taxable temporary differences ("-" for taxable temporary difference)*	*Deferred tax assets / deferred tax liabilities ("-" for liabilities)*	*Deductible or taxable temporary differences ("-" for taxable temporary difference)*	*Deferred tax assets/ deferred tax liabilities ("-" for liabilities)*
Deferred tax assets:				
Unrealised profits of intra-group transactions	74,343,786.58	20,277,603.70	69,681,971.60	26,925,875.49
Deductible tax losses	2,450,166,998.02	591,751,204.94	2,888,614,317.93	891,454,962.84
Defined benefit plans	233,457,136.82	67,876,138.61	350,797,082.19	110,215,830.68
Inventories and receivables	541,113,041.30	131,631,248.09	623,094,789.74	159,192,138.43
Depreciation and amortisation of long-term assets	77,078,226.74	12,130,398.25	86,785,264.72	24,024,145.87
Others	705,673,704.88	152,969,903.50	1,126,580,063.98	284,096,252.69
Sub-total	4,081,832,894.34		5,145,553,490.16	
Amount offset		(375,687,687.20)		(445,421,670.64)
Balance after offsetting		600,948,809.89		1,050,487,535.36
Deferred tax liabilities:				
The effect of goodwill allocation	2,075,695,616.37	530,350,582.37	2,321,419,397.07	605,075,685.56
Capitalised expenses	481,903,383.39	129,497,056.00	408,186,843.42	107,669,070.22
Defined benefit plans	-	-	743,583.15	216,568.58
Depreciation and amortisation of long-term assets	1,347,416,171.19	377,458,244.92	1,004,553,508.24	319,518,494.82
Inventories and receivables	-	-	464,164,586.85	139,162,319.36
Financial lease expense	34,182,355.85	9,719,918.34	34,354,181.61	9,766,893.83
Others	55,397,949.28	14,229,085.26	228,622,138.59	82,594,671.55
Sub-total	3,994,595,476.08		4,462,044,238.93	
Amount offset		(375,687,687.20)		(445,421,670.64)
Balance after offsetting		685,567,199.69		818,582,033.28

(2) Details of unrecognised deferred tax assets

Item	*2017*	*2016*
Deductible temporary differences	130,183,433.88	12,761,401.45
Deductible tax losses	813,758,947.80	754,007,175.21
Total	943,942,381.68	766,768,576.66

Deferred income tax assets arising from temporary differences and deductible losses are calculated based on applicable tax rate of the period when it is expected to recover the asset or settle the liability and recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences and tax losses can be utilised.

As at 31 December 2017, the Company and some of its subsidiaries expect that it is not probable that future taxable profits will be available against which deductible deferrred tax assets can be utilized. Therefore, deferred income tax assets were not recognised against deductible temporary differences and tax losses amounting to RMB 943,942,381.68 (As at 31 December 2016: RMB 766,768,576.66)

(3) Expiration of deductible tax losses for those deferred tax assets not recognised

Year	*2017*	*2016*
2017	-	24,826,097.82
2018	13,250,955.44	52,283,555.78
2019	11,730,504.31	59,515,948.95
2020	55,543,373.41	109,533,910.66
2021	83,280,666.84	507,847,662.00
2022 and thereafter	649,953,447.80	-
Total	813,758,947.80	754,007,175.21

(4) Unrecognised deferred tax liabilities

As at 31 December 2017, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB 1,951,895,517.34 (2016: RMB 1,123,237,520.01). Deferred tax liabilities have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

19 Other non-current assets

Item	*2017*	*2016*
Prepayment for long-term assets purchasing	147,697,450.08	43,945,663.08
Prepayment for sales discount	96,410,293.88	63,133,813.55
Others	234,069.00	219,204.00
Less: Provision for impairment	-	-
Total	244,341,812.96	107,298,680.63

20 Short-term loans

(1) Short-term loans by category:

Category	*2017*	*2016*
Pledged loans	190,496,687.17	25,590,637.95
Mortgage loans	140,000,000.00	398,601,284.35
Guaranteed loans	3,582,838,664.82	2,894,982,051.26
Unsecured loans	684,079,317.52	306,306,552.37
Total	4,597,414,669.51	3,625,480,525.93

The details of the pledges and collaterals for the above-mentioned loans can be referred to Note V.58 Assets with restricted ownership or right of use。

(2) In 2017, the Group had no past due short-term loans (2016: Nil).

21 Derivative financial liabilities

Item	*2017*	*2016*
Foreign currency forward contract	4,422,984.05	1,643,720.21
Interest rate swaps	4,167,957.61	-
Total	8,590,941.66	1,643,720.21

The relevant information on foreign currency forward contracts can be referred to Note V.2.

The Group used interest rate swap to hedge the cash flow risk of variable bank borrowing interest rate, which is to convert variable interest rate into fixed interest rate. As at 31 December 2017, the nominal amount of interest rate swaps held by the Group was EUR 57,000,000.00, and its fair value was RMB -4,167,957.61 at the end of the year, which was included in derivative financial liabilities. For details, see Note V.60 (1) (a).

22 Bills payable

Item	*2017*	*2016*
Commercial acceptance bills	6,698.93	473,129.76
Bank acceptance bills	139,184,500.00	116,020,000.00
Total	139,191,198.93	116,493,129.76

The bills above are all due within one year.

As at 31 December 2017, there was no balance of bills payable due but unpaid at the end of the year (As at 31 December 2016: Nil).

23 Accounts payable

(1) Details of accounts payable are as follows :

Item	*2017*	*2016*
Purchase of raw material	4,822,790,529.85	4,084,977,641.34
Construction payable	305,065,648.37	216,636,584.88
Others	-	2,344,835.17
Total	5,127,856,178.22	4,303,959,061.39

(2) As at 31 December 2017, there were no significant accounts payable with ageing of more than one year (As at 31 December 2016: Nil).

24 Advances from customers

(1) Details of advances from customers are as follows:

Item	*2017*	*2016*
Advances from sales	93,294,575.63	127,871,899.25
Advances on tooling and products development	59,353,396.67	48,401,714.79
Total	152,647,972.30	176,273,614.04

(2) As at 31 December 2017, there were no significant advances from customers with ageing of more than one year (As at 31 December 2016: Nil).

25 Employee benefits payable

(1) Employee benefits payable:

	Balance at the beginning of the year	*Accrued during the year*	*Decreased during the year*	*Change in exchange rate*	*Balance at the end of the year*
Short-term employee benefits	425,662,190.70	4,191,318,706.10	(4,161,664,774.84)	(1,574,909.70)	453,741,212.26
Post-employment benefits -defined contribution plans	14,483,227.79	217,967,747.41	(212,682,643.54)	218,322.73	19,986,654.39
Termination benefits	5,973,550.17	6,236,061.30	-	405,087.64	12,614,699.11
Total	446,118,968.66	4,415,522,514.81	(4,374,347,418.38)	(951,499.33)	486,342,565.76

(2) Short-term benefits

	Balance at the beginning of the year	*Accrued during the year*	*Decreased during the year*	*Change in exchange rate*	*Balance at the end of the year*
<u>Domestic subsidiaries:</u>					
Salaries, bonuses, allowances	26,338,490.37	235,947,172.45	(229,546,739.02)	-	32,738,923.80
Staff welfare	-	1,443,230.40	(1,443,230.40)	-	-
Social insurance	11,653,847.91	23,829,623.67	(25,216,445.83)	-	10,267,025.75
Medical insurance	11,536,317.35	22,094,045.57	(23,452,941.99)	-	10,177,420.93
Work-related injury insurance	51,102.69	839,549.88	(853,837.56)	-	36,815.01
Maternity insurance	66,427.87	896,028.22	(909,666.28)	-	52,789.81
Housing fund	9,389,935.69	33,311,818.67	(29,247,328.35)	-	13,454,426.01
Labour union fee, staff and workers' education fee	1,821,834.68	5,636,159.55	(4,585,330.35)	-	2,872,663.88
Sub-total	49,204,108.65	300,168,004.74	(290,039,073.95)	-	59,333,039.44
<u>Overseas subsidiaries:</u>					
Salaries, bonuses, allowances	226,542,664.25	3,053,901,703.03	(3,051,335,649.84)	(451,805.82)	228,656,911.62
Social insurance	28,805,474.15	283,643,856.38	(273,091,848.55)	(1,394,082.65)	37,963,399.33
Short-term paid absences	39,827,705.74	41,448,734.46	(56,689,339.55)	2,318,336.12	26,905,436.77
Other short-term benefits	81,282,237.91	512,156,407.49	(490,508,862.95)	(2,047,357.35)	100,882,425.10
Sub-total	376,458,082.05	3,891,150,701.36	(3,871,625,700.89)	(1,574,909.70)	394,408,172.82
Total	425,662,190.70	4,191,318,706.10	(4,161,664,774.84)	(1,574,909.70)	453,741,212.26

(3) Post-employment benefits - defined contribution plans

	Balance at the beginning of the year	*Accrued during the year*	*Decreased during the year*	*Change in exchange rate*	*Balance at the end of the year*
Domestic subsidiaries:					
Basic pension fund	8,378,869.55	69,604,829.03	(60,479,905.49)	-	17,503,793.09
Unemployment insurance	1,592,675.31	1,871,068.12	(1,811,815.64)	-	1,651,927.79
Sub-total	9,971,544.86	71,475,897.15	(62,291,721.13)	-	19,155,720.88
Overseas subsidiaries:					
Pension fund	4,511,682.93	146,491,850.26	(150,390,922.41)	218,322.73	830,933.51
Total	14,483,227.79	217,967,747.41	(212,682,643.54)	218,322.73	19,986,654.39

26 Taxes payable

Item	*2017*	*2016*
Value-added tax	158,580,006.08	140,040,120.88
Corporate income tax	174,900,042.22	150,884,212.15
Withholding individual income tax	44,493,643.16	31,615,277.23
Other taxes of overseas subsidiaries	16,827,520.37	15,425,125.10
Other taxes of domestic subsidiaries	8,414,666.64	8,281,663.38
Total	403,215,878.47	346,246,398.74

27 Interest payable

Item	*2017*	*2016*
Interest payable on debentures	14,380,444.42	19,570,247.86
Interest payable on short-term loans	53,121,555.06	50,780,894.87
Total	67,501,999.48	70,351,142.73

28 Other payables

(1) Details of other payables by nature are as follows:

Item	*2017*	*2016*
Equity transfer payable	258,327,508.75	208,110,000.00
Service charges payable	153,216,803.75	41,824,524.04
Freight charges payable	116,720,888.98	62,096,054.02
Accrued sales rebate	53,731,239.91	-
Royalty payable	34,936,802.27	-
Borrowings from non-financial institutions	-	35,949,456.00
Construction payable	-	10,708,049.58
Others	73,575,211.08	75,017,947.81
Total	690,508,454.74	433,706,031.45

(2) As at 31 December 2017, there were no significant other payables with ageing of more than one year (As at 31 December 2016: Nil).

(3) As at 31 December 2017, the equity transfer payable represents the consideration for the purchase of the remaining 25% equity held by minority shareholders of Quin.

29 Non-current liabilities due within one year

Non-current liabilities due within one year by category are as follows:

Item	*2017*	*2016*
Long-term loans due within one year (Note V.31)	377,974,019.64	634,560,792.50
Bonds payable within one year (NoteV.32)	399,811,075.39	-
Long-term payables due within one year (Note V.33)	91,134,183.08	72,363,655.03
Total	868,919,278.11	706,924,447.53

30 Other current liabilities

Item	*2017*	*2016*
Provisions – Warranty provisions (due within 1 year)	361,247,244.69	222,977,107.17
Accrued expenses	132,268,953.59	349,135,849.28
Royalty payable	-	25,902,761.05
Deferred income	19,947,974.12	21,963,144.34
Short-term debentures payable (Note)	-	1,000,000,000.00
Accounts received from accounts receivable factor transactions	-	50,156,278.04
Supplier compensation	-	47,588,707.65
Total	513,464,172.40	1,717,723,847.53

Note: The movements of short-term debentures payable:

Debenture	*Face value*	*Issuance date*	*Maturity period*	*Balance at the beginning of the year*	*Interest at face value*	*Repayment during the year*	*Balance at the end of the year*
16 Joyson Electronic CP001 011698529	500,000,000.00	On 29 September 2016	270 days	500,000,000.00	8,088,592.09	500,000,000.00	-
16 Joyson Electronic CP002 011698659	500,000,000.00	On 26 October 2016	270 days	500,000,000.00	9,217,688.36	500,000,000.00	-
Total				1,000,000,000.00	17,306,280.45	1,000,000,000.00	-

31 Long-term loans

(1) Long-term loans by category

Item	*2017*	*2016*
Pledged loans	3,494,144,933.60	3,628,917,955.74
Mortgage loans	316,366,143.12	974,605,198.78
Guaranteed loans	1,155,274,268.13	4,918,926,879.19
Unsecured loans	2,077,351,337.79	225,599,737.21
Less: Long-term loans due within one year (Note V.29)	(377,974,019.64)	(634,560,792.50)
Total	6,665,162,663.00	9,113,488,978.42

As at 31 December 2017, the details of the pledges and collaterals for the above-mentioned loans can be referred to Note V.58 Assets with restricted ownership or right of use.

32 Debentures payable

(1) Debentures payable

Item	*2017*	*2016*
15 Joyson Electronic MTN001 Debenture 101551025	399,811,075.39	399,411,472.53
Less: Debentures payable due within one year (Note V.29)	(399,811,075.39)	-
Total	-	399,411,472.53

(2) Movements of debentures payable (excluding other financial instruments classified as financial liabilities, such as preference shares and perpetual bonds):

Debenture	*Face value*	*Issuance date*	*Maturity period*	*Issuance amount*	*Balance at the beginning of the year*	*Interest at face value*	*of discounts or premium*	*Balance at the end of the year*
15 Joyson Electronic MTN001 Debenture 10155102	400,000,000.00	2015-5-22	3 years	398,800,000.00	399,411,472.53	22,366,666.67	399,602.86	399,811,075.39

33 Long-term payables

Item	*2017*	*2016*
Government interest - free loans of Preh Portugal	48,604,020.96	53,519,770.90
Payables under finance leases	267,798,427.64	224,124,917.50
Less: payables under finance leases due within one year(Note V.29)	(91,134,183.08)	(72,363,655.03)
Total	225,268,265.52	205,281,033.37

34 Long-term employee benefits payable

Item	*2017*	*2016*
Post-employment benefits - defined benefit plans	564,660,542.90	563,279,607.38
Termination benefits	740,643.86	5,699,096.71
Other long-term employee benefits	102,183,390.47	99,355,802.08
Total	667,584,577.23	668,334,506.17

The defined benefit plans are the pension plans provided by Preh and KSS to their employees. In terms of defined benefit plan, an actuarial valuation is performed by independent actuary on the balance sheet date, and the cost and vesting period of benefits are determined using the expected cumulative benefit unit method.

Amounts recognised in the financial statements and related movements in liability of defined benefit plans:

The present value of defined benefit plan obligations:	*2017*	*2016*
Balance at the beginning of the year	662,565,900.96	384,247,023.71
Included in profit or loss	23,476,291.63	23,410,729.85
- Current service cost	17,742,557.64	15,886,858.88
- Settlement loss	(9,502,527.46)	(5,952,524.08)
- Net interest	15,236,261.45	13,476,395.05
Included in other comprehensive income	8,849,868.50	46,608,334.48
- Actuarial gain	8,849,868.50	46,608,334.48
Other changes	(26,134,357.47)	208,299,812.92
- Benefits paid	(9,922,278.74)	(19,387,664.40)
- Changes in consolidation scope	(40,397,455.20)	212,954,650.12
- Exchange differences	24,185,376.47	14,732,827.20
Balance at the end of the year	668,757,703.62	662,565,900.96

Plan assets	*2017*	*2016*
Balance at the beginning of the year	99,286,293.58	11,309,754.34
Included in profit or loss	45,784.80	200,205.35
- Expected return of plan assets	45,784.80	200,205.35
Included in other comprehensive income	9,622,387.11	1,233,661.00
- Return of plan assets (excluding the return included in net interest)	9,622,387.11	1,233,661.00
Other changes	(4,857,304.77)	86,542,672.89
- Benefits paid	(9,639,881.86)	(13,324,672.43)
- Employee contribution	12,610,910.30	3,988,239.50
- Changes in consolidation scope	(2,312,132.40)	95,696,493.08
- Exchange differences	(5,516,200.81)	182,612.74
Balance at the end of the year	104,097,160.72	99,286,293.58

Net defined benefit plan liabilities	*2017*	*2016*
Balance at the beginning of the year	563,279,607.38	372,937,269.37
Included in profit or loss	23,430,506.83	23,210,524.50
Included in other comprehensive income	(772,518.61)	45,374,673.48
Other changes	(21,277,052.70)	121,757,140.03
Balance at the end of the year	564,660,542.90	563,279,607.38

The discount rate used by the Group in estimating the present value of the defined benefit plans is 1.92% ~ 3.88% (2016: 1.89% ~ 4.05%).

35 Provisions

Item	*Balance at the beginning of the year*	*Additions during the year*	*Disposals during the year*	*Change in exchange rate*	*Balance at the end of the year*
Warranty provision	21,310,540.89	346,565,089.45	(217,362,395.63)	(8,888,699.26)	141,624,535.45

The Group provides product warranty to the customers of automotive components during the warranty period in the event of any quality problems. The Group estimated and accrued for the provision for product warranty in respect of automotive components sold to customers based on the Group's recent claim experience. It is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales, so a considerable level of management judgement is required and exercised to estimate the provision. Any increase or decrease in the provision would affect profit or loss in future years.

36 Deferred income

Item	*Note*	*Balance at the beginning of the year*	*Additions during the year*	*Reductions during the year*	*Change in exchange rate*	*Balance at the end of the year*
Government grant - related to assets	(1)	4,195,000.00	26,370,000.00	(20,692,500.00)	-	9,872,500.00
Advances from customers for project development	(2)	23,052,564.91	3,486,768.96	(21,403,593.76)	777,394.27	5,913,134.38
Total		27,247,564.91	29,856,768.96	(42,096,093.76)	777,394.27	15,785,634.38

(1) For government grant of the Group recognised as deferred income, please refer to Note V.51.

(2) The Group provides R&D services to certain customers for specific projects. The general time span exceeds one year. Advances from customers for project development is pre-paid by customers, it will be settled upon the completion and confirmation from customers.

37 Other non-current liabilities

Item	*2017*	*2016*
Long-term payables for tooling	157,536,633.56	129,154,885.51
Income tax provisions	31,210,812.65	33,134,799.57
Derivative financial instruments	-	5,190,752.67
Others	6,790,082.89	21,761,692.43
Total	195,537,529.10	189,242,130.18

38 Share capital

	Balance at the beginning and at the end of the year
Share capital	949,289,000.00

39 Capital reserve

Item	*Balance at the beginning of the year*	*Additions during the year*	*Reductions during the year*	*Balance at the end of the year*
Share premium	10,090,108,154.52	-	(114,921,842.18)	9,975,186,312.34
Other capital reserves	21,735,350.81	-	-	21,735,350.81
Total	10,111,843,505.33	-	(114,921,842.18)	9,996,921,663.15

The decrease in capital reserve this year represents the difference between the amount of long-term equity investment newly purchased from the minority shareholders and the amount of net assets of the subsidiaries calculated based on shareholding percentage since the acquisition date.

40 Other comprehensive income

		Movements during the year					
Item	*Balance at the beginning of the year attributable to shareholders of the Company*	*Before-tax amount*	*Less: Previously recognised amount transferred to profit or loss*	*Less: Income tax expense*	*Net-of-tax amount attributable to shareholders of the Company*	*Net-of-tax amount attributable to non-controlling interests*	*Balance at the end of the year attributable to shareholders of the Company*
Items that will not be reclassified to profit or loss	(159,034,658.89)	772,518.61	-	(415,062.24)	357,456.37	-	(158,677,202.52)
Including: Remeasurement changes in of defined benefit plan liability	(159,034,658.89)	772,518.61	-	(415,062.24)	357,456.37	-	(158,677,202.52)
Items that may be reclassified to profit or loss	11,901,007.26	(111,163,977.14)	1,083,053.29	-	(83,230,462.23)	(26,850,461.62)	(71,329,454.97)
Including: Effective portion of gains or losses arising from cash flow hedging instruments	10,301,253.94	31,689,058.34	1,083,053.29	-	32,772,111.63	-	43,073,365.57
Translation differences arising from translation of foreign currency financial statements	1,599,753.32	(142,853,035.48)	-	-	(116,002,573.86)	(26,850,461.62)	(114,402,820.54)
Total	(147,133,651.63)	(110,391,458.53)	1,083,053.29	(415,062.24)	(82,873,005.86)	(26,850,461.62)	(230,006,657.49)

41 Surplus reserve

Item	*Balance at the beginning of the year*	*Additions during the year*	*Reductions during the year*	*Balance at the end of the year*
Statutory surplus reserve	74,243,968.97	13,576,783.67	-	87,820,752.64

42 Retained earnings

Item	*Note*	*2017*	*2016*
Retained earnings at the beginning of the year		1,715,166,061.64	1,301,798,538.97
Add: Net profits for the year attributable to shareholders of the Company		395,870,260.54	453,693,825.86
Less: Appropriation for statutory surplus reserve		(13,576,783.67)	(19,325,904.22)
Dividends to ordinary shares	(1)	(189,857,800.00)	-
Appropriation for staff & workers bonus & welfare fund		(21,412,974.23)	(21,000,398.97)
Retained earnings at the end of the year		1,886,188,764.28	1,715,166,061.64

(1) Dividends in respect of ordinary shares declared during the year

Pursuant to the shareholders'approval at the shareholders'general meeting on 5 May 2017, a cash dividend of RMB 0.20 per share (2016: Nil), totalling RMB 189,857,800.00 (2016: Nil), was declared and paid to the Company's ordinary shareholders.

(2) Retained earnings at the end of the year

As at 31 December 2017, the consolidated retained earnings attributable to the Company included appropriation to surplus reserves made by the Company's subsidiaries amounting to RMB 218,053,928.54 (2016: RMB 183,424,291.70).

43 Operating income and operating costs

	2017		*2016*	
Item	*Income*	*Cost*	*Income*	*Cost*
Principal activities	26,227,585,083.66	21,897,315,920.64	18,266,143,128.29	14,796,461,341.14
Other operating activities	378,015,189.24	347,995,814.11	286,266,071.34	259,330,896.80
Total	26,605,600,272.90	22,245,311,734.75	18,552,409,199.63	15,055,792,237.94

44 Taxes and surcharges

Item	*2017*	*2016*
Education surcharge	19,002,158.05	4,144,183.64
City maintenance and construction tax	15,576,786.05	16,840,426.35
Stamp duty	9,186,389.95	1,186,163.59
Property tax	5,032,207.54	1,764,596.24
Land use tax	4,288,532.38	2,278,907.10
Others	993,185.45	527,637.34
Total	54,079,259.42	26,741,914.26

45 Selling and distribution expenses

Item	*2017*	*2016*
Transportation expenses	330,437,970.02	108,106,867.05
Staff costs	179,519,741.99	152,635,284.96
Warranty expenses	95,408,378.41	62,038,323.45
Sample charge	32,044,142.84	40,228,628.55
Depreciation and amortisation	25,124,787.12	17,083,154.72
Service charge	24,792,050.12	17,490,518.11
Travel expenses	23,145,447.40	19,168,719.67
Advertisement	17,922,201.20	12,303,702.47
Rental charges	8,138,115.88	7,612,472.29
Warehouse	5,966,554.88	7,530,424.86
Others	28,460,386.94	23,845,473.11
Total	770,959,776.80	468,043,569.24

46 General and administrative expenses

Item	*2017*	*2016*
R&D Expense	1,032,726,788.20	701,896,789.44
Staff costs	719,744,211.84	521,056,217.08
Service charge	311,935,094.67	214,274,724.87
Depreciation and amortisation	89,235,409.33	97,847,773.98
Travel expenses	65,643,517.83	48,650,532.21
Rental charge	64,302,089.85	37,021,051.30
Office expenses	32,924,072.54	20,495,396.96
Insurance	25,680,179.54	24,140,547.62
Repair and maintenance	25,440,675.73	23,547,154.66
Taxes	1,739,782.46	5,024,213.10
Others	170,718,896.00	43,002,966.74
Total	2,540,090,717.99	1,736,957,367.96

47 Financial expenses

Item	*2017*	*2016*
Interest expenses from loans and payables	547,896,096.29	523,517,006.43
Less: Borrowing costs capitalised	(31,494,954.09)	(7,287,565.52)
Interest income from deposits and receivables	(20,980,388.54)	(18,763,691.61)
Net exchange losses	2,538,043.70	496,421.80
Other financial expenses	11,041,029.55	12,389,795.14
Total	508,999,826.91	510,351,966.24

The interest rate per annum, at which the borrowing costs were capitalised by the Group, was 4.75% (2016: 4.75%) for the year.

48 Impairment losses

Item	*2017*	*2016*
Accounts receivable	37,804,077.63	(2,856,950.70)
Prepayments	568,128.15	-
Inventories	122,545,275.42	16,161,554.49
Fixed assets	-	41,402.45
Total	160,917,481.20	13,346,006.24

49 Investment income

Investment income by item

Item	*2017*	*2016*
Loss from long-term equity investments accounted for using the equity method	(5,425,056.70)	(359,490.57)
Investment income from disposal of long-term equity investments	540,188,341.07	-
Investment income from holding financial assets at fair value through profit or loss	151,139,785.53	18,876,342.58
Investment income from disposal of financial assets held for trading (Note V.9)	5,380,000.00	-
Total	691,283,069.90	18,516,852.01

50 Losses from asset disposals

Item	*2017*	*2016*	*Amount recognised in extraordinary gain and loss in 2017*
Losses from disposal of fixed assets	9,177,116.26	989,565.56	9,177,116.26

51 Government grants

Other income

	2017
Government grants related to assets	20,692,500.00
Government grants related to income	19,516,104.89
Total	40,208,604.89

(1) Government grants related to assets

Item	*Balance at the beginning of the year*	*Additions during the year*	*Recognition as other income*	*Recognition as non- operating income*	*Other changes*	*Balance at the end of the year*
Fiscal subsidy fund	240,000.00	-	(40,000.00)	-	-	200,000.00
Long-term asset subsidy	3,475,000.00	-	(162,500.00)	-	-	3,312,500.00
Renovation of coating line for energy-saving and emission reduction	480,000.00	-	(120,000.00)	-	-	360,000.00
Subsidies for significant technology innovation project	-	6,000,000.00	-	-	-	6,000,000.00
Subsidies for fixed assets expenditures	-	16,000,000.00	(16,000,000.00)	-	-	-
Government grant for digitalized plant	-	4,370,000.00	(4,370,000.00)	-	-	-
Total	4,195,000.00	26,370,000.00	(20,692,500.00)	-	-	9,872,500.00

(2) Government grants related to income

Item	*Additions during the year*	*Recognition as other income*	*Recognition as non- operating income*
R&D subsidy	5,818,869.08	5,818,869.08	
Enterprise target management fund	5,000,000.00	5,000,000.00	-
Operation subsidy of Preh Portugal	2,644,034.35	2,644,034.35	-
Awards for science and technology project	1,759,439.83	1,759,439.83	-
Special subsidy for stable growth	1,445,045.00	1,445,045.00	-
Subsidy for innovative enterprise	577,375.80	577,375.80	-
Social insurance subsidy for fresh graduates	329,176.00	329,176.00	-
Refund of water construction fee	303,245.12	303,245.12	-
Special subsidy for listed company M&A activities	300,000.00	300,000.00	-
Refund of taxes and fees	296,773.25	296,773.25	-
Technical innovation team subsidy	200,000.00	200,000.00	-
District level technical innovation team subsidy	200,000.00	200,000.00	-
Economic development fund	110,290.22	110,290.22	-
Subsidy for IP verification standards implementation	100,000.00	100,000.00	-
Fund for sized enterprise incubation program	100,000.00	100,000.00	-
Credit insurance subsidy of import business	84,100.00	84,100.00	-
Subsidy for stable employment	78,601.75	78,601.75	-
Award for high-tech enterprise determination	50,000.00	50,000.00	-
Award for sized enterprise incubation program	50,000.00	50,000.00	-
Environmental protection subsidy	30,810.00	30,810.00	-
Social insurance subsidy for creating jobs	24,013.00	24,013.00	-
Talent development award	14,331.49	14,331.49	-
Total	19,516,104.89	19,516,104.89	-

52 Non-operating income and non-operating expenses

(1) Non-operating income by item is as follows:

Item	*2017*	*2016*	*Amount recognised in extraordinary gain and loss in 2017*
Government grants	-	50,661,031.15	-
Others	7,740,588.74	2,048,414.74	4,922,603.89
Total	7,740,588.74	52,709,445.89	4,922,603.89

The Group's government grants in 2017 are all related to daily activities and included in other income, see Note V.51.

(2) Non-operating expenses by item is as follows:

Item	*2017*	*2016*	*Amount recognised in extraordinary gain and loss in 2017*
Total losses from disposal of non-current assets	6,091,297.38	-	6,091,297.38
Including: Losses from disposal of non-current assets	6,091,297.38	-	6,091,297.38
Losses from scrapping of E&O and defective goods	50,568,332.66	-	50,568,332.66
Donations	1,254,608.69	1,165,723.78	1,254,608.69
Others	1,181,050.45	758,456.65	1,181,050.45
Total	59,095,289.18	1,924,180.43	59,095,289.18

53 Income tax expenses

Item	*2017*	*2016*
Current tax expense for the year based on tax law and regulations	487,166,456.92	398,459,331.32
Changes in deferred tax assets / liabilities	(233,742,556.84)	(262,463,838.55)
Tax filling differences	148,430.72	(1,862,629.84)
Total	253,572,330.80	134,132,862.93

(1) Reconciliation between income tax expenses and accounting profit:

Item	*2017*	*2016*
Profits before taxation	996,201,333.92	809,488,689.66
Expected income tax expenses at statutory tax rate	249,050,333.48	202,372,172.42
Effect of different tax rates applied by subsidiaries	(170,218,303.82)	(146,335,903.70)
Adjustments to income tax of previous years	148,430.72	(1,862,629.84)
Effect of non-taxable income	(178,474,981.84)	(19,820,573.64)
Effect of non-deductible costs, expense and losses	50,848,053.08	14,467,774.59
Effect of using the deductible losses for which no deferred tax asset was recognised in previous period	(1,717,552.25)	(6,748,531.74)
Effect of deductible temporary differences or deductible losses for which no deferred tax asset was recognised this year	215,538,210.39	106,866,084.95
Changes in the opening balance of deferred tax and liabilities as a result of tax rate adjustments	65,167,558.51	-
R&D super deduction effect	(51,628,136.99)	(28,176,407.26)
Withholding income tax of dividends of overseas subsidiaries	74,858,719.52	13,370,877.15
Income tax expenses	253,572,330.80	134,132,862.93

54 Basic earnings per share and diluted earnings per share

(1) Basic earnings per share

Basic earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding. The number of newly issued ordinary shares is determined based on the next month after the issue of shares.

	2017	*2016*
Consolidated net profit attributable to ordinary shareholders of the Company	395,870,260.54	453,693,825.86
Weighted average number of ordinary shares outstanding	949,289,000.00	689,369,800.00
Basic earnings per share (RMB / share)	0.42	0.66

Weighted average number of ordinary shares is calculated as follows:

	2017	*2016*
Issued ordinary shares at the beginning of the year	689,369,800.00	689,369,800.00
Non-public offering of ordinary shares (Note)	259,919,200.00	-
Weighted average number of ordinary shares at the end of the year	949,289,000.00	689,369,800.00

Note: The Company issued 259,919,200.00 shares in non-public offerings in December 2016.The weighted average number of basic earnings per share of ordinary shares outstanding is calculated from January 2017.

(2) Diluted earnings per share

During the reporting period, the Company did not have dilutive potential ordinary shares. The diluted earnings per share is the same as the basic earnings per share.

55 Supplementary information on income statement

Expenses are analysed by their nature:

Item	*2017*	*2016*
Operating income	26,605,600,272.90	18,552,409,199.63
Less: Changes in inventories of finished goods and work in progress	272,790,766.16	904,338,191.22
Raw materials used	(16,383,932,936.34)	(10,827,792,765.80)
Employee benefits expenses	(4,436,822,157.18)	(3,485,183,656.31)
Depreciation and amortisation expenses	(1,629,935,444.76)	(1,049,300,082.48)
Impairment losses for non-current assets	-	(41,402.45)
Rental expenses	(72,440,205.73)	(44,633,523.59)
Financial expenses	(508,999,826.91)	(510,351,966.24)
Transportation expenses	(330,437,970.02)	(217,010,026.09)
Other expenses	(2,468,266,463.76)	(2,563,730,543.69)
Operating profit	1,047,556,034.36	758,703,424.20

56 Cash flow statement

(1) Proceeds relating to other operating activities:

Item	*2017*	*2016*
Repayment of restricted cash	15,169,545.18	12,225,152.80
Repayment of employee petty cash and borrowings	9,784,758.78	9,697,972.08
Amount received from the minority shareholders of subsidiaries	-	62,500,000.00
Government grants received	45,886,104.89	46,923,437.63
Insurance company compensation received	877,320.55	2,131,718.41
Interest received	14,274,257.34	16,025,326.84
Compensation received	6,029,571.39	1,602,347.93
Reimbursement of advance payment	146,355,472.59	-
Deposit received	8,469,994.39	4,014,071.80
Others	36,803,040.08	17,640,072.13
Total	283,650,065.19	172,760,099.62

(2) Payments relating to other operating activities:

Item	*2017*	*2016*
Payment for other operating expenses	1,561,428,632.20	1,167,108,624.64
Payment for restricted cash	55,784,981.84	72,755,530.24
Payment for bank charges	5,153,129.42	12,389,795.14
Payment for non-operating expenses	954,273.00	1,767,971.36
Payment for deposit	20,887,900.00	24,455,858.08
Amount paid to the minority shareholders of subsidiaries	-	50,000,000.00
Others	88,963,039.20	81,922,995.92
Total	1,733,171,955.66	1,410,400,775.38

(3) Proceeds relating to other investing activities:

Item	*2017*	*2016*
Redemption of bank wealth management products	3,475,500,000.00	7,978,000,000.00
Interest on borrowings and lendings received	-	2,738,364.77
Borrowings and lendings received	425,096,522.77	52,000,000.00
Total	3,900,596,522.77	8,032,738,364.77

(4) Payments relating to other investing activities:

Item	*2017*	*2016*
Purchase of bank wealth management products	4,480,500,000.00	7,600,000,000.00
Payment for investment deposit	164,718,409.68	-
Payment for borrowings and lendings	47,543,536.00	5,000,000.00
Payment related to disposal of subsidiaries	20,921,365.35	-
Total	4,713,683,311.03	7,605,000,000.00

(5) Payments relating to other financing activities:

Item	*2017*	*2016*
Repayment of short-term debenture	1,000,000,000.00	1,700,000,000.00
Payment for the acquisition of minority interests	-	146,569,698.75
Payment for bank financing fees	30,850,000.00	53,492,800.00
Payment to intermediaries for related expenses of share issuance	-	7,413,859.61
Total	1,030,850,000.00	1,907,476,358.36

57 Supplementary information on cash flow statement

(1) Supplement to cash flow statement

(i) Reconciliation of net profit to cash flows from operating activities:

Item	*2017*	*2016*
Net profit ("-" for loss)	742,629,003.12	675,355,826.73
Add: Provisions for impairment of assets	160,917,481.20	13,346,006.24
Depreciation of fixed assets	1,086,788,456.59	684,028,206.71
Amortisation of intangible assets	530,815,589.08	352,828,670.30
Amortisation of long-term deferred expenses	12,331,399.09	12,443,205.47
Losses from disposal of fixed assets, intangible assets, and other long-term assets	9,177,116.26	989,565.56
Losses from scrapping of fixed assets	6,091,297.38	-
Financial expenses	516,401,142.20	510,738,965.78
Gains arising from investments	(691,283,069.90)	(18,516,852.01)
Increase in deferred tax assets	(80,218,319.62)	(96,076,480.07)
Decrease in deferred tax liabilities	(153,524,237.22)	(166,387,358.48)
Increase in gross inventories	(912,909,324.94)	(728,086,330.00)
Increase in operating receivables	(359,898,447.93)	(1,176,485,657.74)
Increase in operating payables	1,034,010,289.40	609,511,705.46
Net cash inflow from operating activities	1,901,328,374.71	673,689,473.95

(ii) Change in cash and cash equivalents:

Item	*2017*	*2016*
Cash at the end of the year	3,857,973,980.45	9,079,498,836.83
Less: Cash at the beginning of the year	9,079,498,836.83	3,373,590,168.09
Net (decrease)/ increase in cash and cash equivalents	(5,221,524,856.38)	5,705,908,668.74

(2) Information on acquisition or disposal of subsidiaries and other business units during the year

(i) Information on disposing Preh IMA Automation GmbH and its subsidiaries

	2017
Desposal consideration	994,258,200.00
Cash received during the year for the disposal	994,258,200.00
Less: Cash held by disposed subsidiaries	(66,640,584.28)
Net cash received for disposing subsidiaries	927,617,615.72
Non-cash assets and liabilities disposed	
- Current assets	538,621,455.86
- Non-current assets	340,328,251.46
- Current liabilities	429,845,232.55
- Non-current liabilities	61,675,200.12

(ii) In 2017, the Group disposed of the shares in Shenzhen Vcyber Technology Co., Ltd. and received a consideration and delayed payment compensation, totaling RMB 55,915,800.00. The resulting investment income of RMB 5,380,000.00 and the compensation of RMB 535,800.00 are included in investment income and non-operating income respectively.

(3) Details of cash and cash equivalents

Item	*2017*	*2016*
Cash at bank and on hand		
Including: Cash on hand	488,190.21	540,565.67
Bank deposits available on demand	3,857,485,790.24	9,068,958,271.16
Other monetary funds available on demand	-	10,000,000.00
Closing balance of cash and cash equivalents	3,857,973,980.45	9,079,498,836.83
Including: Restricted cash held by the Company or subsidiaries of the Group	326,804,387.38	111,504,511.24

58 Assets with restricted ownership or right of use

As at 31 December 2017, the Group's pledged loans and mortage loans were obtained with the following pledges and collaterals:

Item	*Balance at the end of the year*	*Reason for restriction*
Cash at bank and on hand	326,804,387.38	As deposit
Accounts receivable	1,196,166,741.75	Pledged loan
Inventories	618,198,052.57	Pledged loan
Other current assets	481,778,567.89	Pledged loan
Fixed assets	1,221,539,790.22	Pledged loan, mortgage loan
Intangible assets	126,270,603.54	Pledged loan, mortgage loan
Deferred tax assets	41,790,446.17	Pledged loan
Other non-current assets	876,776,035.03	Pledged loan
Total	4,889,324,624.55	

59 Foreign currency translation

The major overseas operating entities in the Group's consolidated financial statements, their principal place of business and their functional currency are listed below.

Name of subsidiaries	*Principal place of business*	*Functional currency*
Key Safety System, Inc.	U.S.	USD
Key Safety Restraint Systems, Inc.	U.S.	USD
Key Automotive Accessories, Inc.	U.S.	USD
Preh de Mexico, S.A. de C.V.	Mexico	Mexican Peso
Preh GmbH	Germany	Euro
Preh Car Connect Dresden GmbH	Germany	Euro
Preh Car Connect Dippach GmbH	Germany	Euro
Quin GmbH	Germany	Euro
Preh Romania S.R.L.	Romania	Romanian Leu
Quin Romania S.R.L.	Romania	Romanian Leu
Key Safety Systems RO. S.R.L.	Romania	Romanian Leu
Preh Portugal,Lda.,PT	Portugal	Euro
Key Safety Systems, S.r.l.	Italy	Euro

The above subsidiaries determine the basis for functional currency according to the pricing and settlement currency of the income and expenses of principal activities where they are operated.

60 Hedging

(1) Cash flow hedges

(a) Interest rate swaps

The Group uses interest rate swaps to reduce the cash flow risks of variable interest rate, that is, to convert the variable interest rate into fixed interest rate. The interest rate swaps entered into in 2017 are designated as hedging instruments. The terms of the interest rate swaps are the same as the corresponding bank loans. The Group usesd the key terms comparison method to evaluate the effectiveness of hedging. The management of the Group believes that an interest rate swap is a highly effective hedging instrument. Its major terms are as follows:

Nominal amount	*Maturity date*	*Swap terms*
EURO 11,500,000.00	2022-6-28	The Euribor 6 months interest rate plus 0.95% is replaced with fixed interest rate of 0.525%
EURO 11,500,000.00	2022-6-28	The Euribor 6 months interest rate plus 0.95% is replaced with fixed interest rate of 0.565%
EURO 17,000,000.00	2024-6-28	The Euribor 6 months interest rate plus 1.15% is replaced with fixed interest rate of 0.810%
EURO 17,000,000.00	2024-6-28	The Euribor 6 months interest rate plus 1.15% is replaced with fixed interest rate of 0.816%

The Group uses interest rate swaps to reduce the cash flow risks arising from changes in interest rate. A net loss of RMB 4,167,957.61 from the fair value change in 2017 of the above swaps that meet the requirements of hedge accounting is included in other comprehensive income (Note V.40), and no profit or loss transferred out from other comprehensive income was recognised in the current year.

(b) Foreign currency forward contract

As at 31 December 2017, the Group held the following foreign currency forward contracts and designated them as highly effective hedging instruments in 2017, so as to manage foreign currency risk exposures related to expected foreign currency sales and purchases.

The Group used the key terms comparison method to evaluate the effectiveness of hedging. The foreign currency forward contracts that have consistent terms with expected transactions are considered to be highly effective, its main contents are as follows:

Nominal amount	*Maturity date*	*Exchange rate*
Buy euros at USD 7,000,000.00	On 31 January 2018	1.18710
Buy USD 47,178,100.00 at euros	From 8 January 2018 to 14 June 2018	1.17750~1.19700

Foreign currency forward contracts are used by the Group to reduce the risk of exchange rate fluctuations involved in the payment of purchases by dollars and euros. For the fair value changes in the above-mentioned contracts in 2017, the net loss of RMB 4,422,984.05, which belongs to the effective hedge portion recognised in other comprehensive income, is included in other comprehensive income. The loss transferred out from other comprehensive income amounting to RMB 1,083,053.29 for the year is recognised as financial expenses.

(2) Net investment hedging in an overseas operation

The foreign currency loan of USD100 million is designated as net investment hedging in an overseas operation, and therefore, the changes in exhchange rate are included in other comprehensive income. Since hedging instruments are non-derivatives, the designated risk is spot foreign exchange risk. In 2017, the effect of net investment hedging in an overseas operation of RMB 40,280,000.00 (2016: Net loss of RMB 24,429,700.00) was included in other comprehensive income.

VI. Change of consolidation scope

Disposal of subsidiaries - disposal of investments in subsidiaries through a single transaction resulting in loss of control

Entity name	*Consideration* (Euro)	*Shareholding being disposed* (%)	*Disposal method*	*Date of losing control*	*Basis for determining date of losing control*	*Difference between consideration received and the related share of net assets in consolidated financial statements* (Euro)	*Proportion of remaining shareholding on the date of losing control* (%)
Preh IMA Automation GmbH	130,000,000.00	100	Transfer based on agreement	2017-6-30	Transfer of substantive control	70,790,525.38	-

The Group recorded an investment income of EURO 70,790,525.38 (RMB 540,188,341.07 in equivalent) on the disposal of its control over Preh IMA Automation GmbH and its subsidiaries, which have been included in investment income of consolidated financial statements.

VII. Interests in other entities

1 Interests in subsidiaries

(1) Composition of the Group

Name of the Subsidiary	*Principal place of business*	*Registration place*	*Business nature*	*Shareholding percentage (%)*		*Acquisition method*
				Direct	*Indirect*	
Ningbo Joyson Automotive Electronic Holding Co., Ltd.	Ningbo	Ningbo	Manufacturing of automotive components	75.00	25.00	Establishment
Chengdu Joyson Automobile Electronic Components Co., Ltd.	Chengdu	Chengdu	Manufacturing of automotive components	-	100.00	Establishment
Wuhan Joyson Automotive Components Co., Ltd.	Wuhan	Wuhan	Manufacturing of automotive components	-	100.00	Establishment
Changchun HuaDe Plastic Products Co., Ltd.	Changchun	Changchun	Manufacturing of automotive components	-	100.00	Business combinations involving entities not under common control
Shanghai Joyson Benyuan Automotive Components Co., Ltd.	Shanghai	Shanghai	Manufacturing of automotive components	-	100.00	Establishment
Changchun Joyson Automotive Components Co., Ltd.	Changchun	Changchun	Manufacturing of automotive components	-	100.00	Establishment
Liaoyuan Joyson Auto Electronic Co., Ltd.	Liaoyuan	Liaoyuan	Manufacturing of automotive components	-	100.00	Establishment
Ningbo Joyson Trims Technology Co., Ltd.	Ningbo	Ningbo	Manufacturing of automotive components	-	55.00	Establishment
Ningbo Joyson Technology Co., Ltd.	Ningbo	Ningbo	Manufacturing of automotive components	100.00	-	Establishment
Ningbo Senson Electronics Technology Co., Ltd.	Ningbo	Ningbo	R&D and manufacturing of semiconductors, electronic components, sensors, etc.	-	55.00	Establishment

Name of the Subsidiary	*Principal place of business*	*Registration place*	*Business nature*	*Shareholding percentage (%)*		*Acquisition method*
				Direct	*Indirect*	
Ningbo Joyson Intelligent Telematics Co., Ltd.	Ningbo	Ningbo	R&D and production of satellite navigation and communication equipments	100.00	-	Establishment
Ningbo Chancheng Joyson New Energy Technology Co., Ltd. (Note 1)	Ningbo	Ningbo	R&D and manufacturing of battery management system and energy management system	40.00	-	Establishment
Ningbo Joyson Preh Intelligent Telematics Co., Ltd.	Ningbo	Ningbo	R&D and production of satellite navigation and communication equipments	100.00	-	Establishment
Shanghai Joyson Intelligent Automotive Technology Co., Ltd.	Shanghai	Shanghai	R&D and production of satellite navigation and communication equipments	-	100.00	Business combinations involving entities not under common control
Shanghai Joyson Bairui Autonomous Vehicles Research & Development Co., Ltd.	Shanghai	Shanghai	R&D of Automotive technology	100.00	-	Establishment
Preh GmbH	Germany	Germany	Manufacturing of automotive components	100.00	-	Business combinations involving entities under common control
Preh Beteiligungs GmbH	Germany	Germany	Manufacturing of automotive components	-	100.00	Business combinations involving entities under common control
Preh Portugal,Lda,PT	Portugal	Portugal	Manufacturing of automotive components	-	100.00	Business combinations involving entities under common control
Preh Romania S.R.L.	Romania	Romania	Manufacturing of automotive components	-	100.00	Business combinations involving entities under common control
Preh de Mexico S.A.de C.V.	Mexico	Mexico	Manufacturing of automotive components	-	100.00	Business combinations involving entities under common control
Preh Inc., US	USA	USA	Manufacturing of automotive components	-	100.00	Business combinations involving entities under common control
Ningbo Preh Joyson Auto Electronic Co., Ltd.	Ningbo	Ningbo	Manufacturing of automotive components	-	100.00	Business combinations involving entities under common control
Preh Car Connect GmbH	Germany	Germany	Automobile information products	-	100.00	Business combinations involving entities not under common control
Preh Car Connect Thüringen GmbH	Germany	Germany	Automobile information products	-	100.00	Business combinations involving entities not under common control
Preh Car Connect Polska Sp.z o.o.	Poland	Poland	Automobile information products	-	100.00	Business combinations involving entities not under common control
Preh Car Connect USA Inc.	USA	USA	Automobile information products	-	100.00	Business combinations involving entities not under common control
Preh Car Connect Japan K.K	Japan	Japan	Automobile information products	-	100.00	Business combinations involving entities not under common control
QUIN GmbH	Germany	Germany	Manufacturing of automotive components	75.00	25.00	Business combinations involving entities not under common control
Quin Romania S.R.L.	Romania	Romania	Manufacturing of automotive components	-	100.00	Business combinations involving entities not under common control
Quin Polska Sp.Z.o.o.	Poland	Poland	Manufacturing of automotive components	-	100.00	Business combinations involving entities not under common control
Quin (Tianjin) Auto Trims Co., Ltd.	Tianjin	Tianjin	Manufacturing of automotive components	-	100.00	Business combinations involving entities not under common control
QUIN Decor Mexico S.A. de C.V.	Mexico	Mexico	Manufacturing of automotive components	-	100.00	Business combinations involving entities not under common control
Ningbo Joyson Quin Auto Trims Co., Ltd.	Ningbo	Ningbo	Manufacturing of automotive components	-	100.00	Establishment

Name of the Subsidiary	*Principal place of business*	*Registration place*	*Business nature*	*Shareholding percentage (%)*		*Acquisition method*
				Direct	*Indirect*	
Joyson Europe GmbH	Germany	Germany	Business division management	100.00	-	Establishment
KSS Holdings, Inc.	USA	USA	Manufacturing of automobile safety systemManufacturing of automobile safety system	100.00	-	Business combinations involving entities not under common control
KSS Acquisition Company Limited	USA	USA	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Key Safety Systems, Inc	USA	USA	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Aviation Occupant Safety, LLC	USA	USA	Manufacturing of automobile safety system	-	65.00	Business combinations involving entities not under common control
Key Automotive of Florida, LLC	USA	USA	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Key Safety Systems Japan, K.K.	Japan	Japan	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Key Safety Systems France Eurl	France	France	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Key Asian Holdings, Inc	USA	USA	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Key Safety Systems (Thailand), Ltd	Thailand	Thailand	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Key Safety Systems UK, Limited (UK)	UK	UK	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Key Automotive Accessories, Inc	USA	USA	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Key Safety Restraint Systems,Inc	USA	USA	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Key Safety Systems Foreign Hold co, LLC	USA	USA	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Key Safety Systems Korea, Ltd	Korea	Korea	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Key Safety Systems India Private Limited	India	India	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
KSS Abhishek Safety Systems Private Limited	India	India	Manufacturing of automobile safety system	-	64.98	Business combinations involving entities not under common control
BAG, S.R.L.	Italy	Italy	Manufacturing of automobile safety system	-	50.00	Business combinations involving entities not under common control
Key Safety Systems Do Brasil Products Automotive LTDA	Brazil	Brazil	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Key Cayman LP	Cayman Islands	Cayman Islands	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Key Cayman GP LLC	Cayman Islands	Cayman Islands	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Key Safety Systems Hong Kong Limited	Hong Kong	Hong Kong	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Yanfeng Key Automotive Safety Systems Co.,Ltd.(Note 2)	Shanghai	Shanghai	Manufacturing of automobile safety system	-	49.90	Business combinations involving entities not under common control
Tianjin Key Automotive Components Co., Ltd.	Tianjin	Tianjin	Manufacturing of automobile safety system	-	80.00	Business combinations involving entities not under common control

Name of the Subsidiary	*Principal place of business*	*Registration place*	*Business nature*	*Shareholding percentage (%)*		*Acquisition method*
				Direct	*Indirect*	
Key Safety Systems Luxembourg, S.a.r.l	Luxemburg	Luxemburg	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
KSS Holdings S.a.r.l	Luxemburg	Luxemburg	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Key Safety Systems, S.r.l.	Italy	Italy	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Key Safety Airbag International Trade (Shanghai) Co., Ltd.	Shanghai	Shanghai	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Key Safety Systems (Huzhou) Co., Ltd.	Huzhou	Huzhou	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Key Automotive Direct de Mexico,S. de R. L.de C.V.	Mexico	Mexico	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Key Automotive de Mexico,s.de R.L. de C.V.	Mexico	Mexico	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Key European Sales Limited	UK	UK	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Key Safety Systems Italia, S.r.l.	Italy	Italy	Manufacturing of automobile safety system	-	73.07	Business combinations involving entities not under common control
Key Safety Systems RO, S.r.l.	Romania	Romania	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Logico Design S.r.l.	Italy	Italy	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Key Automotive Active Safety Systems (Suzhou) Co., Ltd.	Suzhou	Suzhou	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Shanghai Tanchuang Automotive Technologies Co., Ltd.	Shanghai	Shanghai	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Key Safety Systems de Mexico,S. de R.L. de C.V.	Mexico	Mexico	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
Key Safety Systems Macedonia Dooel	Macedonia	Macedonia	Manufacturing of automobile safety system	-	73.07	Business combinations involving entities not under common control
Key Safety Systems Deutschland, Gmbh	Germany	Germany	Manufacturing of automobile safety system	-	100.00	Business combinations involving entities not under common control
KSS-Image Next Co., LTD	Korea	Korea	Manufacturing of automobile safety system	-	65.60	Business combinations involving entities not under common control
Palm Vision Co. Ltd.	Korea	Korea	Manufacturing of automobile safety system	-	65.60	Business combinations involving entities not under common control
Joyson KSS auto Safety Holding S.A	Luxemburg	Luxemburg	Investment holding	100.00	-	Establishment
Joyson KSS Auto Safety S.A	Luxemburg	Luxemburg	Investment holding	-	100.00	Establishment
Joyson KSS Holding No.1 S.a.r.l	Luxemburg	Luxemburg	Investment holding	-	100.00	Establishment
Joyson KSS Holding No.2 S.a.r.l	Luxemburg	Luxemburg	Investment holding	-	100.00	Establishment
Ningbo Joyson Auto Safety Systems Co. Ltd.	Ningbo	Ningbo	Investment holding	100.00	-	Establishment

Note 1: Ningbo Chancheng Joyson New Energy Technology Co., Ltd. is established by the Company with a contribution of RMB 20 million, representing 40.00%. Since the Company accounts for three of the five seats of this company's Board of Directors and has actual control over it, it is included in the consolidation scope as a subsidiary.

Note 2: According to the articles of association of Yanfeng KSS (Shanghai) Automotive Safety Systems Co., Ltd. ("Yanfeng KSS"), the Board of Directors should consist of eight directors, four of whom should be nominated by Yanfeng Auto Trims System Co., Ltd. – a shareholder of Yanfeng KSS and the other four nominated by Key Safety Systems, Inc. Key Safety Systems, Inc. could nominate vice chairman, general manager and finance manager. If a deadlock occurs regarding the proposal submitted to the Board of Directors, the vice chairman shall have an additional vote to support or oppose the proposal in deadlock and have actual control over it. Therefore, it is included in the consolidation scope as a subsidiary.

(2) Material non-wholly owned subsidiaries

Expressed in RMB10,000

Name of the Subsidiary	*Proportion of ownership interest held by non-controlling interests*	*Profit or loss allocated to non-controlling interests during the year*	*Dividend declared to non-controlling shareholders during the year*	*Balance of non-controlling interests at the end of the year*
Yanfeng Key	50.10%	30,712.57	30,060.00	50,591.38

(3) Key financial information about Yanfeng Key

Expressed in RMB10,000

	2017	*2016*
Current assets	286,593.69	291,237.80
Non-current assets	58,111.71	67,502.71
Total assets	344,705.40	358,740.51
Current liabilities	208,230.83	198,794.40
Non-current liabilities	16,198.70	13,272.77
Total liabilities	224,429.53	212,067.17
Operating income	602,542.97	331,235.77
Net profit	61,302.53	36,121.18
Total comprehensive income	61,302.53	36,121.18
Cash flow from operating activities	111,240.47	31,156.21

2 Interests in joint ventures or associates

Item	*2017*	*2016*
Joint ventures		
- immaterial joint ventures	107,706,065.33	111,902,370.65
Associates		
- immaterial associates	55,503,891.49	5,191,335.26
Sub-total	163,209,956.82	117,093,705.91
Less: Provision for impairment	-	-
Total	163,209,956.82	117,093,705.91

(1) Key financial information of immaterial joint ventures and associates

	2017	*2016*
Joint ventures:		
Aggregate carrying amount of investments	107,706,065.33	111,902,370.65
Aggregate amount of share of		
- Net profit	(4,196,305.32)	(359,490.57)
- Other comprehensive income	-	-
- Total comprehensive income	(4,196,305.32)	(359,490.57)
Associates:		
Aggregate carrying amount of investments	55,503,891.49	5,191,335.26
Aggregate amount of share of		
- Net profit	(1,228,751.38)	-
- Other comprehensive income	-	-
- Total comprehensive income	(1,228,751.38)	-

VIII. Risk related to financial instruments

The Group has exposure to the following main risks from its use of financial instruments in the normal course of the Group's operations:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk

The following mainly presents information about the Group's exposure to each of the above risks and their sources, their changes during the year, and the Group's objectives, policies and processes for measuring and managing risks, and their changes during the year.

The Group aims to seek appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The internal audit department of the Group undertakes both regular and ad-hoc reviews of risk management controls and procedures.

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash at bank, receivables, debt investments and derivative financial instruments entered into for hedging purposes and other financial assets. Exposure to these credit risks are monitored by management on an ongoing basis.

The cash at bank of the Group is mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

In respect of receivables, the management of the Group has established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. These evaluations focus on the customers' financial position, the external ratings of the customers and their bank credit records where available. Receivables are due within 30 - 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

In monitoring customer credit risk, customers are grouped according to certain factors, such as ageing.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry, country or area in which the customers operate and therefore significant concentrations of credit risk arise primarily when the Group has significant exposure to individual customers. At the balance sheet date, for the five largest balances of accounts receivable and other receivables by debtors at the end of the year, refer to Note V.4(5) and Note V.6(6). In addition, the debtors of the Group that are neither past due nor impaired mainly relate to a wide range of customers for whom there was no recent history of default.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

(2) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. The Company and its individual subsidiaries are responsible for their own cash management, including short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

In view of the Group's continued financing capabilities, the Group believes that it has no significant liquidity risk. As at 31 December 2017, the Group's unutilised bank loan was RMB 700,699,700 (As at 31 December 2016: RMB 10,604,533,420).

(3) Interest rate risk

Interest-bearing financial instruments at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk, respectively. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure.

(4) Foreign currency risk

In respect of cash at bank and on hand, accounts receivable and payable, short-term loans and long-term loans denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(a) As at 31 December, the Group's exposure to currency risk arising from recognised assets or liabilities denominated in foreign currencies is presented in the following tables. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date. Differences resulting from the translation of foreign currency financial statements are excluded.

	2017		*2016*	
	Balance at foreign currency	*Balance at RMB equivalent*	*Balance at foreign currency*	*Balance at RMB equivalent*
Cash at bank and on hand		133,084,073.14		135,201,400.52
- USD	7,130,985.98	46,595,288.62	13,245,465.37	91,883,793.27
- Euro	6,066,423.95	47,332,059.52	5,927,380.04	43,310,180.48
- Romanian Leu	18,169,651.19	30,397,364.41	3,996.39	6,433.39
- Mexico Peso	2,738,746.55	907,921.95	2,960.00	993.38
- JPY	135,643,257.00	7,851,438.64	-	-
Accounts receivable		921,444,232.70		107,908,107.00
- USD	11,640,772.76	76,063,137.32	11,268,801.01	78,171,672.60
- Euro	79,851,518.84	623,025,505.40	4,065,879.83	29,708,570.71
- Romanian Leu	131,121,838.05	219,363,500.79	17,308.79	27,863.69
- JPY	51,692,020.00	2,992,089.19	-	-
Short-term loans		(196,026,000.00)		-
- USD	(30,000,000.00)	(196,026,000.00)	-	-
Long-term loans		(755,532,601.26)		(858,377,005.00)
- USD	(100,000,000.00)	(653,420,000.00)	(100,000,000.00)	(693,700,000.00)
- Euro	(13,087,500.00)	(102,112,601.26)	(22,537,500.00)	(164,677,005.00)
Accounts payable		(868,281,549.97)		(228,515,476.33)
- USD	(2,346,173.85)	(15,330,369.20)	(21,480,063.49)	(149,007,200.43)
- Euro	(72,904,170.26)	(568,820,207.65)	(8,836,430.50)	(64,566,030.38)
- Romanian Leu	(167,410,185.63)	(280,072,983.53)	(6,062,355.35)	(9,759,179.64)
- Mexico Peso	(11,288,043.09)	(3,742,099.48)	(363,109.24)	(121,859.46)
- JPY	(5,457,390.00)	(315,890.11)	(85,047,999.00)	(5,061,206.42)
Receipt and payment difference		53,162,682.73		(120,607,369.33)
Net foreign currency of monetrary items		(765,311,845.39)		(843,782,973.81)
Gross balance sheet exposure				
- USD	(113,574,415.11)	(742,117,943.26)	(96,965,797.11)	(672,651,734.56)
- Euro	(73,727.47)	(575,243.99)	(21,380,670.63)	(156,224,284.19)
- Romanian Leu	(18,118,696.39)	(30,312,118.33)	(6,041,050.17)	(9,724,882.56)
- Mexico Peso	(8,549,296.54)	(2,834,177.53)	(360,149.24)	(120,866.08)
- JPY	181,877,887.00	10,527,637.72	(85,047,999.00)	(5,061,206.42)
Notional amounts of foreign currency forward contracts used as economic hedges				
- USD	7,000,000.00	45,739,400.00	55,847,618.80	387,414,931.62
- Euro	47,178,100.00	368,097,689.63	-	-
- Romanian Leu	-	-	-	-
- Mexico Peso	-	-	-	-
- JPY	-	-	-	-
Net balance sheet exposure				
- USD	(106,574,415.11)	(696,378,543.26)	(41,118,178.31)	(285,236,802.94)
- Euro	47,104,372.53	367,522,445.64	(21,380,670.63)	(156,224,284.19)
- Romanian Leu	(18,118,696.39)	(30,312,118.33)	(6,041,050.17)	(9,724,882.56)
- Mexico Peso	(8,549,296.54)	(2,834,177.53)	(360,149.24)	(120,866.08)
- JPY	181,877,887.00	10,527,637.72	(85,047,999.00)	(5,061,206.42)

(b) The following are the exchange rates for Renminbi against foreign currencies applied by the Group:

	Average rate		*Reporting date mid-spot rate*	
	2017	*2016*	*2017*	*2016*
USD	6.7573	6.6406	6.5342	6.9370
Euro	7.6308	7.3228	7.8023	7.3068
Romania Leu	1.6414	1.5545	1.6730	1.6098
Mexico Peso	0.3336	0.3561	0.3315	0.3356
JPY	0.0587	0.0567	0.0579	0.0595

(c) Sensitivity analysis

Assuming all other risk variables remained constant, a 1% strengthening of the Renminbi against the US dollar, Euro, Romania Leu and Mexico Peso at 31 December would have increased (decreased) the Group's equity and net profit by the amount shown below, whose effect is in Renminbi and translated using the spot rate at the year-end date:

	Equity	*Net profit*
As at 31 December 2017		
USD	5,222,839.07	5,222,839.07
Euro	(2,756,418.34)	(2,756,418.34)
Romania Leu	227,340.89	227,340.89
Mexico Peso	21,256.33	21,256.33
JPY	(78,957.28)	(78,957.28)
Total	2,636,060.67	2,636,060.67
As at 31 December 2016		
USD	2,139,276.02	2,139,276.02
Euro	1,171,682.13	1,171,682.13
Romania Leu	72,936.62	72,936.62
Mexico Peso	906.50	906.50
JPY	37,959.05	37,959.05
Total	3,422,760.32	3,422,760.32

A 1% weakening of the Renminbi against the US dollar, Euro, Romania Leu and Mexico Peso at 31 December would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remained constant.

IX. Fair value disclosure

The following table presents the fair value information and the fair value hierarchy, at the end of the current reporting period, of the Group's assets and liabilities which are measured at fair value at each balance sheet date on a recurring or non-recurring basis. The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

1 As at 31 December 2017, the Group held derivative financial assets measured at fair value at Level 2 amounting to RMB 533,832.59 (As at 31 December 2016: RMB 11,350,101.43). As at 31 December 2017, the Group held derivative financial liabilities measured at fair value at Level 2 amounting to RMB 8,590,941.66 (As at 31 December 2016: RMB 1,643,720.21). As at 31 December 2017, the Group held wealth management products measured at fair value at Level 2 amounting to RMB 1,502,630,137.00 (As at 31 December 2016: RMB 505,000,000.00).

In 2017, there were no transfers between Level 1 and Level 2, or transfer in/out from Level 3 the Group's assets and liabilities.

2 Fair values of financial assets and liabilities not measured at fair value

All financial instruments are carried at amounts not materially different from their fair value as at 31 December 2017 and 2016.

X. Related parties and related party transactions

1 Information about the parent of the Company

Company name	*Registered place*	*Business nature*	*Registered capital* (Expressed in RMB10,000)	*Shareholding percentage (%)*	*Percentage of voting rights (%)*
Joyson Group Co., Ltd.	Ningbo	Industrial project investment, corporate management consulting, self-owned housing rental,etc	12,000.00	33.56	33.56

The ultimate controlling party of the Company is Mr Wang Jianfeng, the Company's chairman and legal representative.

2 Information about the subsidiaries of the Company

For information about the subsidiaries of the Company, refer to Note VII. 1(1).

3 Information about joint ventures and associates of the Company

For information about the joint ventures and associates of the Company, refer to Note NoteV.11.

4 Information on other related parties

Name of other related parties	*Related party relationship*
Ningbo Joyson Real Estate Development Co., Ltd.	Under common control of ultimate controlling party
Ningbo Joyson Asset Management Co., Ltd.	Under common control of ultimate controlling party
Ningbo Longze Properties Co., Ltd.	Under common control of ultimate controlling party
Ningbo Sci-Tech Park Joyson Property Management Co., Ltd.	Under common control of ultimate controlling party
Joyson Europe Holding GmbH	Under common control of ultimate controlling party
PIA Automation Holding GmbH	Under common control of ultimate controlling party (From 1 July 2017)
Preh IMA Automation GmbH	Under common control of ultimate controlling party (From 1 July 2017)
Preh IMA Automation Amberg GmbH	Under common control of ultimate controlling party (From 1 July 2017)
Ningbo Joyson Preh Industrial Automation & Robot Co., Ltd.	Under common control of ultimate controlling party (From 1 July 2017)
Yanfeng Automotive Trim Co., Ltd. ("Yanfeng Automotive Trim")	Minority shareholder of significant non-wholly-owned subsidiary

5 Transactions with related parties

The transactions below with related parties were conducted under normal commercial terms or agreements.

(1) Purchase of goods / receiving of services (excluding remuneration of key management personnel)

Name of related party	*Nature of transaction*	*2017*	*2016*
Preh IMA Automation GmbH	Purchase of goods	47,708,713.87	Not applicable
Preh IMA Automation Amberg GmbH	Purchase of goods	10,838,739.37	Not applicable
Ningbo Joyson Preh Industrial Automation & Robot Co., Ltd.	Purchase of goods	7,850,216.14	Not applicable
PIA Automation Holding GmbH	Purchase of goods	6,530,455.40	Not applicable
Preh IMA Automation GmbH	Receiving of services	5,612,930.19	Not applicable
Yanfeng Automotive Trim	Receiving of services	5,000,000.00	2,500,000.00
AutoIO Thechology Co.,Ltd.	Receiving of services	56,603.77	-
Total		78,597,658.74	2,500,000.00

(2) Sale of goods / rendering of services

Name of related party	*Nature of transaction*	*2017*	*2016*
Preh IMA Automation GmbH	Sale of goods	11,938,899.00	Not applicable
PIA Automation Holding GmbH	Sale of goods	455,864.34	Not applicable
Preh IMA Automation Amberg GmbH	Sale of goods	247,628.62	Not applicable
Joyson Group Co., Ltd.	Rendering of services	93,666.70	-
Ningbo Semiconductor International Corporation	Rendering of services	14,834.90	-
Total		12,750,893.56	-

(3) Leases

(a) As the lessor:

Name of related party	*Nature of transaction*	*2017*	*2016*
Ningbo Joyson Preh Industrial Automation & Robot Co., Ltd.	Buildings	676,417.35	Not applicable
Joyson Group Co., Ltd.	Buildings	620,496.00	651,520.80
Ningbo Longze Properties Co., Ltd.	Buildings	540,000.00	-
Ningbo Joyson Real Estate Development Co., Ltd.	Buildings	180,000.00	756,000.00
Joyson Europe Holding GmbH	Buildings	25,517.70	-
Total		2,042,431.05	1,407,520.80

(b) As the lessee:

Name of lessor	*Type of assets leased*	*Lease expense recognised in 2017*	*Lease expense recognised in 2016*
Ningbo Joyson Asset Management Co., Ltd.	Buildings	2,184,466.02	2,250,000.00

(4) Guarantee

The Company as the guarantee holder

Name of guarantor	*Amount of guarantee*	*Inception date of guarantee*	*Maturity date of guarantee*	*Guarantee completed (Yes / No)*
Joyson Group Co., Ltd.	102,112,601.26	20/01/2015	21/11/2019	No
Joyson Group Co., Ltd.	450,000,000.00	29/04/2016	26/04/2021	No
Joyson Group Co., Ltd.	199,293,100.00	25/05/2016	21/05/2021	No
Joyson Group Co., Ltd.	199,293,100.00	26/05/2016	21/05/2021	No
Joyson Group Co., Ltd.	127,416,900.00	29/11/2016	21/05/2021	No
Joyson Group Co., Ltd.	127,416,900.00	30/11/2016	21/05/2021	No
Joyson Group Co., Ltd.	500,000,000.00	13/01/2017	12/01/2018	No
Joyson Group Co., Ltd.	50,000,000.00	14/02/2017	13/02/2018	No
Joyson Group Co., Ltd.	50,000,000.00	14/02/2017	13/02/2018	No
Joyson Group Co., Ltd.	196,026,000.00	08/06/2017	08/06/2018	No
Joyson Group Co., Ltd.	100,000,000.00	16/06/2017	15/06/2018	No
Joyson Group Co., Ltd.	200,000,000.00	24/08/2017	23/08/2018	No
Joyson Group Co., Ltd.	160,000,000.00	15/09/2017	14/09/2018	No
Joyson Group Co., Ltd.	200,000,000.00	10/10/2017	10/10/2018	No
Joyson Group Co., Ltd.	40,000,000.00	26/10/2017	26/10/2018	No
Joyson Group Co., Ltd.	400,000,000.00	30/10/2017	30/10/2018	No
Joyson Group Co., Ltd.	400,000,000.00	02/11/2017	02/11/2018	No
Joyson Group Co., Ltd.	200,000,000.00	29/11/2017	29/11/2018	No
Joyson Group Co., Ltd.	45,000,000.00	14/12/2017	14/12/2018	No
Joyson Group Co., Ltd.	150,000,000.00	26/12/2017	22/12/2018	No
Joyson Group Co., Ltd.	200,000,000.00	26/12/2017	26/12/2018	No
Joyson Group Co., Ltd.	300,000,000.00	26/12/2017	26/12/2018	No
Joyson Group Co., Ltd.	300,000,000.00	27/12/2017	27/12/2018	No
Total	4,696,558,601.26			

(5) Funding from related party

Funds provided

Name of related party	*Amount of funding*	*Inception date*	*Maturity date*
Ningbo Junyuan Plastics Technology Co., Ltd.	10,000,000.00	2017-10-1	2018-12-31

(6) Remuneration of key management personnel

Item	*2017* (Expressed in ten thousand)	*2016* (Expressed in ten thousand)
Remuneration of key management personnel	7,653.76	6,195.13

(7) Other related party transactions

Related party	*Nature of related party transactions*	*2017*	*2016*
PIA Automation Holding GmbH	Sales of subsidiary	540,188,341.07	-
Preh IMA Automation GmbH	Repayment of borrowings	425,096,522.77	Not applicable
Yanfeng Auto Trim	Dividends payment	300,600,000.00	-
Joyson Group Co., Ltd.	Dividends payment	63,723,436.00	-
Ningbo Joyson Real Estate Development Co., Ltd.	Construction payment	2,255,704.49	2,017,589.71
Ningbo Longze Properties Co., Ltd.	Reimbusrsement of electricity bill	219,747.45	-
Ningbo Junyuan Plastics Technology Co., Ltd.	Interest income	98,270.44	-
Ningbo Sci-Tech Park Joyson Property Management Co., Ltd.	Payment for utility bills	93,024.90	-
Ningbo Joyson Real Estate Development Co., Ltd.	Reimbusrsement of electricity bill	70,196.28	338,985.07
Joyson Group Co., Ltd.	Reimbusrsement of payment on-behalf	-	818,987.81

6 Receivables from and payables to related parties

Receivables from related parties

	2017		2016	
Related party	*Book value*	*Provision for bad and doubtful debts*	*Book value*	*Provision for bad and doubtful debts*
Ningbo Junyuan Plastics Technology Co., Ltd.	10,000,000.00	-	-	-
Preh IMA Automation GmbH	4,686,357.87	-	Not applicable	Not applicable
Joyson Group Co., Ltd.	70,107.72	-	-	-
PIA Automation Holding GmbH	3,481.78	-	Not applicable	Not applicable
Total	14,759,947.37	-	-	-

Payables to related parties

Related party	*2017*	*2016*
Preh IMA Automation GmbH	18,997,733.75	Not applicable
PIA Automation Holding GmbH	5,743,915.38	Not applicable
Ningbo Joyson Preh Industrial Automation & Robot Co., Ltd.	1,441,285.84	Not applicable
Preh IMA Automation Amberg GmbH	1,042,675.97	Not applicable
Joyson Group Co., Ltd.	885,483.40	885,483.40
Total	28,111,094.34	885,483.40

XI. Capital management

The Group’s primary objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and maintain the best capital structure to decrease capital cost.

The Group’s capital structure is managed on the basis of debt ratio. This ratio is calculated based on total liabilities (the sum of current liabilities and non-current liabilities) divided by total assets (current assets and non-current assets).During 2017, the Group’s strategy, which was unchanged from 2016. The Group’s debt ratio as at 31 December 2017 was 61.24% (As at 31 December 2016: 62.82%).

XII. Commitments and contingencies

1 Significant commitments

(1) Capital commitments

Item	*2017*	*2016*
Investment in fixed assets and intangible assets and other long-term assets	5,854,352,045.82	4,911,655,654.72
Purchasing major assets of Takata Corporation	10,376,309,600.00	-
Total	16,230,661,645.82	4,911,655,654.72

(2) Operating lease commitments

As at 31 December, the total future minimum lease payments under non-cancellable operating leases of properties and equipments were payable as follows:

Item	*2017*	*2016*
Within 1 year (inclusive)	250,527,487.30	163,895,446.32
After 1 year but within 2 years (inclusive)	155,915,528.50	114,386,539.40
After 2 years but within 3 years (inclusive)	153,059,208.50	95,814,493.53
After 3 years	610,393,442.10	267,129,769.95
Total	1,169,895,666.40	641,226,249.20

2 Contingencies

The Group is the defendant in certain cases and the designated party to the litigation that occurred in the course of other day-to-day business activities. The management has assessed the possible adverse consequences of these contingencies, lawsuits and other legal procedures, and believes that any resulting liabilities will not have material adverse effects on the Group's financial position, operating performance or cash flows.

XIII. Subsequent events

1 Material non-adjusting post balance sheet date events

(1) The completion of purchasing major assets of Takata Corporation

On 21 November 2017, the Company's subsidiary, Joyson KSS Auto Safety S.A., signed an asset purchase agreement with Takata Corporation and its subsidiaries, which stipulated the purchase of major assets except for PSAN of Takata Corporation. On 12 April 2018, the transaction was completed and the final actual consideration paid for the target assets was USD 1.588 billion.

(2) Issuance of short-term debenture and medium-term notes

On 26 March 2018, the Company issued 2018 phase 1 short-term debenture with a face value of RMB 1 billion and a maturity of 365 days. The issuance interest rate is 5.74% and will expire on 28 March 2019.

On 28 March 2018, the Company issued 2018 phase 1 medium-term notes with a face value of RMB 1 billion and a maturity of 3 years. The issuance interest rate is 7.40% and will expire on 29 March 2021.

On 13 April 2018, the Company issued 2018 phase 1 short-term debenture with a face value of RMB 0.5 billion and a maturity of 270 days. The issuance interest rate is 5.39% and will expire on 8 January 2019.

(3) The completion of acquiring the remaining 25% equity of Quin

On 10 January 2018, Ningbo Joyson Automotive Electronic Holding Co., Ltd., a subsidiary of the Company, completed the acquisition of the remaining 25% equity of Quin using the funds raised and its own cash. The final consideration was EURO 31,808,250.00.

2 Profit appropriations after the balance sheet date

Item	*Amount*
Distribution of dividends proposed	94,928,900.00

The Board of Directors proposed on 27 April 2017 the appropriation of a cash dividend of RMB 0.10 per share (2016: RMB 0.20 per share) to the Company's ordinary shareholders, totaling RMB 94,928,900.00 [(2016: RMB 189,857,800). The proposal is subject to approval by the shareholders' general meeting. Such cash dividends are not recognised as a liability at the balance sheet date.

XIV. Other significant items

1 Discontinued operations

The 36th meeting of the 8th Board of Directors of the Company and the 19th meeting of the 8th Board of Supervisors and the 2016 annual shareholders meeting of the Company approved the Proposal on the Sale of Preh IMA Automation GmbH's Equities and Related Transactions on 14 April 2017 and 5 May 2017 respectively, agreed that the Company's wholly-owned subsidiary - Preh would sell 100% equity of Preh IMA Automation GmbH ("Preh Automation") held to PIA Automation Holding GmbH. ("PIA Holding"). The consideration is EURO 130 million.

The 60% and the remaining 40% equity of Preh Automation were transferred on 16 June 2017 and 26 July 2017 respectively.

Preh Automation and its subsidiaries are presented as discontinued operations in accordance with the Accounting Standards for Business Enterprises.

The profits or losses from discontinued operations of the disposal component are as follows:

	Preh Automation	
	2017	*2016*
Income	496,590,429.86	906,408,861.20
Expenses	(499,918,841.51)	(856,394,137.20)
(Loss)/Profit before taxation	(3,328,411.65)	50,014,724.00
Income tax gains /(expenses) related to operating activities	4,431,097.51	(15,612,209.60)
Sub-total of profit or loss from operating activities	1,102,685.86	34,402,514.40
Disposal gain before taxation	540,188,341.07	-
Income tax expenses related to disposal	(7,867,843.19)	-
Net gain of disposal	532,320,497.88	-
Net profit	533,423,183.74	34,402,514.40
Net profit from discontinued operations attributable to owners of the Company	533,423,183.74	34,402,514.40
Net cash (outflow)/inflow from operating activities	(78,715,022.62)	9,578,222.40
Net cash outflow from investing activities	(7,359,792.60)	(146,075,214.40)
Net cash inflow from financing activities	65,773,271.28	182,689,214.40

2 Segment reporting

The Group has several reportable segments, which are automobile safety systems, human-computer interaction products, intelligent auto interconnection business (including electronic products of new energy vehicle) and automotive components, etc. Each reportable segment is a separate business unit which offers different products and services, and is managed separately because they require different technology and marketing strategies.

For the purposes of assessing segment performance and allocating resources between segments, the Group's management regularly reviews the operating income from external customers, the gross margin of external transactions, total assets and liabilities.

Information regarding the Group's reportable segments set out below is the measure of segment performance reviewed by the chief operating decision maker or is otherwise regularly provided to the chief operating decision maker, even if not included in the measure of segment performance.

(1) Information about revenue, profit, assets and liabilities of the reporting segment

	2017	*2016*
Operating income from external customers		
Automotive safety systems segment	13,852,484,370.72	7,299,272,162.43
Human computer interface poduct and Intellgent vehicle connection business segment	9,798,737,457.17	8,623,211,763.71
Automotive components segment	3,001,087,506.87	2,575,982,294.41
Others	206,497,754.15	251,265,493.46
Elimination among segments	(253,206,816.01)	(197,322,514.38)
Total	26,605,600,272.90	18,552,409,199.63

	2017	*2016*
The gross margin of external transactions		
Automotive safety systems business segment	1,792,755,034.36	1,107,214,296.22
Human computer interface poduct and Intellgent auto interconnection business segment	1,854,990,594.06	1,780,640,078.66
Automotive components segment	668,363,729.68	611,856,429.60
Others	48,958,048.66	59,148,756.88
Elimination among segments	(4,778,868.61)	(62,242,599.67)
Total	4,360,288,538.15	3,496,616,961.69

	2017	*2016*
Total assets		
Automotive safety systems segment	13,388,753,664.47	11,882,538,711.44
Human computer interface poduct and Intellgent vehicle connection business segment	8,110,029,866.48	8,040,183,515.25
Automotive components segment	4,591,777,453.17	3,409,190,349.77
Others	19,398,183,939.32	22,660,696,461.79
Elimination among segments	(10,133,701,066.96)	(8,760,038,202.65)
Total	35,355,043,856.48	37,232,570,835.60

	2017	*2016*
Total liabilities		
Automotive safety systems segment	9,606,665,341.14	8,402,358,422.55
Human computer interface poduct and Intellgent vehicle connection business segment	4,879,208,273.67	4,572,992,365.18
Automotive components segment	2,937,333,078.17	2,258,712,484.76
Others	5,557,395,661.76	9,797,232,108.36
Elimination among segments	(1,328,418,640.79)	(1,643,476,233.13)
Total	21,652,183,713.95	23,387,819,147.72

(2) Major customers

The Group has 3 customers (2016: 2 customers), the operating income from which is over 10% of the Group's total operating income. The operating income from these customers represents approximately 53.82% of the Group's total operating income (2016: 40.59%), which is summarised in the table below:

Entity name	*2017*	
	Amount	*Share of income (%)*
1 Entity A	7,973,592,322.78	29.97
2 Entity B	3,584,263,071.07	13.47
3 Entity C	2,762,067,189.97	10.38
Total	14,319,922,583.82	53.82

Entity name	*2016*	
	Amount	*Share of income (%)*
1 Entity A	4,999,091,569.47	26.95
2 Entity B	2,529,762,108.89	13.64
Total	7,528,853,678.36	40.59

XV. Notes to the Company's financial statements

1 Accounts receivable

(1) Accounts receivable by customer type:

Type	*2017*	*2016*
Receivable from subsidiaries	5,644,886.30	1,518,371.34
Sub-total	5,644,886.30	1,518,371.34
Less: Provision for bad and doubtful debts	-	-
Total	5,644,886.30	1,518,371.34

(2) The ageing analysis of accounts receivable is as follows:

Type	*2017*	*2016*
Within 1 year (inclusive)	5,644,886.30	1,518,371.34
Sub-total	5,644,886.30	1,518,371.34
Less: Provision for bad and doubtful debts	-	-
Total	5,644,886.30	1,518,371.34

The ageing is counted starting from the date when accounts receivable are recognised.

(3) Accounts receivable by category:

	2017					2016				
	Book value		Provision for bad and doubtful debts		Carrying amount	Book value		Provision for bad and doubtful debts		Carrying amount
Category	*Amount*	*Percentage (%)*	*Amount*	*Percentage (%)*		*Amount*	*Percentage (%)*	*Amount*	*Percentage (%)*	
Collectively assessed for impairment based on credit risk characteristics	5,644,886.30	100.00	-	-	5,644,886.30	1,518,371.34	100.00	-	-	1,518,371.34
Total	5,644,886.30	100.00	-	-	5,644,886.30	1,518,371.34	100.00	-	-	1,518,371.34

2 Other receivables

(1) Other receivables by customer type:

Customer type	*2017*	*2016*
Receivable from related parties	828,833,460.56	1,317,373,575.32
Receivable from third parties	516,008.00	522,232.04
Sub-total	829,349,468.56	1,317,895,807.36
Less: Provision for bad and doubtful debts	-	-
Total	829,349,468.56	1,317,895,807.36

(2) The ageing analysis of other receivable is as follows:

Type	*2017*	*2016*
Within 1 year (inclusive)	783,933,076.15	1,317,450,799.36
Over 1 year but within 2 years (inclusive)	44,971,384.41	445,008.00
Over 2 years but within 3 years (inclusive)	445,008.00	-
Sub-total	829,349,468.56	1,317,895,807.36
Less: Provision for bad and doubtful debts	-	-
Total	829,349,468.56	1,317,895,807.36

The ageing is counted starting from the date when other receivable are recognised.

(3) Other receivables by category:

	2017					2016				
	Book value		Provision for bad and doubtful debts		Carrying amount	Book value		Provision for bad and doubtful debts		Carrying amount
Category	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Collectively assessed for impairment based on credit risk characteristics	829,349,468.56	100.00	-	-	829,349,468.56	1,317,895,807.36	100.00	-	-	1,317,895,807.36
Total	829,349,468.56	100.00	-	-	829,349,468.56	1,317,895,807.36	100.00	-	-	1,317,895,807.36

(4) Other receivables by nature

Nature of receivables	*2017*	*2016*
Related party transactions	-	817,419,282.45
Related party internal lendings and borrowings	755,762,000.00	454,982,908.46
Related party paid-on-behalf	73,071,460.56	44,971,384.41
Deposits	516,008.00	506,008.00
Others	-	16,224.04
Sub-total	829,349,468.56	1,317,895,807.36
Less: Provision for bad and doubtful debts	-	-
Total	829,349,468.56	1,317,895,807.36

3 Long-term equity investments

(1) Long-term equity investments by category:

	2017			*2016*		
Item	*Book value*	*Provision for impairment*	*Carrying amount*	*Book value*	*Provision for impairment*	*Carrying amount*
Investments in subsidiaries	13,030,966,125.55	-	13,030,966,125.55	11,263,169,116.54	-	11,263,169,116.54

(2) Investments in subsidiaries

	Balance at the beginning of the year	*Increase during the year*	*Decrease during the year*	*Balance at the end of the year*
KSS Holdings, Inc.	6,758,263,045.23	1,191,832,800.00	-	7,950,095,845.23
Preh Holding GmbH("Preh Holding")	2,459,578,516.88	-	(2,459,578,516.88)	-
Preh Car Connect GmbH	722,945,684.43	-	(722,945,684.43)	-
Ningbo Joyson Automotive Electronic Holding Co., Ltd.	570,748,350.00	503,668,900.54	-	1,074,417,250.54
QUIN GmbH	488,370,300.00	-	-	488,370,300.00
Ningbo Joyson Intelligent Telematics Co., Ltd.	133,000,000.00	-	-	133,000,000.00
Ningbo Joyson Technology Co., Ltd.	71,150,000.00	567,257,746.53	-	638,407,746.53
Ningbo Joyson Preh Industrial Automation & Robot Co., Ltd.	25,000,000.00	-	(25,000,000.00)	-
Ningbo Chancheng Joyson New Energy Technology Co., Ltd.	20,000,000.00	-	-	20,000,000.00
Ningbo Joyson Preh Intelligent Telematics Co., Ltd.	10,000,000.00	100,000,000.00	-	110,000,000.00
Joyson Europe GmbH	4,113,220.00	-	-	4,113,220.00
Preh GmbH("Preh")	-	2,512,561,763.25	-	2,512,561,763.25
Shanghai Joyson Bairui Autonomous Vehicles Research & Development Co., Ltd.	-	100,000,000.00	-	100,000,000.00
Total	11,263,169,116.54	4,975,321,210.32	(3,207,524,201.31)	13,030,966,125.55

For information about the subsidiaries of the Company, refer to Note VII.1 (1).

The Company originally held 94.9% equity of Preh indirectly through Preh Holding, while also holding 5.1% equity of Preh directly. On 28 July 2017, Preh Holding was merged with Preh, and Preh became a wholly-owned subsidiary of the Company.

4 Operating income

	2017		*2016*	
Item	*Operating income*	*Operating costs*	*Operating income*	*Operating costs*
Other operating income – rental income	12,007,596.00	-	2,735,804.22	-

5 Investment income ("-" for losses)

Item	*2017*	*2016*
Income from long-term equity investments accounted for using cost method	184,422,391.95	523,407,925.43
Investment income from disposal of long-term equity investments	-	6,073,657.28
Investment income from disposal of bank wealth management products	132,686,047.32	32,987,344.94
Investment loss from disposal of derivative financial instruments	-	(16,215,500.00)
Total	317,108,439.27	546,253,427.65

XVI. Extraordinary gains and losses in 2017

Item		*Amount*	*Note*
(1)	Disposal of non-current assets	(9,177,116.26)	
(2)	Government grants recognised through profit or loss (excluding those having close relationships with the Group's operation and enjoyed in fixed amount or quantity according to uniform national standard)	40,208,604.89	
(3)	Fund usage fees received / receivable from non-financial institutions recognised in profit or loss	98,270.44	
(4)	Investment income or loss from entrusted investments or assets management	116,119,649.92	
(5)	Impairment of assets arising from uncontrollable factors, such as natural disasters	(47,081,797.37)	
(6)	Changes in fair value of financial assets and liabilities held for trading, and disposal of financial assets and liabilities held for trading and available-for-sale financial assets, other than those held for effective hedging related to normal operations	21,235,627.21	
(7)	Effect of one-off adjustment on profit or loss in accordance with taxation or accounting laws and other relevant regulations	(65,167,558.51)	
(8)	Other items qualified as extraordinary gain and loss	540,188,341.07	Investment income from disposal of long-term equity investments
(9)	Other non-operating income and expenses besides items above	(7,090,887.92)	
Sub-total		589,333,133.47	
(10)	Tax effect	(148,331,724.15)	
(11)	Effect on non-controlling interests after taxation	79,004.27	
Total		441,080,413.59	

Note: Extraordinary gain and loss items (1) to (9) listed above are presented in the amount before taxation.

XVII. Return on net assets and earnings per share

In accordance with "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities No.9 – Calculation and Disclosure of the Return on Net Assets and Earnings per Share" (2010 revised) issued by the CSRC and relevant accounting standards, the Group's return on net assets and earnings per share are calculated as follows:

Profit for the reporting period	*Weighted average return on net assets (%)*	*Basic earnings per share*	*Diluted earnings per share*
Net profit attributable to the Company's ordinary equity shareholders	3.11	0.42	0.42
Net profit excluding extraordinary gain and loss attributable to the Company's ordinary equity shareholders	(0.36)	(0.05)	(0.05)