

Company Code: 600469

Company abbreviation: Fengshen

Fengshen Tire Company Limited Annual Report 2018



Important Tips

I. The Board of Directors, the Supervisory Committee and the Directors, Supervisors and senior management of the Company guarantee the truthfulness, accuracy and completeness of the contents of the annual report, and that there are no false records, misleading statements or material omissions, and assume individual and joint legal responsibility.

II. All directors of the company attended the board meeting.

3. Lixin CPA (Special General Partnership) issued a standard unqualified audit report on the Company.

Fourth, Wang Feng, the person in charge of the company, Yuan Liang, the person in charge of accounting work, and Liu Xinjun, the person in charge of accounting institution (accounting officer in charge) declare that they guarantee the truthfulness, accuracy and completeness of the financial report in the annual report.

V. Proposals for profit distribution or capital increase from provident funds for the reporting period considered by the Board of Directors

According to the resolution of the Seventeenth Meeting of the Seventh Board of Directors of Fengshen on April 12, 2019, the profit distribution plan for 2018 is as follows

The total share capital at the end of 2018 is 562,413,222 shares less 6,938,326 repurchased shares not participating in profit distribution, i.e. 555,474,896 shares.

A cash dividend of NT\$0.2 (including tax) for every 10 shares was paid, totaling NT\$11,109,497.92.

No bonus shares were issued and no capital reserve was transferred to capital for the year.

VI. Risk statement for forward-looking statements

☒ Applicable ☐ Not applicable

The future plans, development strategies and other forward-looking statements covered in this report do not constitute material commitments by the Company to investors, and investors are advised to be aware of the investment risks.

VII. Whether there is non-operating appropriation

of funds by the controlling shareholder and its

related parties No

VIII, Are there any external guarantees provided

**in violation of the prescribed decision-making
procedures?** No

IX. Significant risk warning

The Company has described the risks in detail in this report, please refer to **“Possible Risks”**
iSection IV **“Discussion and Analysis of Business Conditions”**.

X. Others

☐Applicable ☒Not applicable

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Section I Interpretation

I. Interpretation

In this report, unless the context otherwise requires, the following words have the following meanings:

Commonly used word definitions		
China Securities Regulatory Commission	Refers to	China Securities Regulatory Commission
SSE	Refers to	Shanghai Stock Exchange
Corporate Law	Refers to	Company Law of the People's Republic of China
Securities Law	Refers to	Securities Law of the People's Republic of China
The Company, the Company, Fengshen Corporation, Fengshen Tire	Refers to	Fengshen Tire Co.
China Chemical	Refers to	China National Chemical Corporation
Rubber Company	Refers to	China Chemical Rubber Co.
Taiyuan Base, Fengshen (Taiyuan)	Refers to	Fengshen Tire (Taiyuan) Co. (Tire Co., Ltd.)
Yellow Sea Group	Refers to	Qingdao Yellow Sea Rubber Group Co.
Yellow Sea Limited, Qingdao Base	Refers to	Qingdao Huanghai Rubber Co.
Pirelli	Refers to	Pirelli Tyre S.p.A.

Section II Company Profile and Key Financial Indicators

I. Company Information

Chinese name of the company	Fengshen Tire Co.
Chinese abbreviation of the company	Fengshen shares
Foreign language name of the company	AEOLUS TYRE CO.,LTD.
Abbreviation of the company's foreign name	AEOLUS
Legal representative of the company	Wang Feng

II. Contact person and contact information

	Board Secretary	Securities Representative
Name	Liu Xinjun	Sun Jing
Contact Address	No.48, Jiao Dongnan Road, Jiaozuo City, Henan Province	No.48, Jiao Dongnan Road, Jiaozuo City, Henan Province
Phone	0391-3999080	0391-3999080
Fax	0391-3999080	0391-3999080
E-mail	company@aeolustyre.com	company@aeolustyre.com

III. Basic Information Introduction

Company Registered Address	No.48, Jiao Dongnan Road, Jiaozuo City, Henan Province
Postal code of the company's registered address	454003
Company Office Address	No.48, Jiao Dongnan Road, Jiaozuo City, Henan Province
Postal code of the company's office address	454003
Company Website	http://www.aeolustyre.com
E-mail	company@aeolustyre.com

IV. Disclosure of information and location of availability

Name of the company's selected information disclosure media	China Securities Journal, Shanghai Securities News
Website address of the designated website of the CSRC where the annual report is posted	www.sse.com.cn
The place where the company's annual report is filed	Corporate Investor Relations Management Department

V. Brief description of the company's stock

Company stock profile				
Stock Types	Stock exchange listing	Stock short name	Stock Code	Stock short name before change
A Shares	Shanghai Stock Exchange	Fengshen shares	600469	G Wind God

VI. Other relevant information

Accounting firm engaged by the company (domestic)	Name	Lixin CPA (Special General Partnership)
	Office Address	4F, No. 61 Nanjing East Road, Huangpu District, Shanghai
	Name of Signing Accountant	Yang Baoxuan, Huang Fazhou

VII. Main accounting data and financial indicators for the past three years**(i) Key accounting data**

Unit: Yuan Currency: RMB

Key Accounting Data	2018	2017	Current period compared to the same period of the previous year Increase or decrease (%)	2016
		6 / 326		
Operating income	6,218,639,534.81	7,303,614,224.03	-14.86	7,325,156,147.95
Attributable to	18,270,878.74	-474,993,175.83	Not applicable	84,551,362.41

(II) Key financial indicators

Key Financial Indicators	2018	2017	Current period compared to the same period of the previous year Period increase/decrease (%)	2016
Basic earnings per share (yuan/share)	0.03	-0.85	Not applicable	0.15
Diluted earnings per share (yuan/share)	0.03	-0.85	Not applicable	0.15
Basic per after non-recurring gains and losses Share earnings (yuan/share)	-0.04	-0.84	Not applicable	0.18
Weighted average return on net assets (%)	0.95	-21.78	Not applicable	3.78
Weighted average after non-recurring gains and losses Return on average net assets (%)	-1.13	-21.69	Not applicable	4.45

Description of the main accounting data and financial indicators of the company for the previous three years at the end of the reporting period

☐Applicable ☒Not applicable

VIII. Differences in accounting data under domestic and foreign accounting standards

(i) Differences in net profit and net assets attributable to shareholders of the listed company in the financial reports disclosed simultaneously in accordance with IAS and in accordance with PRC GAAP

☐Applicable ☒Not applicable

(ii) Differences in net profit and net assets attributable to shareholders of the listed company in financial reports disclosed simultaneously in accordance with overseas accounting standards and in accordance with PRC accounting standards

☐Applicable ☒Not applicable

(iii) Explanation of differences between domestic and foreign accounting standards:

☐Applicable ☒Not applicable

ix. key financial data by**quarter in 2018**

Unit: Yuan Currency: RMB

	First Quarter (January - March)	Second quarter (April-June)	Third Quarter (July-September)	Fourth Quarter (October-December)
Operating income	1,433,839,604.62	1,696,945,072.35	1,581,766,325.73	1,506,088,532.11
Attributable to shareholders of listed companies Net Profit	-102,808,979.17	12,880,177.82	91,798,771.96	16,400,908.13

Explanation of differences between quarterly data and disclosed periodic reports

☐Applicable ☒Not applicable

X. Non-recurring gain or loss items and amounts

☒Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Non-recurring gain or loss items	2018 Amount	Note (As appropriate (Use))	Amount in 2017	Amount in 2016
Gain or loss on disposal of non-current assets	85,448.90		-3,709,136.28	81,022,818.66
approval beyond authority, or without official approval documents. or occasional tax refunds, deductions				
Government subsidies that are recognized in current profit or loss but are closely related to the Company's normal business operations, in accordance with national policies, and continuously enjoyed in accordance with certain standards or quotas Except for government grants of	10,488,662.87		25,772,077.36	11,278,981.99
To non-financial enterprises included in current profit or loss Funds occupancy fees charged				
The cost of investments in subsidiaries, associates and joint ventures acquired by an enterprise is less than the identifiable cost of the investee at the time the investment is acquired. Gain arising from fair value of recognized net assets				
Gain or loss on exchange of non-monetary assets				
Losses from entrusting others to invest or manage assets Benefit				
Allowance for impairment of various assets due to force majeure factors, such as natural disasters Preparation				
Gain or loss on debt restructuring	23,354,138.88		-933,791.50	27,993,763.58
Enterprise restructuring costs, such as the resettlement of employees Expenses, integration costs, etc.			-18,286,881.33	

Custodian fee income earned from entrusted operations	696,765.74			
Outside of business other than the above Revenue and Expenses	-2,823,573.90		-5,054,083.35	-717,927.06
Others that meet the definition of non-recurring gains or losses Profit and loss items				
Minority interest impact amount				
Income tax effect amount	-3,046,012.06		246,123.08	-13,769,783.68
Total	40,009,153.47		-1,965,692.02	-14,871,554.36

XI, Items measured using fair value

Unit: Yuan Currency: RMB

<input checked="" type="checkbox"/> Applicable <input type="checkbox"/> Not applicable				
Project Name	Opening balance	Closing balance	Current period change	Effect on current profit Amount

XII. Other

☐Applicable

☒Not applicable

Section 3: Summary of the Company's Business

I. Description of the main business, business model and industry in which the company was engaged during the reporting period

(i) Main business engaged by the company

Founded in 1965, Fengshen Tire Co., Ltd. is a large listed tire company held by China National Chemical Corporation, one of the "World's Top 500" companies, with nearly 10,000 employees. The company is an advanced enterprise in lean six sigma promotion in domestic tire industry; it was awarded the advanced unit of environmental protection in petroleum and chemical industry in the 12th Five-Year Plan, and represented Chinese enterprises to attend the 3rd United Nations Green Industry Conference and made a typical speech; it was awarded the best supplier of the year by Dongfeng Commercial Vehicle Company for 18 consecutive years.

The company mainly produces more than 1,000 varieties of truck tires and construction machinery tires of more than 1,000 brands, such as "Fengshen", "Wind" and "Henan". We are the strategic supplier of domestic construction machinery vehicle production giants such as LiuGong, LongGong, XGong, etc., the main strategic supplier of tires for Dongfeng Commercial Vehicle Company, a world-renowned medium and heavy truck manufacturer, and the supporting products supplier of global construction equipment enterprises such as VOLVO. The company's tires are sold well in more than 140 countries and regions around the world, and its price level

and market share in overseas markets, especially in the high-end markets of many European and American countries, rank among the top Chinese brands. According to the analysis report of "China 500 Most Valuable Brands" issued by World Brand Lab in 2018, Fengshen Tire has been one of the 500 most valuable brands in China for 15 consecutive years.

The value of the brand reached 23.282 billion yuan.

The company owns 100% equity in Fengshen Tyre (Taiyuan) Co., Ltd. and Fengshen Tyre (Hong Kong) Co., Ltd. and holds 20% equity in Pirelli Tyre (Jiaozuo) Co. By carrying out a series of business integration, we will improve product performance and quality with the help of Pirelli technology, give full play to our own technology and brand advantages of industrial tires, integrate market channel resources, accelerate the pace of transformation and upgrading of the enterprise, implement lean production, accelerate the internal development of the enterprise, and continue to provide quality products and efficient services to customers at home and abroad.

(ii) The company's business model

1、Sourcing model

The company adheres to the centralized unified and independent procurement mode, and the procurement categories include natural rubber, synthetic rubber, steel cord, carbon black and other raw and auxiliary materials, while implementing a strict supplier management system. All bulk raw materials are procured by the company in a centralized bidding and unified procurement mode, which is conducive to the company's reduction of procurement costs and improvement of economic efficiency. Synthetic rubber is mainly procured through long-term strategic partners such as PetroChina and Sinopec; natural rubber is mainly procured from Thailand and other high-quality rubber-producing areas through the bidding method of e-commerce platform. The company implements a flexible procurement method combining forward and spot according to market changes, and implements uneven procurement to meet the company's procurement needs. The company has stable raw material supply channels and controllable procurement costs.

2、Production mode

The company adopts the production mode of **"production by sales, promotion by production and balance between production and sales"** according to the demand of downstream customers and the forecast judgment of the market, combining the production capacity, product process and product structure. The company has advanced industrial tire production equipment, imported Pirelli tire manufacturing process technology, play its own advantages, implement continuous improvement, improve the accuracy of core equipment, forming a complete high-end production capacity of industrial tires; at the same time, the use of lean production tools and information management means to allocate production resources dynamically and collaborative operation, to achieve the flexibility of the production process to meet the diversified needs of customers and improve Production operation efficiency.

3、Sales model

The company uses different sales models for different market segments, including:

(1) Direct sales model:

Domestic direct sales customers are mainly host supporting factories of truck and bus vehicles and construction machinery vehicles. The company relies on domestic leading technology, service strength, for many years in the truck and bus and construction machinery vehicle manufacturers to occupy a dominant supporting position. The company has a centralized supporting marketing team, focusing on serving the downstream supporting market, providing a full range of products and services to key OEMs, which has been recognized by the OEMs for a long time.

(2) Distributor sales model:

Export Market: The company has 6 major marketing regions overseas, targeting North America, Latin America, Europe, Middle East Africa, Asia Pacific and

CIS and other markets. At present, the company has more than 150 overseas primary dealers, and the sales scope of products covers most of the countries and regions in the world.

Replacement market: Each region sells according to the distribution network, and currently more than 200 primary dealers are developed in each province nationwide, realizing the overall layout of domestic sales channels and service networks. The company carries out centralized and collaborative management to maximize the advantages of each brand in different market segments, and develops new products in a customized and targeted manner through research and judgment of market demand to quickly gain more market share.

(iii) The industry in which the company is located

The global tire industry has been developing for more than 160 years, into a period of low and stable growth, the industry is highly market-oriented, market competition is becoming increasingly fierce. China's tire industry has developed rapidly, and now China has become the world's largest tire producer and exporter.

(1) Auto industry is running smoothly to pull the tire domestic market development

The overall operation of the auto industry in 2018 was stable, and the growth rate of auto production and sales was lower than expected at the beginning of the year, but at present, China's auto industry is still in the popularization period and has more room for growth. Statistics from the China Association of Automobile Manufacturers show that the production and sales of commercial vehicles in 2018 were 4.28 million and 4.37 million, up 1.7% and 5.1% year-on-year, respectively; the sales of trucks grew 6.9% year-on-year, driving the growth in demand for industrial tires.

(2) Industry restructuring to promote the transformation and upgrading of tire enterprises

With the further promotion of national supply-side reform, coupled with the increasingly stringent requirements of environmental governance, homogenization of serious, low-end backward tire production capacity with insufficient innovation capacity was eliminated, tire companies to increase industrial transformation and upgrading efforts, intelligent, green production and manufacturing has become the highlight of the industry, to enhance independent innovation capacity as the core, to promote high-quality development. At the same time, the concentration of Chinese tire companies to further enhance the comprehensive competitive ability to significantly improve.

(3) Accelerated internationalization layout

In recent years, by the EU anti-dumping and the United States and China trade war and other international trade barriers, the domestic tire enterprises export situation is serious, the domestic tire enterprises exports bring greater challenges. Chinese tire enterprises through the layout of overseas production bases, grasp the national "Belt and Road" policy opportunities to avoid the impact of trade barriers, while further enhancing the influence and competitiveness of Chinese tires in the global market.

II. Description of major changes in the company's major assets during the reporting period

√Applicable ☐

Not applicable

On October 12, 2018, the eighth meeting of the seventh session of the Board of Directors of the Company considered and approved the "Agreement on the Establishment of a Wholly-Owned Subsidiary in Hong Kong. In order to meet the company's strategic planning and operational development needs, and to expand the company's international business operation and management, the company will use its own funds 1

A wholly-owned subsidiary was established in Hong Kong for HKD 10,000,000.

On December 3, 2018, the Eleventh Meeting of the Seventh Session of the Board of Directors of the Company considered and approved the Proposal on Signing the <Equity and Debenture Transfer Agreement> and Related Transaction and the Proposal on Signing the <Equity Escrow Agreement> and Related Transaction.

The Company and Huanghai Group signed the "Equity and Bond Transfer Agreement" in respect of Huanghai Limited, in which the Company transferred its 100% equity interest in Huanghai Limited directly held by the Company and the Company's debentures on Huanghai Limited as of June 30, 2018 to Huanghai Group. (Announcement No.: Pro 2018-063).

The Company and Huanghai Group signed the "Equity Trust Agreement" regarding Huanghai Limited, in which Huanghai Group transferred the Company's shares of Huanghai Limited to Huanghai Group. 100% of the equity interest was entrusted to the Company for management (Announcement No. Pro 2018-064).
Of which: foreign assets 0 (unit: yuan) currency: RMB), accounting for 0% of the total assets.

III. Analysis of core competitiveness during the reporting period

√Applicable ☐

Not applicable

The company has seized the opportunity of market development and constantly innovated and developed, and its products are sold well in more than 140 countries and regions around the world. After many years

With the accumulation of precipitation, the following core competitive advantages have been formed:

1、Have a high profile tire brand in the world

The company attaches great importance to brand building and increasingly consolidates market channels. We have been actively promoting brand building through the establishment of brand image stores, advertising and the operation and maintenance of self-media platforms. The brand "Fengshen" has been listed in the "China 500 Most Valuable Brands" by World Brand Lab for 15 consecutive years.

Brand Award", with a brand value of 23.282 billion yuan released in 2018. For the 18th consecutive year, the company was named by Dongfeng Commercial Vehicle Company as the best annual

The business synergy between the company's products and Pirelli products has formed the advantage of multi-tiered and multi-brand promotion. The business synergy between the company's products and Pirelli products has formed the advantage of multi-gradient and multi-brand promotion, with clear positioning and complementary advantages of its brands, covering various industrial tire market segments, meeting the needs of different markets for products with different price levels and functions, and providing customers with integrated value-added solutions.

2、Good R&D platform and technology innovation capability

The company is a national high-tech enterprise, a national technology innovation demonstration enterprise, a leading innovation enterprise in Henan Province, with a national enterprise technology center, Henan Province Tire Manufacturing Engineering Technology Center and postdoctoral research workstation and other scientific research platforms, through independent innovation, technology introduction and "industry-academia-research" combination and other ways to continuously improve the company's Through a combination of independent innovation, technology introduction and "industry-academia-research", the company has been improving its technological innovation capability and technological research and development level.

The company signed the Patent and Proprietary Technology License and Technical Assistance Agreement with Pirelli, the world's top tire manufacturer. At present, Pirelli's industrial tire technology is being transferred to the ground in an orderly manner, accelerating the company's pace towards a world-class tire enterprise.

The company has a large number of core technologies such as giant engineering radial engineering tires R&D and manufacturing technology, wide base ultra-low profile tubeless radial tires design and manufacturing technology, ultra-low rolling resistance green tires design and manufacturing technology, intelligent tires design and manufacturing technology. At present, the company has 331 valid patents, presided over and participated in the formulation of 66 national standards and 19 industry standards, and has a high voice in the industry.

3、With a full range of industrial tire products manufacturing and service capabilities

The company has the overall manufacturing capacity of medium and high-end tires, and besides producing its own brand products, it also processes and produces Pirelli brand high-end industrial tires on behalf of the company.

The company has developed a long-term product enhancement plan around a multi-gradient brand strategy to provide high-end and cost-effective industrial tires for different market customer groups. After the integration and re-improvement with Pirelli tire manufacturing technology, we have successively launched the new Fengshen third generation products

"Neo" series, new light weight and fuel-saving tires, Fengshen green fuel-saving truck and bus tires, and Taiyuan base "Ka Zhi Li" series and other new products have become a strong support point for the company's business growth in export, supporting and replacement markets. The company has a complete series of truck and bus tires and construction machinery tires, which are custom designed according to specialized market segments.

4、Advanced quality management system and product performance certification

The company takes quality as the center, insists on green manufacturing and sustainable development, and implements total quality management. The company has passed ISO9001 quality system, TS16949 system, ISO14001 environmental management system, GB/T23331-2009 energy management system certification, ISO10012:2003 measurement management system certification, OHSAS18001 occupational health and safety management system certification, ISO/IEC17025 laboratory certification. The company has 16 certifications, including E-MARK, DOT, ECE, etc. Guided by the technical standards of the global high-end market, our products have passed the U.S. SMARTWAY certification and achieved B/C grade in the EU labeling regulation test, and the noise has reached the second stage of the EU labeling law limit value requirements, making us one of the few companies in the industry that can meet and pass the above international certification standards.

5、Globalized market channels and sales network layout

The company has established a three-in-one market channel and sales network of export market, supporting market and replacement market to achieve complementary advantages and business synergy. The export market covers the global marketing markets of North America, Latin America, Europe, Middle East, Africa, Asia Pacific and CIS, and more than 40% of the products are sold to more than 140 countries and regions. Supporting market, directly for Dongfeng Motor, China FAW, China National Heavy Truck Xuzhou Construction Machinery, Liuzhou Construction Machinery and more than 20 leading automobile and construction machinery manufacturers to provide supporting services. Replace the market, the company takes the product line as the leading marketing network model, set up a professional marketing team, formed a dealer wholesale, listed store retail mainly

The company has a marketing system with a nationwide marketing network. The company's participation in Pirelli Industrial Tire Company, through a series of business cooperation, helps the company to better cope with international trade barriers and other business risks, optimize the allocation of resources in the global scope, and improve market competitiveness.

Section IV Discussion and Analysis of Business Conditions

I. Discussion and Analysis of Business Conditions

In 2018, affected by the rise of global trade protectionism, such as the EU anti-dumping and the Sino-US trade war, the development of China's tire industry encountered

The company has faced unprecedented challenges. Facing the severe external environment and market competition pressure, in 2018, especially since the second quarter, the company continued to focus on the theme of "improving quality, reducing cost, integrating and increasing efficiency" under the leadership of "three satisfaction" (customer satisfaction, shareholder satisfaction and employee satisfaction). Taking Pirelli business synergy as an opportunity, improving profitability as the main line, optimizing and adjusting the market, product and customer structure, benchmarking with Pirelli industrial tires as a breakthrough, actively implementing innovation drive, promoting Pirelli technology transfer and key quality upgrade and improvement projects, actively carrying out talent training and staff skill improvement, continuously improving the company's brand influence and comprehensive competitiveness, and gradually stepping out of a high-quality development path of transformation and upgrading. Pirelli has gradually developed a high-quality development path of transformation and upgrading.

In 2018, the Company continued to promote the centralized management of functional departments, involving finance, procurement, marketing and supply chain, and carried out the following five main areas of work:

(A) promote the optimization and upgrading of the marketing structure and increase brand promotion

Identify bottlenecks in business operations, promote team integration, and drive optimization and upgrading in three areas: market structure, product structure, and customer structure.

Domestic radial tire market. In response to the lack of channel force in the maintenance market, we proposed measures such as "intensive cultivation", "star fire" and "three arrows", established sound dealers and retailers synergistic tactics, and set up Fengshen Business dedicated team. For the supporting market, actively communicate with key customers, maintain the price linkage mechanism, and solidify the strategic partnership.

Domestic bias engineering tire market. Optimize the market structure, improve the proportion of non-mounted and other highly profitable products, improve the profitability of the

supporting market, the first half of the year, that is, the overall loss of domestic bias engineering tires, the proportion of highly profitable products in the replacement market increased by 1 percentage point, the average selling price of bias engineering tire products in the supporting and replacement market increased by 7% and 11%. At the same time, we completed the establishment of 20 hydropower mine customer information files and gradually improved the customer information database. The development of customer service innovative grasp, proposed and improved the hydropower mine service model to implement the employment system of sales consultants in the mine.

Overseas markets. Actively respond to the EU anti-dumping and Sino-US trade war. On the one hand, we insist on the strategic brand positioning of radial load tires and radial engineering tires to keep them in the forefront of Chinese local enterprises and distinguish them from low-end export brands, and keep communication with EU and US customers to actively ship products during the period of tax increase policy changes and actively look for overseas production capacity; on the other hand, we increase the business transfer to non-European and American (Asia, Africa and Latin America) markets, through organizing factory visits, product launch and other activities to On the other hand, we will increase business transfer to non-European and American (Asia, Africa and Latin America) markets, and develop new growth points to cope with the impact of falling sales in the EU market by organizing factory visits and product launches.

(2) Actively promote the digestion and absorption of Pirelli technology to improve product competitiveness

In order to improve product quality, the company takes the opportunity of landing the production of Pirelli brand products in Fengshen, continues to vigorously promote product industrialization, and continuously improves the company's R&D capability through digestion and absorption of the technology transferred from Pirelli.

1、Formulation and product industrialization

In 2018, through industrialization promotion, the industrialization of Pirelli formula in 14 formulations of Fengshen was realized and optimized, covering tires

We have completed the industrialization of 38 products of 13 specifications of Pirelli, reducing the complexity of production and improving the production stability of products.

2、Product weight reduction and cost saving

In 2018, through the industrialization of Pirelli formula continued to land, and combined with the situation of Fengshen, optimization was carried out to achieve the formula in the best balance of use performance and processing performance. At the same time, in conjunction with the unification of product construction, Pirelli's ready-made cord varieties were gradually introduced to reduce the weight of products, thus realizing technical cost reduction by multiple measures and means and enhancing the company's profitability. With the development of Pirelli technology introduction project, the introduction and digestion of key technologies such as Pirelli SATT structure and curing conditions are realized, combined with Feng Shen's many years of technology accumulation, thus realizing the product upgrade of Feng Shen brand.

3、Patent protection

Based on the key projects (products) Neo series products, HD series, ultra-low rolling resistance series products and giant tire products, we focus on the core technology (tire structure design, formula design and tread design) to realize the intensive layout of core patent technology, and also the layout of peripheral technology (mold design, process improvement, equipment and tooling improvement, new material application, etc.) around the core technology to form a concentric circle multi-layer protection system. As of 2018, 19 patents have been declared and 35 patents have been granted.

(including 3 invention patents and 3 European patents).

In addition, we cooperated with the Patent Examination and Collaboration Center of the State Intellectual Property Office of Henan Province to carry out the "All-steel radial tire material technology patent micro-navigation project" to conduct patent mining and analysis for all-steel radial tire material technology and provide scientific and technological information and materials for formula research. At the same time, "a tire tread groove pump noise absorption sound source identification method" invention patent, declared the twentieth China Patent Award in 2018, won the China Outstanding Patent Award.

(iii) Solidly promoting the Fengshen production model and improving the quality and efficiency of the company's internal operations

1、Use the resources of Jiaozuo base to carry out cross-base synergy. By sending a team of quality, R&D and manufacturing experts to the Taiyuan base for on-site support, we

comprehensively improved the quality management level of the factory site and initially realized standardized control of manufacturing processes. Identifying the problems of the old business model, significantly eliminating the low-value loss-making labeling projects of Taiyuan and Qingdao bases, and promoting the upgrading of the base business model.

In the second quarter of 2018, the company implemented the "N+5" cost reduction and efficiency activities. The "N" is the consumption of the production process, "5" is the procurement, finance, technology, compensation refund, sales cost reduction, a total of 51 issues were sorted out to effectively reduce costs.

3. Improve the procurement management system, and actively carry out e-commerce procurement and centralized procurement. Under the business synergy between the company and Pirelli, the annual forecast, quarterly and monthly forecast system was improved by drawing on the forecasting system of Pirelli. The company implemented a flexible procurement method combining forward and spot according to market changes and implemented uneven procurement to meet the company's procurement needs. Through the e-commerce platform, the combination of online inquiry and offline bidding has effectively reduced procurement costs, improved the efficiency of procurement work and inter-departmental collaboration, and enhanced the traceability of data. 100% of procurement categories were online in 2018, and 100% of e-commerce procurement amount was online.

In 2018, the company built the SHE management system of "headquarters + base" to enhance the synergy between bases. In accordance with the "risk, hidden danger, accident, compliance" risk management method and process, actively

Prevent and contain production safety accidents. In terms of environmental protection governance, in addition to completing the preparation and release of a series of documents and systems, we focused on the implementation of VOCs project governance.

(iv) Carry out functional integration of the whole value chain to improve management efficiency

We have made efforts to integrate the whole value chain within the listed company. Implemented "one headquarters, two offices". We organized and introduced the positioning of headquarters functions and related organizational structure, and clarified the line management functions of the senior management (CXO) of the listed company. Strengthened the financial control function of the headquarters, closed the management loopholes, and realized the unified control of funds. Clarified the functions of headquarters and bases, such as promoting the transformation of two bases in Jiaozuo and Taiyuan from relatively independent corporate functions to base functions under the control of headquarters, and improving the operational efficiency of major platform functions such as commerce, procurement and finance.

(V) Implement internal control and strengthen risk control

Organized the combing and evaluation of key business processes of the base, completed the annual internal control self-assessment and risk control evaluation, and promoted the rectification and improvement work. Starting from the basic work of internal control, we have sorted out and improved a total of 12 items and 16 specification or record documents, such as "Internal Control Manual" and "Internal Control and Comprehensive Risk Management Measures of Fengshen Tire Co.

II. Major operations during the reporting period

During the reporting period, the price trend of major raw materials was relatively stable, the company continued to promote the deep integration and synergy of procurement and other businesses, and the original

Material procurement costs were further reduced; the Company actively promoted the adjustment of product structure and market structure to improve product profitability and reduce the proportion of low-margin products, which further improved product gross margin. At the same time, the Company continued to promote management improvement and business integration, strengthen budget management, strictly control all costs and expenses, and continuously improve management efficiency and operational effectiveness.

During the reporting period, the company achieved a cumulative operating revenue of RMB 6.219 billion, including overseas sales revenue of RMB 2.505 billion, accounting for 41.27% of the

main business revenue; net profit of RMB 0.18 billion was achieved, turning a loss into a profit year-on-year.

(I) Analysis of main business

1. Analysis of changes in the income statement and related accounts in the cash flow statement

Unit: Yuan Currency: RMB

Subjects	Number of current period	Year-earlier period	Change ratio (%)
Operating income	6,218,639,534.81	7,303,614,224.03	-14.86
Operating Costs	5,090,616,682.30	6,625,583,371.30	-23.17
Selling expenses	344,904,897.80	405,937,967.65	-15.04
Overhead	230,339,386.92	283,480,462.48	-18.75
R&D expenses	292,056,168.43	238,372,563.74	22.52
Finance costs	105,522,020.64	120,045,122.85	-12.75

The main reasons for the changes in the Company's operating conditions during the reporting period include the following:

- (1) Increase the proportion of high-end products to improve gross profit level

During the reporting period, the company launched a series of high-end products and brands with the strategic positioning of becoming the leader of "quality" in Chinese tires and a professional company with world-class influence, deeply absorbed and transformed Pirelli technology, improved product quality and customer satisfaction, optimized market, customer and product restructuring, deepened business integration in each base, expanded production and sales of high-end products, eliminated low-end products, and significantly improved product gross margin. The gross profit margin of the products has been significantly improved as a result of the expansion of production and sales of high-end products and elimination of low-end products. The changes of gross profit margin level in the past three years are shown in the following table:

Trend of gross profit margin of main business in the company's consolidated statements			
Projects	2016	2017	2018
Revenue from main business	723,292.25	712,083.07	606,979.65
Cost of main	615,305.49	643,097.73	491,910.61

The parent company (Jiaozuo Base) accounted for 91% of the listed company's main business revenue in this reporting period, and the parent company's gross profit from main business in the past three years is as follows:

Trend of gross profit margin of main business of the parent company			
Unit: RMB million			
Projects	2016	2017	2018
Revenue from main business	582,251.67	614,833.60	553,591.57
Percentage of main operating revenues in the consolidated statements of operations	80.50%	86.34%	91.20%
Cost of main operations	475,463.39	544,360.54	445,419.13
Gross margin of main business	18.34%	11.46%	19.54%

During the reporting period, in order to improve the product structure and profitability, the Company seized the opportunity of the landing and redevelopment of Pirelli's technology, identified the mid- to high-end user group, which is concerned about product performance and comprehensive cost performance, as the key target market, vigorously developed the high-end product portfolio and launched products with high market competitiveness. Overall, after a digestion period of about one and a half years since the Company signed a patent technology agreement with Pirelli in 2016, the Company has been able to launch high-end products that are generally accepted by the market.

Product Line	Introduction of new technologies	Performance Enhancement	Applications
Fengshen Neo Fuel	Pirelli SATT zero-degree banding layer structure and Low Rolling Resistance Compound Formulation	Reduces tire rolling resistance, helping fleet users save 3% to 5% on fuel costs	Long-distance high-speed transportation such as trunk logistics, express transportation, and cold chain transportation Transmission industry
Wind God Sailor II generation	Pirelli SATT zero-degree banding layer structure and High abrasion resistant rubber formulation	Long mileage of more than 300,000 km can be achieved, helping users to effectively reduce the cost of tire use	General cargo, hazardous chemicals, coal and other medium and long-distance national highway high-speed transport industry and passenger transport line industry
Wind God Neo HD	Pirelli Ultra Tire Body Technology	Effectively improve the load-bearing and durability performance of tires, increase tire life and reduce tire failure Rate, effectively protect the user's driving safety	Short- and medium-distance heavy freight such as sand and gravel, cement, iron powder, steel, etc. Transmission industry

In the sub-base production and sales arrangements, improve the profitability of Jiaozuo base products, transfer some high-quality products to Taiyuan base production, and gradually eliminate the brands and products with poor product performance and profitability in Taiyuan and Qingdao bases. The specific situation is as follows:

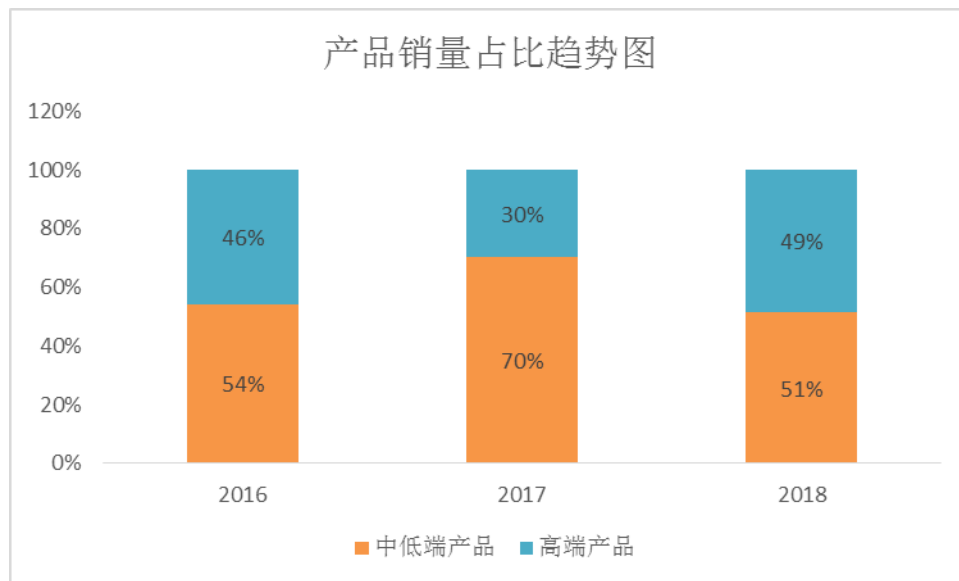
Jiaozuo Base: (1) OEM processing of ultra-high-end tires. The company has signed a contract processing agreement with Pirelli Industrial Tire, and the Jiaozuo base is responsible for the production of its ultra-high-end tire products, with product sales covering China and the Asia-Pacific region. In addition to improving the company's profitability, it will further enhance the company's manufacturing capacity and quality control level for the production of global first-tier ultra-high-end industrial tire products; (2) Own product promotion

Grade change. Focus on the production of tire products containing Pirelli technology and own high-end technology to meet the needs of high-end users in the target market(3) internal transfer of production capacity.

Transfer some of our own economic products to Taiyuan base for production.

Taiyuan base: (1) stopped producing and selling ultra-low margin products; (2) on the basis of effectively improving production management level and product quality, took over the "Fengshen" brand products originally produced by Jiaozuo base; (3) according to the actual needs of customers, introduced the existing technologies of Pirelli and Fengshen and developed a proprietary high-end brand of Taiyuan base (3) According to the actual needs of customers, we introduced the existing technologies of Pirelli and Fengshen, and developed the proprietary high-end brand of Taiyuan base, "Ka Zhi Li", which improved the product quality and market image of Taiyuan base. Qingdao Base: (1) Stopped the production and sales of foreign label processing products with ultra-low gross profit; (2) Strengthened quality control and improved Own brand quality.

The trend of high-end products share of the parent company (Jiaozuo base) in the past three years is shown in the following chart:



(2) Strengthen cost control

The composition of the Company's product costs and the percentage of revenue for the past three years are as follows:

Costs as a percentage of revenue	2016	2017	2018	2017 vs. 2016	2018 vs. 2017
Raw Materials	61.11%	70.11%	60.59%	8.99%	-9.51%
Artificial	4.92%	4.47%	4.87%	-0.45%	0.39%

Manufacturing costs	16.81%	15.73%	15.58%	-1.08%	-0.15%
Total	82.85%	90.31%	81.04%	7.47%	-9.27%

Note: The relevant data exclude the effect of the former passenger tire business.

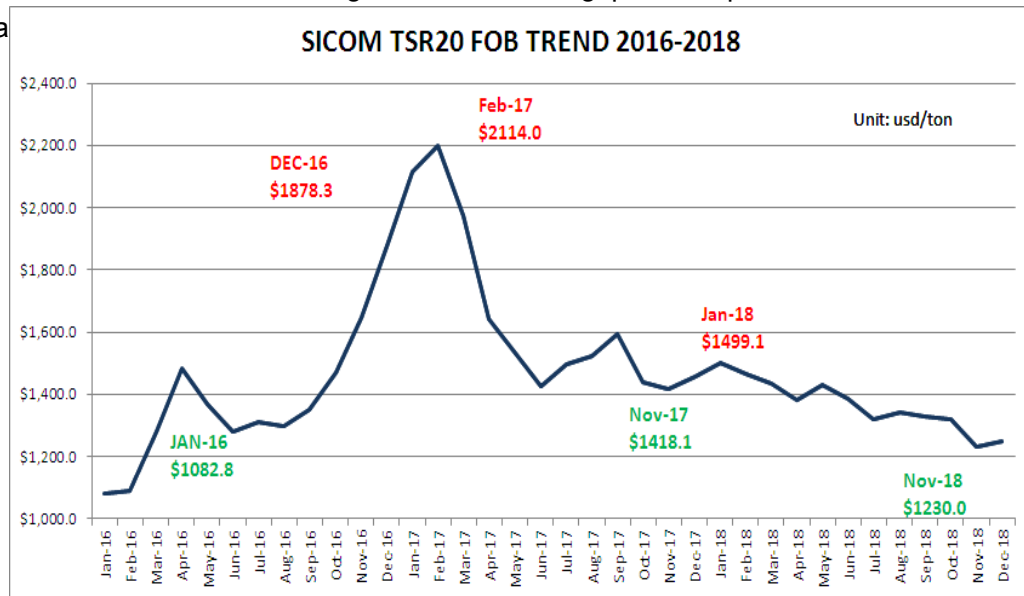
In terms of cost-to-revenue ratio, raw material prices have stabilized during the reporting period, and the ratio of raw materials to total revenue is decreasing, which has significantly improved the company's profitability. The main raw materials for the production of the company's products include: natural rubber, synthetic rubber, etc. During the reporting period, the price trend of main raw materials is relatively stable. The company and Pirelli industrial tire procurement department deepened business synergy, strengthened raw material price trend forecast and collaborative procurement cooperation, and the procurement price of main raw materials in the reporting period is basically in line with the market trend, and overall outperformed the average market price.

Change in purchasing price index of major raw materials

Cate gory	2015	2016	2017	2018
--------------	------	------	------	------

Natural Rubber	100	113	134	105
Synthetic rubber	100	118	153	131

Take the company's most important raw material, natural rubber, as an example. According to the data of natural rubber trading information in Singapore, the price trend of natural rubber in the pa



In 2017, the price of natural rubber fluctuated greatly, and the high procurement cost of the Company seriously affected the gross profit. 2018 natural rubber price trend showed a downward trend of oscillation. The company seized the downward trend of natural rubber price and adopted asymmetric procurement and other methods to effectively reduce the procurement cost.

(3) Improve operational control

The company takes "improve quality and reduce cost, integrate and increase efficiency" as the working theme, and carries out "production cost reduction, energy cost reduction, procurement cost reduction, and cost reduction". At the same time, we strengthen budget management, strictly control all costs and expenses, and continuously improve management efficiency and operational effectiveness.

2. Revenue and cost analysis

√Applicable □ Not applicable

During the reporting period, the Company's revenue from main business was RMB 6,070 million, a decrease of 14.76%, and the cost of main business was RMB 4,919 million, a decrease of The increase was 23.51%.

(1). Main business by industry, by product and by region

Unit: Yuan Currency: RMB

Main business by industry						
By Industry	Operating income	Operating Costs	Gross margin (%)	Increase or decrease in operating income over the	Increase or decrease in operating costs over the	Increase or decrease in gross margin over the

product						
Main business by product						
Sub-products	Operating income	Operating Costs	Gross margin (%)	Increase or decrease in operating income over the previous year (%)	Increase or decrease in operating costs over the previous year (%)	Increase or decrease in gross margin over the previous year (%)
Meridian Fetus	5,096,834,403.03	4,112,123,410.38	19.32	-14.90	-23.53	Increase of 9.11 Percent
Oblique intersection Fetus	972,962,085.56	806,982,738.50	17.06	-14.02	-23.39	Increase 10.15 percentage points
Main business by region						
By Region	Operating income	Operating Costs	Gross margin (%)	Increase or decrease in operating income over the previous year (%)	Increase or decrease in operating costs over the previous year (%)	Increase or decrease in gross margin over the previous year (%)
Foreign Business	2,504,814,392.76	1,972,214,501.18	21.26	-23.10	-31.55	Increase of 9.71 Percent
Domestic Business	3,564,982,095.83	2,946,891,647.70	17.34	-7.73	-16.99	Increase of 9.22 Percent

Description of main business by industry, by product and by region

√Applicable □ Not applicable

The company has established a "trinity" market channel and sales network for export, supporting and replacement markets to achieve complementary advantages and business

Synergy. Export market, covering global marketing markets such as North America, Latin

America, Europe, Middle East Africa, Asia Pacific and CIS, with more than 40% of products sold

to more than 140 countries and regions. Supporting market, directly for Dongfeng Motor, China FAW,

China National Heavy Truck, Xuzhou Engineering

Machinery, Liuzhou Construction Machinery and more than 20 leading automobile and construction machinery manufacturers to provide supporting services. To replace the market, the company has formed a marketing network model dominated by product lines and a professional marketing team, forming a marketing system based on wholesale dealers and retail listed stores, with a marketing network covering the whole country.

In 2018, the Company's operating income declined year-over-year, mainly due to two factors.

On the one hand, the company adjusted its brand and product development strategy during the reporting period, and carried out in-depth integration of its brands in conjunction with the opportunity of the implementation of Pirelli technology, especially the significant reduction of unprofitable brands of two subsidiaries, resulting in significant changes in the overall product structure and profit structure. Details of the company's brand reduction and profit structure adjustment can be found in Section IV.2 (1) Main Business Analysis Section 1 (1) Increase the proportion of high-end products and improve gross profit level.

On the other hand, in addition to the management's initiative to adjust, the domestic supporting market became increasingly competitive in 2018, while the tire export market was frequently affected by the trade war between China and the United States as well as the EU and other regional trade protection policies, anti-dumping countervailing and other international trade friction factors, and the demand for export market declined. The company's export business accounted for nearly half of the revenue, so the overall revenue decreased compared with the same period of the previous year.

(2). Production and sales situation analysis table

☒ Applicable ☐ Not applicable

Main Products	Production volume	Sales volume	Inventory	Production volume over last Annual	Sales volume over last Annual	Inventory volume over last Annual
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Description of production and sales

The number of units in the table above: Article

During the reporting period, the Company adjusted its product and sales structure to reduce the production and sales of low-margin products, which resulted in a decrease in production and sales volume. In order to cope with the impact of winter environmental protection production restrictions and holiday factors such as New Year's Day and Chinese New Year at the beginning of the following year on production, the Company moderately increased production stockpiling at the end of the second half of the year, resulting in a large increase in ending inventory.

In the first quarter of 2019, the company's inventory has fallen back as products are sold.

(3). Cost analysis table

Unit: Yuan

Sub-industry situation							
By Industry	Cost component items	Amount for the period	Percentage of total cost for the period (%)	Amount in the same period of the previous year	Percentage of total costs in the same period of the previous year (%)	Percentage change of the current amount compared with the same period of the previous year	Fact Sheet

Cost Analysis Other Fact Sheets

√Applicable □ Not applicable

The cost components of the company's products are shown in the following chart:

For details, please refer to the section "Section IV.2 (1) Analysis of main business 1 (2) Strengthening cost control".

(4). Major sales customers and major suppliers

√Applicable □ Not applicable

Sales to the top five customers amounted to RMB125,596.14 million, accounting for 20.69% of total annual sales; among the sales to the top five customers, sales to related parties accounted for

Sales amounted to 0 million yuan, accounting for 0% of total annual sales.

Purchases from the top five suppliers amounted to RMB1,830,770,000, accounting for 47% of the total annual purchases; among the top five suppliers, purchases from related parties amounted

to RMB0.0 million, accounting for 0% of the total annual purchases.

Other
descripti
ons None

3. Fees

☒ Applicable ☐ Not applicable

Unit: Yuan			
Projects	Current Period Incurred	Prior Period Incurrence	Change ratio
Selling expenses	344,904,897.80	405,937,967.65	-15.04%
Overhead	230,339,386.92	283,480,462.48	-18.75%

The changes in administrative expenses and selling expenses as a percentage of revenues are shown in the following table.

Projects	This issue	Previous period
Selling expenses as	5.55%	5.56%

Selling expenses: The year-over-year ratio of revenue was basically flat, mainly due to the decline in sales volume during the reporting period, with the corresponding decline in freight and after-sales related expenses; exports were affected by anti-dumping in the EU and India, and the export volume declined, and export-related expenses also declined.

Administrative expenses: The slight decrease in the proportion of revenue year-on-year was mainly due to the implementation of cost reduction and efficiency management, strict strengthening of expense control and reduction of unnecessary expenses during the reporting period. At the same time, compared with the previous period, there were no major expenses such as major asset restructuring in the current period (the major asset restructuring expenses in the previous period was about RMB25.6 million), so the expenses decreased significantly in the current period.

Finance costs: During the reporting period, there was little change in the scale of loans, but the company had a better grasp of exchange rate fluctuations and timely foreign exchange management, with a more significant contribution from exchange gains.

4. R&D investment

R&D investment table

√Applicable

□Not applicable

Unit: Yuan	
Expensed R&D investment for the period	292,056,168.43
Capitalized R&D investment for the period	0
Total R&D investment	292,056,168.43
Total R&D investment as a percentage of operating revenue (%)	4.70
Number of company's R&D staff	713

Fact Sheet

√Applicable ☐ Not applicable

2018 is a key year for the company's development, combined with the company's brand positioning and strategy, based on the introduction of Pirelli's advanced technology, the company

The company increases investment in R&D, closely focuses on the work line of landing Pirelli formula, product design technology, process technology and equipment, accelerates the progress of Pirelli technology transfer, and comprehensively improves the performance and quality of the company's products. At the same time, we will strengthen the management of Pirelli's technology transfer target and accelerate the landing of Pirelli's technology with the goal of introducing, digesting, reinventing and improving again.

Promote product lightweighting for major products, improve product quality and enhance product competitiveness; design and develop new products, launch high-quality Mariner II generation products and enhance brand image. Strengthen the quality management system benchmarking, promote the improvement and unification of quality management level in multiple bases, and promote the comprehensive upgrade of quality management system.

5. Cash Flow

√Applicable ☐

Not applicable

Proj ects	Amount for the period	Amount of previous period	Change ratio
Net cash flows from operating activities	353,135,827.47	-210,167,936.03	Not applicable
Net cash flows from investing activities	22,097,685.14	-109,973,396.59	Not applicable
Net cash flows from financing activities	-243,793,235.01	285,414,584.59	-185.42%

Above table unit:

Yuan

(1) Net cash flow from operating activities increased by NT\$560 million compared with the same period of the previous year, mainly due to the Company's enhanced capital control and management of accounts receivable and reasonable arrangement of various payments on the basis of improved profitability in the reporting period.

(2) Net cash flow from investing activities increased by RMB132 million compared with last year, mainly due to the disposal of Everbright Bank shares and Huanghai Limited received RMB21.89 million and RMB57.84 million, respectively, while expenses for the acquisition and construction of long-term assets decreased by RMB30.35 million, or 34% compared with last year.

(3) Net cash flow from financing activities decreased by NT\$529 million compared with last year, mainly due to the Company's compression of loan scale and the acquisition of loans.

This represents a decrease of \$918 million from last year, while cash paid for debt service decreased by \$297 million.

(ii) Description of significant changes in profit due to non-main business

√Applicable ☐

Not applicable

The impact of non-recurring gains and losses on the Company's profit for the period was \$40,009,153.47.

Of which, government subsidies of \$10,488,662.87 were recognized during the period; the

Company terminated cooperation with some suppliers during the period, and the difference between the book value of the restructured debts and the actual cash payment was recorded as non-operating income in accordance with the agreement reached with the suppliers, realizing a gain on debt restructuring of \$23,354,138.88; the Company disposed of the shares of Everbright Bank held by the Company and received a gain on disposal of \$11,253,723.04. The gain on disposal of Everbright Bank shares held by the Company was NT\$11,253,723.04.

(C) Analysis of assets and liabilities

√Applicable □Not applicable

1. Assets and liabilities

Unit: Yuan

Project Name	End of the period	End of the period as a percentage of total assets (%)	Prior period end	Ratio of prior period end to total assets (%)	Percentage change in the amount at the end of the current	Fact Sheet

Employee compensation payable	53,132,281.93	0.74	85,803,264.96	1.16	-38.08	(5)
Taxes Payable	21,583,163.50	0.30	60,544,164.26	0.82	-64.35	(6)
Due within one year non Current liabilities	995,971,200.00	13.88	490,000,000.00	6.63	103.26	(7)
Long-term borrowings	767,235,456.00	10.69	1,275,904,474.00	17.27	-39.87	(8)
Long-term payroll payable to employees remuneration	1,289,945.57	0.02	6,837,154.16	0.09	-81.13	(9)
Deferred income tax liabilities	0.00	0.00	1,743,545.45	0.02	-100.00	(10)
Other comprehensive income	-2,915,500.00	-0.04	9,880,090.91	0.13	-129.51	(11)

Other notes

- (1) Prepayments: The decrease is due to a decrease in prepayments for materials.
- (2) Other current assets: Mainly due to the increase in taxes to be deducted.
- (3) Construction in progress: Due to the completion of the technical renovation project and the transfer of solidity.
- (4) Intangible assets: Due to the increase of land use rights.
- (5) Employee compensation payable: The disposal of Atomic Company Huanghai Limited at the end of the period resulted in a corresponding decrease in employee compensation payable related to it.
- (6) Taxes payable: The decrease was mainly due to the fact that VAT payable was pending tax credit at the end of the period.
- (7) Non-current liabilities due within one year: Due to the increase in long-term borrowings due within one year in the future.
- (8) Long-term borrowings: Due to transfer to non-current liabilities due within one year.
- (9) Long-term employee compensation payable: The disposal of Atomic Company Huanghai Limited at the end of the period corresponded to a decrease in long-term employee compensation payable.
- (10) Deferred income tax liabilities: Changes in the fair value of the Company's equity investments included in available-for-sale financial assets, resulting in a change from taxable temporary differences to deductible temporary differences.
- (11) Other comprehensive income: The disposal of available-for-sale financial assets in the current period was due to the recognition of prior years' fair value changes in current profit or loss.

2. Restrictions on major assets as of the end of the reporting period

√Applicable □Not applicable

See "Section X. Financial Reporting - Notes to Consolidated Financial Statements, 70".

3. Other notes

☒Applicable ☐Not applicable

On December 4, 2018, the Company and Yellow Sea Group completed the settlement procedures to transfer 100% of the Company's equity interest in Yellow Sea Limited and the shares held by the Company as of On June 30, 2018, the Company's claims on Huanghai Limited were transferred to Huanghai Group. From the same date, the Company ceased to consolidate the financial statements of Huanghai Limited.

The main effects of the disposal transaction of

Huanghai Limited on the company are as follows: **i.**

The disposal transaction has no effect on the net profit of the company

The transaction is a package equity transaction under the same control and has no impact on the Company's income statement for the current period. For detailed analysis, please refer to the related content in "Section 10 Financial Reports - Note 8, Changes in Scope of Consolidation - 4, Disposal of Subsidiaries" -

2. The disposal transaction helps improve the capital

structure of the company and enhance the quality of

	2018	2017
assetsGearing ratio	71.88%	74.02%

2. The company's asset quality improved significantly

After the completion of the disposal transaction, the ratio of provision for bad debts to original value and provision for impairment to original value of inventory of accounts receivable at the end of the reporting period has been improved, and the ratio is basically the same as the opening balance excluding the data of Huanghai Limited, **and** the quality of assets has been improved.

(1) Improvement in asset quality of accounts receivable

Unit: Yuan

	December 31, 2018	December 31, 2017	December 31, 2017 (Excluding the limited impact of Yellow Sea)
Original value of accounts receivable	949,498,508.72	975,638,110.00	819,321,121.87

The ending balance of the allowance for bad debts as a percentage of the original value of accounts receivable decreased from 19.33% at the beginning of the year to 9.76% at the end of this report, which is almost the same as the ratio of the ending balance of the previous year after excluding the effect of Huanghai Limited.

(2) Inventory asset quality improvement

Unit: Yuan

	December 31, 2018	December 31, 2017	December 31, 2017 (Excluding the limited impact of Yellow Sea)
Original value of inventories	944,230,844.17	807,509,246.27	707,816,081.23
Provision for	26,264,046.72	52,028,046.80	40,704,320.24

The ending balance of the provision for decline in value of inventories decreased from 6.56% of the original value at the beginning of the year to 2.79% at the end of this report, which is almost the same as the ratio of the ending balance of the previous year after excluding the effect of Huanghai Limited.

(D) Analysis of industry operating information

☒Applicable ☐Not applicable

In 2018, it is the 40th anniversary of reform and opening up, and the rubber industry is guided by Xi

Jinping's socialist thought of the new era with characteristics, and deeply pushes The industry's economic operation is basically stable, and new progress has been made in mergers and acquisitions, intelligent manufacturing, green manufacturing, international development and so on.

In 2018, the overall operation of the auto industry was stable, and the growth rate of auto production and sales was lower than expected at the beginning of the year, but at present, China's auto industry is still in Popularization period, there is more room for growth. According to the statistics of China Association of Automobile Manufacturers, the production and sales of automobiles in 2018 were 27.809 million units and 28.081 million units, down 4.16% and 2.76%, respectively, compared with 2017; among them, the production and sales of passenger cars were 23.594 million units and 23.798 million units, down 5.15% and 4.08%, respectively; the production and sales of commercial vehicles In 2018, the sales volume of trucks increased by 6.9% year-on-year, driving the growth of demand for all-steel radial tires.

In 2018, the tire industry is also facing new pressures at home and abroad. On the domestic side, the tire industry is facing opportunities and challenges to adjust the structure, resolve excess capacity and promote high-quality development. With the continuous deepening of national environmental protection, the tire industry has significantly improved the level of energy conservation and environmental protection, increased investment in environmental management, wastewater and waste gas treatment, etc., and also face the pressure of rising costs caused by environmental protection. International, the tire industry is facing the EU and India anti-dumping, countervailing and the new U.S. tax bill, international trade protectionism, unilateralism intensified.

In the face of the intricate competitive environment, tire excess capacity has been gradually withdrawn and the concentration of the industry has been increasing. According to the statistics of the Rubber Association, the domestic tire industry was significantly divided in 2018, and the national tire output showed negative growth for the first time in a decade.

Analysis of operating information of the chemical industry

1 Basic information of the industry (1).

Industry policies and their changes

☐Applicable ☒Not applicable

(2). Basic information of major industry segments and the company's industry position

☒Applicable ☐ Not applicable

The company's main products are industrial tires for trucks and construction machinery vehicles. The truck and bus tires are mainly used for a variety of working conditions under the road conditions of trucks (trucks, light trucks, dump trucks, tractors), buses, buses and other transportation vehicles of different functional parts (guide wheels, drive wheels, trailer wheels, etc.) vehicle tires. Construction machinery tires are mainly used in mines, coal, construction sites, tunnels and other operating conditions and harsh operating environment of wheeled vehicles and a variety of construction machinery (loaders, excavators, bulldozers, road rollers, cranes, etc.) vehicle tires.

The company is one of the few companies in China that specializes in the development and manufacture of industrial tires, and has rich operational experience in the field of industrial tires. The company is committed to providing higher performance and more cost-effective green, safe, energy-saving and environmentally friendly tires to a wide range of customer groups such as domestic and foreign OEM supporting customers, large logistics fleets and retailers.

2 Products and Production

(1). Main business model

☒Applicable ☐Not applicable

Please refer to the section of this report titled "Section 3: Summary of the Company's Business".

Major adjustments to the business model during the reporting period

☐Applicable ☒Not applicable

(2). Main product information

☒Applicable ☐Not applicable

Prod ucts	Industry segments	Main upstream raw materials	Main downstream applications	Main price influencing factors
Tires	Rubber and	Natural rubber, synthetic rubber,	Trucks, buses, construction	Raw materials and products market

(3). R&D Innovation

☒Applicable ☐Not applicable

In 2018, the company focused closely on the main line of Pirelli formula, product design technology, process technology and equipment landing, combined with Fengshen's own technology accumulation, so as to realize the technical integration and secondary innovation of Pirelli and Fengshen, thus achieving a qualitative leap to enhance Fengshen's R&D strength. In order to improve product quality, the company will take the opportunity of landing Pirelli brand products in Fengshen to vigorously promote product industrialization, improve the company's manufacturing level, focus on building Jiaozuo into a production base for high-end products of Fengshen shares, and gradually replace low-end production capacity with high-end production capacity, so as to realize the transformation and upgrading of Fengshen shares.

I. Formulation and product industrialization

In 2018, through industrialization promotion, the industrialization of Pirelli formula in Fengshen was realized and optimized, while the Fengshen product was carried out.

The technical integration of Pirelli brand and Pirelli brand products reduces the complexity of production and improves the production stability of the products. While laying a solid foundation to meet the market supply of Pirelli products in China and Asia Pacific, the inner quality of Fengshen brand products will be upgraded.

Second, the process technology and equipment landing

In 2018, the Company established 3 major investment projects represented by HDPIA and PCM in 5 key segments of tire production

The company invested about 100 million RMB to upgrade the equipment level. The research and development has completed the upgrading and improvement of the rubber refining and dosing process, the addition of new sulfur kneader, extrusion parts online width control equipment, new belt bundle layer forming equipment, new steel ring winding production line and type rubber laminating production line, vulcanizer automation and temperature and pressure alarm system, high precision dynamic balance, uniformity and whole system air bubble detection equipment, etc., realizing the landing of process equipment required for core technology and the testing capability of finished products. It has greatly improved the process equipment required for the core technology and the testing capability of the finished products, and provided sufficient equipment support for the output of high-end products.

Third, technology digestion and absorption, to achieve product weight reduction

In 2018, through the industrialization of Pirelli formula continued to land, and combined with Fengshen situation to optimize, to achieve the formula in the use of performance and processing performance in the best balance. At the same time, in combination with the unification of product construction, we will gradually introduce Pirelli's ready-made cord varieties and reduce the weight of products, so as to realize technical cost reduction by multiple measures

and means and enhance the company's profitability.

With the development of Pirelli technology introduction project, the introduction and digestion of key technologies such as Pirelli's new belt bundle layer structure and process process control have been completed, combined with the company's many years of technology accumulation, thus realizing the quality upgrade of Fengshen brand products.

IV. Patent application and protection

In order to promote the technological progress of enterprises, achieve the transformation and upgrading development of enterprises, fully protect the company's core technology and interests, and form a strict A dense patent protection system to seize technology and market opportunities and develop a patent layout plan.

1、Technology development trend layout

Based on the key projects (products) Neo series products, HD series, ultra-low rolling resistance series products and giant tire products, we focus on the core technology (tire structure design, compound design and tread design) to realize the intensive layout of core patent technology, and also the layout of peripheral technology (mold design, process improvement, equipment and tooling improvement, new material application, etc.) around the core technology to form a concentric circle multi-layer protection system. In 2018, 27 new patents were declared and 40 were authorized.

2、Market area layout

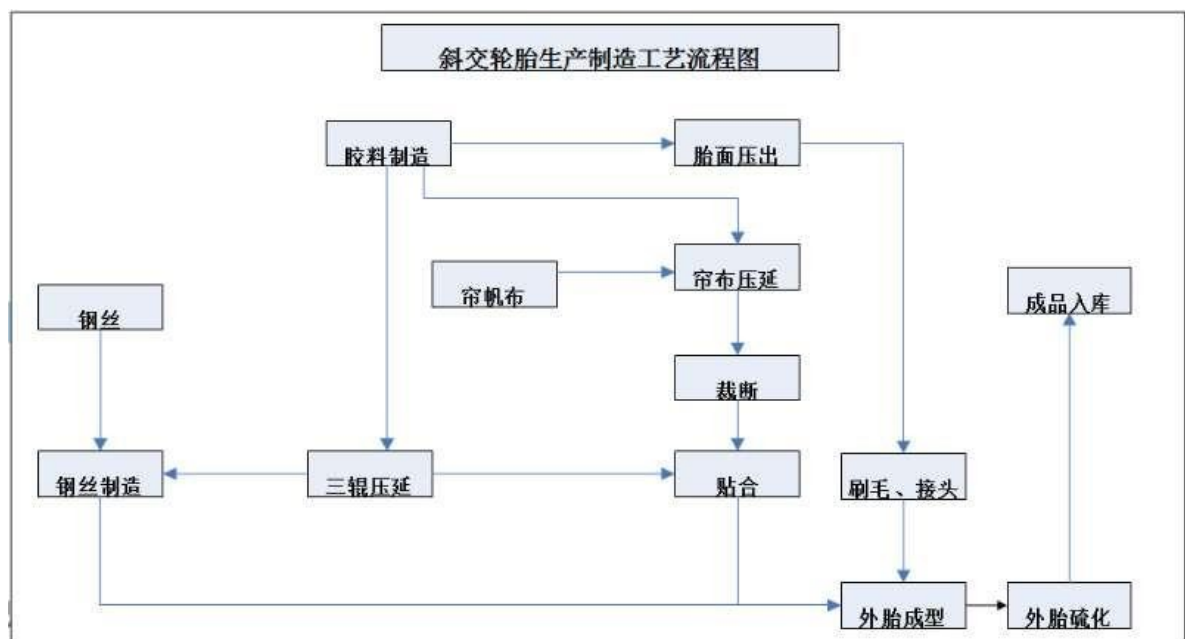
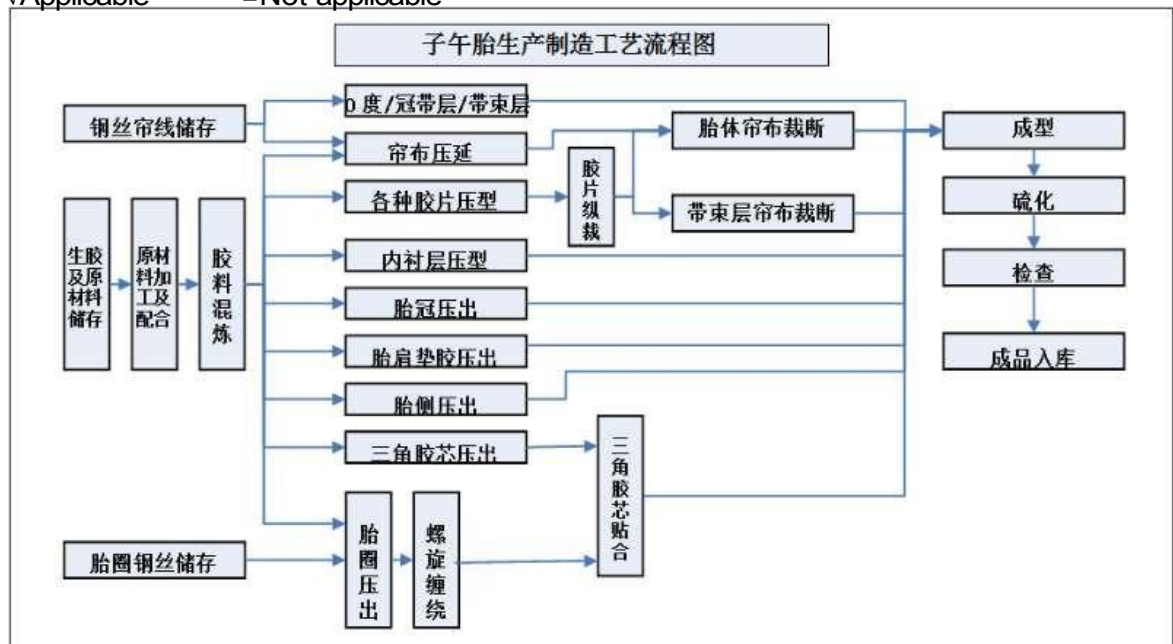
With the target/potential market as the destination, we achieve a reasonable layout of patents worldwide, focusing on countries and regions such as Europe, North America, Latin America, South America, Australia, Korea, India, Taiwan, etc., to establish a defensive patent network and protect the core interests of the company.

In addition, we cooperate with the State Intellectual Property Office to carry out the "All-steel radial tire material technology patent micro navigation project" to conduct patent mining and analysis for all-steel radial tire material technology, and provide scientific and technological intelligence and information for formula research. Meanwhile, the invention patent of "a tire tread groove pump noise absorption sound source identification method" was declared the 20th China Patent Award in 2018 and won the China Excellent Patent Award.

(4). Production process and flow

√Applicable

□Not applicable



(5). Production capacity and start-up situation☒Applicable☐Not applicable

Major plants or	Design	Capacity	Capacity under	Capacity under
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			Situ ation	Time
Radial load tires	7.8 million sets/year	73.3		
Radial Engineering Tires	74,000 sets/year	100		
Oblique engineering tires	600,000 sets/year	56.5		

Increase or decrease of production capacity

☐Applicable ☒Not applicable

Adjustment of product line and capacity structure optimization

☒Applicable ☐Not applicable

The company's radial tire high-end products 2018 output 400,000 sets, 2019 proposed through SATT technology, the introduction of auxiliary equipment and

NEO series, sailor series and other high-end new product development, high-end products are expected to achieve a production capacity of 1.2 million sets.

Unusual production stoppage

☐Applicable ☒Not applicable

3 Raw Material Procurement

(1). Basic information of main raw materials

☒Applicable ☐Not applicable

Raw Materials	Sourcing Model	Purchase volume	Price Change	Price fluctuations on operating costs Impact of Ben
Natural rubber	Combination of LTA and point-in-time purchasing	139,000 tons	During the reporting period, the overall trend of natural rubber prices was down, from US\$1,500/year at the beginning of the year to US\$1,500/year at the end of the year. tons to a low of 1,240 for the year USD/ton, down 17%	Operating costs decrease with lower material prices
Synthetic rubber	Annual agreements with	26,000	During the reporting period, synthetic rubber prices were	Operating costs increase as the price of materials

(2). Responses to raw material price fluctuation risk Major holdings of financial products such as derivatives

☐Applicable ☒Not applicable

Basic information on the use of other methods such as phased reserves

☒Applicable ☐Not applicable

In 2018, at the low point of the market price, all kinds of raw materials, low purchase to reduce costs, including natural rubber hit the best in the company's history.

**4 Sales of
products (1).
Sales pattern**

☒Applicable ☐Not applicable

Please refer to the section of this report titled "Section 3: Summary of the Company's Business".

(2). Basic information of the company's main business by industry segment

☒Applicable ☐Not applicable

Unit: Yuan Currency: RMB

Segmentation	Operating income	Operating Costs	Gross margin (%)	Increase or decrease in operating income	Increase or decrease in operating costs	Increase or decrease in gross
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Pricing strategy and price changes of major products

☒Applicable ☐Not applicable

The pricing of the company's products is based on the competitive environment in the industry and the impact of cost fluctuations on profits.

Performance in the market, life cycle and the company's positioning of the product varies.

(3). Basic information of the company's main business by sales channel

☒Applicable ☐Not applicable

Unit: Yuan Currency: RMB

Sales channels	Operating income	Increase or decrease in operating income over the previous year (%)
Export Market	2,504,814,392.76	-23.10

During the reporting period, the company's product exports were affected by the EU anti-dumping and international trade barriers such as the trade war between China and the United States, and the decrease in tire export sales resulted in a decline in export revenue.

Accounting Policy Statement

☐Applicable ☒Not applicable

(4). Basic information of co-products, by-products, semi-finished products, waste materials and waste heat utilization products in the production process of the company

☐Applicable ☒Not applicable

☐Applicable ☒Not applicable

5 Environmental protection and safety situation

(1). Basic information on major production safety accidents during the reporting period

☐Applicable ☒Not applicable

(2). Basic information of the company's environmental

**protection investment
during the reporting period**

☒Applicable ☐Not applicable

Unit: Yuan Currency: RMB

Environmental protection investment capital	investment capital accounted for the
38,243,096.00	0.61
proportion of operating income ()	

Basic information on the occurrence of major environmental violations during the reporting period

☐Applicable ☒Not applicable

(3). Other Fact Sheets

☐Applicable ☒Not applicable

(E) Investment status analysis**1. Overall analysis of foreign equity investment**

☒Applicable ☐ Not applicable

Currently the company owns 100% of Fengshen Tire (Taiyuan) Co.

Ltd., 10% of Proetion Tyre Group S.r.l. and 100% of Fengshen Tyre (Hong Kong) Co.

On December 3, 2018, the Company and Huanghai Group signed the "Equity and Debt Transfer Agreement" regarding Huanghai Limited, in which the Company transferred its direct 100% equity interest in Huanghai Limited held indirectly and the Company's debts on Huanghai Limited as of June 30, 2018 were transferred to Huanghai Group. and signed the "Equity Trust Agreement" with Huanghai Group, in which Huanghai Group transferred 100% of its shares of Huanghai Limited to the Company.

The shares are entrusted to the company for management.

As of December 31, 2018, the Company held 1 million shares of Xagong (600815), and the market value of the shares held was \$2.99 million.

(1) Significant equity investments

☒Applicable ☐Not applicable

For details, see "(E) Analysis of investment status 1. Overall analysis of foreign equity investment."

(2) Significant non-equity investments

☐Applicable ☒Not applicable

(3) Financial assets measured at fair value

☒Applicable ☐Not applicable

Serial number	Variety of securities	Stock Code	Stock short name	Initial investment amount (million yuan)	Held at the end of the period Quantity	Carrying value at the end of the period	As a percentage of period-end securities Total investment ratio
					(million shares)	(million yuan)	(%)
1	A-Share Stocks	601818	Everbright Bank	1,950.00			
1	A-Share Stocks	600815	XiaGong Co.	1,067.52	100	299	100
Investments in other securities held at the end of the period					/		
Gains or losses on investments in securities				/	/	/	/

sold during the reporting period				
Total	3,017.52	/	299	100

Description of investments in securities:

On September 10, 2001, the Company contributed RMB19.5 million to subscribe 10 million shares of China Everbright Bank Co.

On April 30, 2002, China Everbright Bank Co., Ltd. increased its shareholding to 11 million shares by transferring capital surplus. on August 18, 2010, the shares of China Everbright Bank Co., Ltd. were listed on the Shanghai Stock Exchange. in March 2015, the Company sold 5 million shares of Everbright Bank through the secondary market. in December 2018, the Company sold 5 million shares of Everbright Bank through the secondary market. In December 2018, the Company sold 5 million shares of Everbright Bank through the secondary market.

All remaining shares of the bank are 6 million shares.

On December 27, 2012, the Company successfully applied for an additional 166.28 A shares of Xiamen Xagong Machinery Co.

On February 4, 2013, the Company sold 100,000 shares of Xagong through the secondary market, and in March 2015, the Company sold 100,000 shares of Xagong through the secondary market.

The Company sold 562,800 shares of Xagong on the market and the remaining shares held were 1 million shares. As of the end of the reporting period, the market value of the shares held by the Company was 2.99 million.

(F) Significant asset and equity sales

☒ Applicable ☐ Not applicable

On December 4, 2018, the Company disclosed the "Announcement on the Signing of Equity and Debt Transfer Agreement and Related Transactions by Fengshen Co.

Announcement on the Signing of Equity and Debt Transfer Agreement and Related Transactions by Fengshen

(Announcement No.: Lin 2018-063, Lin 2018-064); the Company signed the Equity and Debt

Transfer Agreement on Huanghai Limited with Huanghai Group, in which the Company

transferred 100% of its directly held equity interest in Huanghai Limited and the Company's debts

on Huanghai Limited as of June 30, 2018 to Huanghai Group. Ltd. to Huanghai Group, and signed

the "Equity Trusteeship Agreement" with Huanghai Group, under which Huanghai Group

entrusted 100% of its equity interests in Huanghai Ltd. transferred by the Company to the

Company.

(vii) Analysis of major holding and equity participation companies

☒ Applicable ☐ Not applicable

Company Name	Main business	Registered Capital	Equity participation proportion	Total Assets (million yuan)	Net Assets (million yuan)	Net Profit (million yuan)
Fengshen Tire (Taiyuan) Co.	Manufacture and sale of industrial tires	30,000,000 Yuan	100%	158,439.24	10,127.80	-9,985.90
Pirelli Tyre (Jiaozuo) Co.	Production and sales of passenger tires	35,000,000 Yuan	20%	141,773.16	37,760.60	-6,813.14
Fengshen Tire (Hong Kong) Co.	Tire-related business entry and exit Export trade and foreign exchange	10,000 HKD	100%	10,000 HKD	10,000 HKD	Not applicable

	collection and payment					
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As of the end of the reporting period, Fengshen Tire (Hong Kong) Limited was not yet in actual operation.

(viii) Information on structured subjects controlled by the company

☐Applicable ☒Not applicable

**III. Discussion and analysis of the Company's future development (i)
Industry pattern and trend**

☒Applicable ☐Not applicable

In the future, tire companies will pay more attention to technological innovation, reduce the cost of production of existing tires, while updating and launching a higher

Performance, cost-effective tire products, thereby improving business efficiency and market competitiveness. The lack of air to protect the safety of the tire, save auto fuel consumption of low rolling resistance energy-saving tires, no noise quiet environmental protection tires and other high-performance and ultra-high performance tires, will gradually develop into the mainstream, the proportion of intelligent and functional tires will also gradually increase. In addition, the tire industry green trend will be more obvious, the use of green raw materials, clean production process, the production of green tires, factories to achieve pollution-free, zero emissions, tire products to achieve safety, energy saving, environmental protection.

With the introduction of various countries and regions on vehicle energy saving and environmental protection as well as safety regulations, commercial truck tires will be in the past requirements of tire load-bearing performance, mileage performance, based on more attention to the requirements of lightweight tires, fuel efficiency, safety, comfort.

The use of less material and manufacturing energy consumption to get better performance of green tire products is a key area of future technology research, ultra-high mileage, ultra-low rolling resistance, higher safety and comfort market requirements will guide the development of tire product design research direction. On the other hand, through the integration of RFID chips and other intelligent information sensors, tire products will become one of the most important components of the vehicle intelligence platform in the future, which determines the safety and control of the vehicle and other key performance.

(II) Corporate Development Strategy

√Applicable ☐Not applicable

The company takes "creating value for customers" as the purpose, based on the global business layout, and is committed to providing the best

The company has developed into a leading international manufacturer of industrial tires by maximizing the synergistic advantages of multi-echelon and multi-brand strategies, meeting the needs of different market segments in the field of industrial tires, and continuously building a full range of customized product manufacturing and service capabilities.

(iii) Business Plan

√Applicable ☐Not applicable

The company will be led by the concept of "science first", focusing on transformation and upgrading, winning with quality, and promoting comprehensive innovation, that is, the whole value chain.

Innovation and full innovation, to achieve new breakthroughs in technological innovation, marketing innovation and management innovation, in accordance with the "World Wind God, Technology Wind

The five strategic layout of "Fengshen, Green Fengshen, Digital Fengshen, Humanistic Fengshen", to achieve high-quality development, and strive to become the leader of China's tire "quality" and a professional company with world-class influence.

In 2019, the company will focus on the work theme of "transformation and upgrading to win with quality", and implement the three "de-complication" of business, R&D and manufacturing, synchronize the overall optimization and upgrading of business, R&D and manufacturing, combine with comprehensive innovation, strengthen talent management, and develop platforms such as digital operation support to accelerate project construction. By implementing the three "de-complexification" of business, R&D and manufacturing, simultaneously implementing the comprehensive optimization and upgrading of business, R&D and manufacturing, combining with comprehensive innovation, strengthening talent management, developing digital operation support and other platforms, and accelerating project construction, we will de-load and add power to the "2019 voyage of Fengshen Aircraft Carrier."

1. Business de-complication and optimization and upgrading. Sort out the existing brands, complete the old brand cleaning; reposition and upgrade the remaining brands; upgrade the business model and improve the marketing team's ability to promote market optimization, customer optimization and commodity optimization.

2. R&D de-complexification and optimization and upgrading. Provide technical support for product repositioning, gradually sort out and improve product portfolio structure; provide customized product support through technical cost reduction; develop its own sustainable core competitiveness by relying on Pirelli technology, develop high-end products and upgrade high-level technology.

Although Pirelli technology has been partially transferred and landed in 2018, the speed of transfer and landing is not yet sufficient to meet the strategic requirements and strategic planning of the Company. 2019, the Company will further accelerate the transfer and landing of technology on the basis of the amendment to the patent and proprietary technology agreement signed with Pirelli and the technical assistance agreement signed with Pirelli Industrial Tire, so as to support the Company to be the leader in the tire industry. We will further accelerate the technology transfer and implementation to support the company's positioning as the leader of "quality" in the tire industry.

3 、 Manufacturing de-complexification and optimization and upgrading. Undertake the company's strategy, clarify the positioning of the base, optimize the supply chain of the two bases as a whole, solve the overlap of products and markets of the two bases; reduce and avoid the

complex links of mold change, improve process stability, product quality and production efficiency; optimize the manufacturing process comprehensively, realize equipment upgrade and optimize the layout of overseas high-end production capacity.

4. Optimize the talent structure and improve the incentive and restraint mechanism. In terms of organizational structure, sort out the organizational structure of each functional department and clarify the organizational relationship between the headquarters and each base. Focus on the organizational structure of the marketing function of the internal and external sales team, and clarify the post settings and reporting relationships.

In 2019, we will realize the APP platform of order transaction for end customers as soon as possible; further expand the application of RFID and smart chip products; realize the application of intelligent tracking system for orders; and comprehensively upgrade the TLM2.0, the whole-life tire management system.

6, accelerate the construction of key projects and cultivate sustainable development capacity. 2019 focus on the construction of two projects. First, the all-steel engineering radial tire technical reform project (including all-steel giant tire). Second is the global industrial tire R&D center project.

(iv) Possible risks

☒Applicable ☐Not applicable

1、Risk of raw material price fluctuation

Natural rubber is the main raw material for the company's tire manufacturing. As a bulk commodity, the price of natural rubber is related to trade policies, exchange rates, the Capital market conditions are closely related to each other. In recent years, the price of natural rubber has fluctuated significantly due to the influence of overseas commodity markets, and the price of other chemical raw materials has also been on the rise due to the national environmental management policy and the elimination of low-end excess capacity. Since natural rubber, synthetic rubber, carbon black and steel cord are the main raw materials for the production of tires and account for a large proportion of production costs, significant fluctuations in raw material prices will have a significant impact on the company's cost control and operating results.

2、Domestic and international market competition risk

At present, there are many domestic and foreign tire production enterprises, industry concentration is low, the global tire market competition is fierce. Domestic low-end tire market product homogenization phenomenon is serious, low quality and low price products impact the market order, it is urgent to build brand, product and channel competitiveness, establish the benchmark in the industry and consolidate the development advantage. As a state-controlled listed company in a fully competitive industry, the company will continue to improve its core competitiveness through reform and innovation and transformation and upgrading to better cope with domestic and international market risks.

3, the risk of international trade friction

In terms of export markets, in recent years, the United States, the European Union and other countries have taken trade protection measures against truck and bus tire products produced in China, restricting the export of China's tires. International trade friction and trade barriers may have certain impact on the company's export business.

(E) Other

☐Applicable ☒Not applicable

Fourth, the company does not apply the provisions of the standard or state secrets, trade secrets and other special reasons, not disclosed in accordance with the standard and the reasons explained

☐Applicable ☒Not applicable

Section V Important Matters

I. Proposal of profit distribution of common stock or capital reserve transfer

(i) Establishment, implementation or adjustment of cash dividend policy

☒Applicable ☐Not applicable

The company has established a continuous, scientific, stable and transparent dividend policy and decision-making mechanism, and has clearly defined the criteria for dividend distribution and the ratio of dividend distribution.

Example: Except under special circumstances, the Company shall distribute dividends in cash if it is profitable for the year and the accumulated undistributed profits are positive. The accumulated profits distributed in cash in the last three years shall be at least 30% of the average annual profits available for distribution realized in the last three years. The Company implements its dividend policy in strict accordance with the relevant provisions of the Company Law, the Securities Law and the Articles of Association.

(ii) The Company's dividend distribution plan or proposal for ordinary shares, capital reserve conversion plan or proposal for the past three years (including the reporting period)

Unit: Yuan Currency: RMB

Divi den d year	Number of bonus shares per 10 shares (Unit)	Number of dividen ds per 10 shares (Yuan) (tax	Net shares transferr ed per 10 shares (shares)	Amount of cash dividends (tax included)	Net profit attributable to ordinary shareholders of the listed company in the consolidated statements of	Ratio of net profit attributable to common shareholde rs of listed companies in the consolidate
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(iii) Repurchase of shares by cash offer included in cash dividends☐Applicable ☒Not applicable

(d) If the parent company is profitable during the reporting period and has positive profit available for distribution to common shareholders, but has not proposed a proposal for distribution of cash profits from common shares, the company shall disclose in detail the reasons and the use and plan for the use of the undistributed profits

☐Applicable ☒Not applicable

II. Implementation of commitments

(i) Commitments of the Company's actual controller, shareholders, related parties, acquirers and the Company and other committed related parties in the reporting period or continuing into the reporting period

√Applicable <input type="checkbox"/> Not applicable								
Commitment Background	Type of commitment	Committed Parties	Commitment content	Commitment time and period	Whether there is a performance period	Is the timely and strict performance line	Failure to perform in a timely manner should indicate the specific reasons for not completing the performance	If not fulfilled in time should explain the next plan
Related to stock reform The commitment of								
Commitments made in the acquisition report or the report on changes in interests								
Related to major asset reorganization Commitment								
Related to Initial Public Offering Commitment								
Compared to refinancing Off the commitment								
with equity incentives Related								

			<p>If the rubber company is approved by the Board of Directors or approved by the approval authority, the rubber company will adopt appropriate ways to resolve the same business with Fengshen, including but not limited to entrusting Fengshen with the management of the relevant tire business or assets, selling the tire business or assets to an unrelated third party, etc. Industry competition.</p>					
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(ii) If the company's assets or projects have profitability forecasts and the reporting period is still in the profitability forecast period, the company provides an explanation on whether the assets or projects have met the original profitability forecast and the reasons for it

☐ Achieved ☐ Not achieved ☒ Not applicable

(iii) Completion of performance commitments and its impact on goodwill impairment testing

☐ Applicable ☒ Not applicable

III. Status of occupied funds and progress of settlement of arrears during the reporting period

☐ Applicable ☒ Not applicable

IV. Explanation of the "non-standard opinion audit report" of the accounting firm

☐ Applicable ☒ Not applicable

V. Explanation of the company's analysis of the causes and effects of changes in accounting policies, accounting estimates or corrections of significant accounting errors

(I) Explanation of the company's analysis of the reasons for and effects of changes in accounting policies and accounting estimates

☒ Applicable ☐ Not applicable

See "Section 10 Financial Reporting V. Significant Accounting Policies and Accounting Estimates".

(II) Explanation of the Company's analysis of the causes and effects of the correction of significant accounting errors

☐ Applicable ☒ Not applicable

(iii) Communication with the former accounting firm

☐ Applicable ☒ Not applicable

(iv) Other notes

☐ Applicable ☒ Not applicable

VI. Appointment and dismissal of accounting firm

Unit: Yuan Currency: RMB

	Now hiring
Name of domestic accounting firm	Lixin CPA (Special General Partnership)
Domestic Accounting Firm Compensation	900,000.00
Years of audit by domestic accounting firms	6

	Nam e	Com pens ation
Internal control audit accounting firm	Lixin CPA (Special General Partnership)	300,000.00

Statement of information on the appointment and dismissal of the accounting firm

☐Applicable ☒Not applicable

Information note on the change of accounting firm during the audit

☐Applicable ☒Not applicable

VII. Situation facing the risk of suspension of listing (a) Causes of suspension of listing

☐Applicable ☒Not applicable

(ii) Response measures to be taken by the Company

☐Applicable ☒Not applicable

VIII. Circumstances and reasons for termination of listing

☐Applicable ☒Not applicable

IX. Bankruptcy reorganization-related matters

☐Applicable ☒Not applicable

X. Significant litigation and arbitration matters

The Company has significant litigation and arbitration matters during the year.

XI. Penalties and rectification of listed companies, their directors, supervisors, senior management, controlling shareholders, actual controllers and acquirers

☐Applicable ☒Not applicable

XII. Description of the integrity of the company and its controlling shareholders and actual controllers during the reporting period

☒Applicable ☐Not applicable

During the reporting period, the company, its controlling shareholder and the actual controller were in good standing and did not fail to comply with the court ruling in force, or to comply with the judgment of the court.

A large amount of debt is due and unpaid, etc.

XIII. The situation of the Company's equity incentive plan, employee stock ownership plan or other employee incentive measures and their effects (a) The relevant incentive matters have been disclosed in the interim announcement and there is no progress or change in the subsequent implementation

☐Applicable ☒Not applicable

(II) Incentive situation not disclosed in the interim announcement or with

subsequent progress Equity incentive

situation

☐Applicable ☒Not applicable

Other notes

☐Applicable ☒Not applicable

Status of Employee Stock Purchase Plan

☐Applicable ☒Not applicable

Other Incentives

☐Applicable ☒Not applicable

XIV. Significant connected transactions**(i) Connected transactions related to daily operations****1. Matters that have been disclosed in the interim announcement and no progress or changes in subsequent implementation**

√Applicable □ Not applicable

Matter Overview	Query Index
<p>On April 2, 2018, the Twenty-ninth Session of the Sixth Board of Directors of the Company</p> <p>At the meeting, the Company considered and approved the "Estimation of the Company's daily operation in 2018</p> <p>Proposal on Connected Transactions" and submitted to the Company's 2017 Annual General Meeting</p> <p>The General Assembly considered the adoption.</p>	<p>The Company disclosed the relevant announcement on April 3, 2018 (Announcement No.: Pro 2018-029).</p>
<p>On April 13, 2018, the First Meeting of the Seventh Session of the Board of Directors of the Company considered and approved the Proposal on the Company's Acceptance of Products Commissioned by PROMETEAON TYRE GROUP S.R.L. and Related Transactions, and the Proposal on the Company's Acceptance of Products Commissioned by PIRELLI TYRE CO. Ltd and Related Transactions. This proposal is not required to be submitted to the shareholders' meeting for consideration and does not constitute a major asset re</p> <p>Group.</p>	<p>The Company disclosed the relevant announcement on April 14, 2018 (Announcement No.: Pro 2018-034).</p>
<p>On 12 June 2018, the following proposals were considered and approved at the fourth meeting of the seventh session of the Board of Directors of the Company: "Proposal on the Company's Acceptance of Products Entrusted by Tuopu Taty (Beijing) Company Limited and Related Transactions" and "Proposal on the Company's Acceptance of Products Entrusted by</p>	<p>The Company disclosed the relevant announcement on June 13, 2018 (Announcement No.: Pro 2018-044).</p>

2. Matters that have been disclosed in the interim announcement but have progress or changes in subsequent implementation

☐Applicable ☒Not applicable

3. Matters not disclosed in the provisional announcement

☐Applicable ☒Not applicable

(ii) Related transactions occurring in the acquisition or sale of assets or equity

1. Matters that have been disclosed in the interim announcement and no progress or changes in subsequent implementation

☒Applicable ☐ Not applicable

Matter Overview	Query Index
<p>1. On January 4, 2018, the Twenty-sixth Meeting of the Sixth Session of the Board of Directors of the Company considered and approved the Proposal on Termination of the Major Assets Reorganization and Withdrawal of Relevant Application Documents.</p> <p>The Company and the counterparties, TP Industrial Holding S.p.A., High Grade (HK) Investment Management Limited, Rubber Company and Qingdao Huanghai Group, entered into an agreement in April 2017.</p> <p>The Asset Injection Agreement was signed on December 12, 2017 and</p> <p>The Supplemental Agreement to the Asset Injection Agreement was signed on September 22. As of December 31, 2017, the transaction has not yet obtained the overseas investment filings from the Ministry of Commerce and the NDRC regarding the Company's acquisition of a total of 90% equity interest in PTG, and has not yet obtained approvals, inspections and/or filings from the relevant government agencies required for the transaction, such as the approval of the Ministry of Commerce for the cross-border share swap transaction, and the conditions precedent to the delivery of the Asset Injection Agreement have not been satisfied. The Asset Injection Agreement previously signed by the parties to the transaction was automatically terminated on December 31, 2017. As a result, the Company was unable to proceed and implement this material asset reorganization in accordance with the original</p>	<p>1. The Company disclosed the relevant announcement on January 4, 2018 (Announcement) (No.: Pro 2018-003);</p> <p>2. The Company disclosed the relevant announcement on January 22, 2018 (Public Report No.: Pro 2018-012).</p> <p>3. The Company disclosed the relevant announcement on January 24, 2018 (Public Report No.: Pro 2018-013).</p>

<p>It will be considered by the shareholders' meeting and will not constitute a major asset reorganization.</p>	
<p>On June 12, 2018, the fourth meeting of the seventh session of the Board of Directors of the Company The meeting considered and adopted the "Agreement on the Signing of the Equity Escrow Agreement and the The above proposal was submitted to the Company in 2017. Considered and approved by the Annual General Meeting of Shareholders.</p>	<p>The Company disclosed the relevant announcement on June 13, 2018 (Announcement Code (No.: Pro 2018-043).</p>
<p>On December 3, 2018, the Eleventh Meeting of the Seventh Board of Directors of the Company Three motions were considered and passed. 1. "About the Signing of "Equity and Debt Transfer Agreement" and Related Transaction Proposal on the transaction", agreed that the company and the Yellow Sea Group to sign the agreement on the Yellow Sea Limited Equity and Debt Transfer Agreement, the company will be its direct 100% of the equity interest in Huanghai Limited and as of June 2018 Assignment of the company's claims against Huanghai Limited to Huanghai Group on 30 June; 2. "Proposal on Signing the Equity Escrow Agreement and Related Transaction", agreeing to the signing of the equity escrow agreement between the Company and the Yellow Sea Group in relation to Yellow Sea Limited. The Equity Escrow Agreement, whereby the Yellow Sea Group transferred the Company's Yellow 100% of the equity of Hai Limited was entrusted to Fengshen for management; 3. "About the Signing of "Equity Escrow Termination Agreement" and Related Transaction Proposal", agreed that the company and the controlling shareholder China National Chemical Rubber Co. Ltd. signed the "Equity Escrow Termination Agreement" regarding Guilin Peili The Company has terminated the equity trust of Guilin Peili.</p>	<p>The Company disclosed the relevant announcement on December 4, 2018 (Announcement No. Pro 2018-063, Pro 2018-064, Pro 2018-065).</p>

2. Matters that have been disclosed in the interim announcement but have progress or changes in subsequent implementation

☐Applicable ☒Not applicable

3. Matters not disclosed in the provisional announcement

☐Applicable ☒Not applicable

4. If the performance agreement is involved, the performance achieved during the reporting period should be disclosed

☐Applicable ☒Not applicable

(iii) Significant connected transactions of joint foreign investments

1. Matters that have been disclosed in the interim announcement and no progress or changes in subsequent implementation

☐Applicable ☒Not applicable

2. Matters that have been disclosed in the interim announcement but have progress or changes in subsequent implementation

☐Applicable ☒Not applicable

3. Matters not disclosed in the provisional announcement

☐Applicable ☒Not applicable

(iv) Related debt transactions**1. Matters that have been disclosed in the interim announcement and no progress or changes in subsequent implementation**

□Applicable ✓Not applicable

2. Matters that have been disclosed in the interim announcement but have progress or changes in subsequent implementation

□Applicable ✓Not applicable

3. Matters not disclosed in the provisional announcement

□Applicable ✓Not applicable

(v) Other

□Applicable ✓Not applicable

XV. Significant contracts and their performance**(i) Trusteeship, contracting and leasing matters 1.**

✓Applicable □ Not applicable

Unit:Yuan Currency:RMB										
Entrusted party name	Trustee Name	Assets under custody	Amount involved in assets under custody	Escrow start date	Custody termination date	Custodial earnings	Basis for determining custodial earnings	Impact of custodial earnings on the company Loud	Whether related transactions	Affiliations
China Chemical Rubber Co.	Fengshen Tire Co.	Entrusted with the management of Guilin Peili Tire Co. Company	49,582.37	3,2018 15 January	12, 2018 3 March	67.59	Equity Escrow Agreement	Beneficial to the company's profit growth	Yes	Controlling Shareholders

Custody description

1. The custody period of Guilin Peili is from March 15, 2018 to December 3, 2018, and the custody fee is RMB 500,000/6 months.
2. The hosting fee of Tuopu Trade is RMB 0.8 million/month.
3. The escrow period of Yellow Sea Limited is from December 4, 2018 to October 31, 2019, and the escrow fee is RMB 500,000/6 months.
4. The termination date of escrow for Prometheon Tyre Group S.r.l. is the date of the termination event as agreed in the agreement.

2、Contracting status

□Applicable ✓Not applicable

3、Leasing situation

✓Applicable □ Not applicable

Unit: YuanCurrency:RMB										
Name of lessor	Leaseholder Name	Leased Assets	Amount involved in leased assets	Lease Start Date	Lease Termination Date	Lease income	Basis for determining	Impact of lease income on the	Is associated	Affiliations
					69 / 326					

Fengshen Tire Co.	Henan Tire Group Co.	House	50,068.92	2018 Year 1 January Day	2018 Year 12 31 Day	45,432.00	Lease contract and actual performance Situation	45,432.00	Yes	Company Shareholders
Fengshen Tire (Taiyuan) Co.	Shuangxi Tire Industry Co.	House	57,597,235.53	2018 Year 1 January Day	2018 Year 12 31 Day	6,630,300.00	Lease contract and actual performance Situation	6,630,300.00	Yes	Same ultimate controlling party

Lease description

During the reporting period, the Company's significant leasing business was mainly related parties.

(II) Guarantee situation

√Applicable □ Not applicable

Unit: Yuan

Currency: RMB

Company's external guarantees (excluding guarantees to subsidiaries)													
Guarantor	Relationship between the guarantor and the listed company Department	Secured party	Guarantee amount	Date of Guarantee (Agreement Signed Day)	Guarantee start date	Guarantee maturity date	Type of guarantee	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Amount of guarantee overdue	Existence of counter guarantee	Whether to guarantee for related parties	Affiliations
							70 / 326						

	Sea Group. Due to the continuation of the business conduct before the equity transfer, the outstanding bank acceptance exposure of RMB18 million of Huanghai Limited at the end of the reporting period was still guaranteed by the Company, and the funds of the acceptance exposure were repaid by Huanghai Limited on 26 January 2019 as scheduled. The company does not have joint and several liability for outstanding guarantees due The matter of.
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(iii) Delegation of cash asset management to others

1. Entrusted financial management

(1) Overall situation of entrusted wealth management

☐Applicable

☒Not

applicable to

other cases

☐Applicable

☒Not applicable

(2) Single entrusted financial situation

☐Applicable

☒Not

applicable to

other cases

☐Applicable

☒Not applicable

(3) Provision for impairment of entrusted properties

☐Applicable

☒Not applicable

2. Entrusted Loan Status

(1) Overall situation of entrusted loans

☐Applicable

☒Not

applicable to

other cases

☐Applicable

☒Not applicable

(2) Single entrusted loan situation

☐Applicable

☒Not

applicable to

other cases

☐Applicable

☒Not applicable

(3) Provision for impairment of entrusted loans

☐Applicable

☒Not applicable

3. Other situations

☐Applicable ☒Not applicable

(iv) Other major contracts

☒Applicable ☐Not applicable

On July 15, 2016, the Company's Second Extraordinary General Meeting of 2016 considered and approved the "Agreement on the Purchase and Sale of Assets by the Company Proposal constituting connected transaction", agreed that the Company and Pirelli entered into the Patent and Know-How Technology License and Technical Assistance Agreement, which agreed on matters relating to the patent and know-how license and technical assistance granted to the Company by Pirelli (Announcement No.: Pro 2016-059).

On January 17, 2019, based on the actual performance of the original agreement, the relevant provisions in the original agreement were amended after friendly consultation between the parties, and the 14th meeting of the 7th Board of Directors was held to consider and adopt the "Proposal to Enter into the <First Amendment to the Patent and Know-how License and Technical Assistance Agreement> and the <Technical Assistance Agreement> and Related Transaction" (Announcement No.: Pro 2019-007).

On January 29, 2019, the first extraordinary general meeting of the Company in 2019 considered and approved the above proposal (Announcement No.: Pro (2019-010)).

On February 11, 2019, the Company disclosed the Announcement on the Progress of Signing of Material Contracts, which has become effective (Announcement No.: Pro 2019-015).

XVI. Description of other significant matters

☐Applicable ☒Not applicable

XVII. Active fulfillment of social responsibility (I) Poverty alleviation work of listed companies

☒Applicable ☐ Not applicable

1. Precise Poverty Alleviation Planning

☒Applicable ☐ Not applicable

The company actively implements the overall deployment and work requirements of "precise poverty alleviation" in Jiaozuo City, and sets up a special precise poverty alleviation work

The working group, stationed in the village, investigated and understood the village situation and public opinion, and carried out the help work in an orderly manner. The working group, in accordance with the principle of "active participation, active action, try our best and do what we can", closely cooperated with the village "two committees", insisted on "precise identification, precise planning, precise help, precise poverty alleviation". The focus of assistance is on the poor households in the village, and the assistance measures are formulated according to each household and each person, so as to achieve precise assistance objects, precise use of funds, precise measures to households, and precise results in poverty alleviation.

2. Annual Summary of Precision Poverty Alleviation

☒Applicable ☐ Not applicable

In 2018, under the guidance of the Organization Department of the Jiaozuo Municipal Committee and the Municipal Poverty Alleviation and Development Office, and with the strong support of the Party Committee of the company, the village workers

The working group is centered on the four duties of the first secretary in the village: "building strong grass-roots organizations, promoting precise poverty alleviation, providing services for the people and improving governance", and carrying out village support work with the main line of "grasping party building and promoting poverty alleviation". Combining with the actual production and operation situation of the company, the working group in the village fully communicated with the village "two committees", combined with the actual situation, focusing on the work of poor households, detailed understanding of the family situation of poor households and the causes of poverty, targeted assistance. We allocate special funds to support the poverty-alleviation projects of poor households, pay insurance premiums for all poor households, and help them participate in micro-insurance, so that they can have more personal protection. Along with all measures to help the poor, we also do a lot of policy propaganda to poor households, encourage themselves to actively start their own businesses and employment, and help the poor while also helping their wisdom and will. According to the labor situation of poor households, we have solved the employment problem of 3 poor household members. While focusing on helping poor households, the working group also actively participated in the construction of "beautiful countryside" and carried out "Spring Festival Couplet Writing" and "Cleaning and Sanitation" activities. The company has completed the construction of supporting facilities in the village, such as the replacement of LED lighting on the village roads, the investment in irrigation facilities for farmland, and the purchase of additional vehicles to transport the village's garbage, which has greatly improved the production and living conditions of the people in the village and increased the satisfaction of the people in the village. During the period, the company visited the poor families for many times and carried out the "Winter

The activities include "Warm Sun, Precise Poverty Alleviation", Spring Festival Warmth Delivery, and "White Wall Lighting". Through the implementation of various poverty alleviation policies, the poverty incidence rate of the village where we are stationed will drop from 5.20% to 0.89%.

3. Effectiveness of precise poverty alleviation

√Applicable ☐ Not applicable

Indicators		Unit: Yuan Currency: RMB
Indicators		Number and status of implementation
I. General situation		
Of which: 1. Funds		21,850
2. Material discount		12,420
3. help the number of poor people out of poverty (people)		13
II. Sub-inputs		
Of which: 1.1 Amount of vocational skills training input		350
1.2 Number of vocational skills training (persons/session)		2
1.3 Number of poor households helped to achieve employment (people)		3
2. Relocation out of poverty		No relocation of poor households
Of which: 2.1 Number of relocated households helped to find employment (persons)		0
3. Education out of poverty		
Of which: 3.1 Amount of input to support poor students		1,500
3.2 Number of students in need of financial assistance (persons)		5
4. Underwriting protection		
Of which: 4.1 Amount of input to help the "three left-behind" people		4,000

4. Follow-up precise poverty alleviation plan

√Applicable ☐

Not applicable

The company will strictly follow the unified deployment and the latest requirements of Jiaozuo Municipal Government on "precise poverty alleviation" and increase the support to the village working group.

In addition to the support from the government, the government has also been working closely with the village cadres and the two committees of the village to strengthen the grassroots organization, promote the central work, provide services to the people and improve the level of governance. The "beautiful village" construction planning, the use of its unique natural resources and special products to make articles, strengthen its "blood-making function". We actively mobilize the company's various strengths and the community's love and support, and further implement the work plan of

precise poverty alleviation by implementing specific help measures such as pairing with poor households. At the same time, combined with the theme of education activities, to the municipal party committee "grasp party building to promote poverty alleviation" work requirements, to help the village party branch to do a good job in the ideological education of party members and cadres, give full play to the role of grass-roots party branches in the battle against poverty, the party members and cadres into the "fight against poverty "war" and "beautiful countryside" construction of the backbone of the force, to create favorable conditions for the work of precise poverty alleviation.

In 2019, the working group in the village will continue to consolidate the results of poverty eradication, make the remaining 1 household of 3 people who have not escaped from poverty a priority, analyze the problems, study countermeasures, clarify ideas, formulate a practical plan for poverty eradication and assistance, implement poverty alleviation policies, and continue to promote poverty eradication and attack, so as to ensure that the households that have escaped from poverty (3 households of 13 people) are stable and escape from poverty, and the households that have not escaped from poverty are smoothly removed from poverty.

(II) Social responsibility work

☒Applicable ☐Not applicable

The Company has disclosed its 2018 Annual Social Responsibility Report on April 13, 2019, the full text of which is available on the website of the Shanghai Stock Exchange www.sse.com.cn.

(C) environmental information situation

1. Description of environmental protection of the company and its significant subsidiaries that are key emission units announced by the environmental protection department

☒Applicable ☐ Not applicable

(1) Discharge information

☒Applicable ☐ Not applicable

Fengshen shares and its subsidiary Taiyuan base belong to the key emission units announced by the environmental protection department, the specific environmental protection situation is as follows:

1、Main pollutants and

characteristic pollutants

Wastewater: Chemical oxygen

demand, ammonia nitrogen,

PH

Exhaust gas: sulfur dioxide, nitrogen oxides, soot

2、Discharge method

(1) The production and living wastewater is treated by the company's water treatment system in accordance with the "Emission Standards for Rubber Products Industry Pollutants" (GB27632-2011), and then all the treated wastewater from the east plant is reused, while a part of the west plant is reused and the rest is discharged into the municipal sewage network for centralized disposal via the Jiaozuo Zhongzhan District Sewage Treatment Plant.

There are three 130-ton boilers (two for one) in the power supply department of the east plant of Jiaozuo Base, and the company has three sets of desulfurization, denitrification and dust removal facilities.

(2) Fengshen (Taiyuan) has built a sewage network, and all steam condensate is reused. Production and domestic wastewater is treated by the company's water treatment system, and

after it meets the standards in accordance with the "Emission Standards for Rubber Products Industry Pollutants" (GB27632-2011), the production wastewater is connected to the municipal network with domestic wastewater and enters the Qingxu County Wastewater Treatment Plant.

There are three gas boilers in the power plant, two 35T and one 20T. The boilers are fueled by gas and natural gas, and an online monitoring system for flue gas from elevated sources is installed at the stack vent to monitor the emission of various pollutants in real time, which is discharged at high altitude through the 60 m stack. The boiler exhaust gas is subject to the special emission limit of GB13271-2014 for boiler air pollutants.

(3) After filtering and precipitation, the production and domestic wastewater of subsidiary Huanghai Limited meets the emission standards of GB/T 31962-2015 Water Quality Standards for Sewage Discharge into Urban Sewers (GB/T 31962-2015) and Emission Standards for Pollutants in Rubber Products Industry (GB27632-2011), and enters the high-tech sewage treatment plant through the municipal sewage network. The boiler flue gas is discharged through 100m chimney through the process of desulfurization, denitrification and wet electric dedusting, which meets the standard of Shandong Province "Emission Standard for Boiler Air Pollutants" (DB/372374-2018) Table 2 Key Control Area; the process waste gas is discharged through VOCs treatment facilities, which meets the "Shandong Province Regional Comprehensive Emission Standard for Air Pollutants (DB37/2376-2013), "Emission Standards for Rubber Products Industry Pollutants" (GB27632-2011) to meet the standard emissions.

During the reporting period, the company's major pollutants and characteristic pollutants all met the emission standards and did not exceed the emission standards.

(2) Construction and operation of anti-pollution facilities

√Applicable ☐ Not applicable

- 1) There is one set of wastewater treatment system in each of the east and west plants of the Jiaozuo site, with a treatment capacity of 12,000t/d and 1,200t/d respectively.

There are three 130-ton boilers in the power supply department of the east plant (two for one), with three sets of supporting desulfurization, denitrification and dust removal facilities.

- 2) Fengshen (Taiyuan) has built a wastewater treatment system with a capacity of 100t/h.
- 3) Huanghai Limited has three 35-ton boilers (two for one), with three sets of desulfurization and denitrification facilities and one set of dust removal facilities; production process

The exhaust gas is equipped with 13 sets of VOC control facilities.

(3) Environmental impact assessment of construction projects and other administrative permits for environmental protection

√Applicable ☐ Not applicable

On July 20, 2018, Jiaozuo City Environmental Protection Bureau approved the Environmental Impact Report of Engineering Radial Tire Technical Reform Project (Jiaohuan Review [2018] No. 19).

(4) Emergency response plan for sudden environmental events

√Applicable ☐ Not applicable

- 1) The Jiaozuo Base has formulated the Emergency Response Plan for Environmental Emergencies and completed filing with the Jiaozuo Environmental Protection Bureau;
- 2) Fengshen (Taiyuan) has formulated the Emergency Response Plan for Environmental Emergencies and the Emergency Response Plan for Heavy Pollution Weather, and completed filing with the Qingxu County Environmental Protection Bureau;
- 3) Huanghai Limited has formulated the "Emergency Response Plan for Environmental Incidents" and completed the record in Qingdao Chengyang District Environmental Protection Bureau.

(5) Environmental self-monitoring program

√Applicable ☐ Not applicable

The Jiaozuo base prepared a daily monitoring program for 2018 and commissioned Jiaozuo Hesheng Environmental Testing Technology Co.

Daily monitoring, monitoring records are uploaded to the environmental information management system for enterprises and institutions in Henan Province as required;

Fengshen (Taiyuan) prepared a daily environmental monitoring program for 2018 and commissioned a third-party environmental testing company, Shanxi Meijin Environmental Consulting Co., Ltd. to conduct daily environmental testing in accordance with the monitoring program in accordance with the requirements of the environmental protection department, and the

monitoring result reports were submitted to the Qingxu County Environmental Protection Bureau and Taiyuan City Environmental Monitoring Center, respectively.

(6) Other environmental information that should be disclosed

√Applicable ☐ Not applicable

The company's environmental protection information is disclosed on the environmental protection information disclosure website of each city.

2. Description of environmental protection of companies other than key emission units

☐Applicable ☒Not applicable

3. Explanation of the reasons for non-disclosure of environmental information by companies other than key emission units

☐Applicable ☒Not applicable

4. Description of subsequent progress or changes in the content of environmental information disclosed during the reporting period

☐Applicable ☒Not applicable

(IV) Other notes

☐Applicable ☒Not applicable

XVIII. Status of convertible bonds**(i) Issuance of convertible bonds**

☐Applicable ☒Not applicable

(II) Holders of convertible bonds and guarantors in the reporting period

☐Applicable ☒Not applicable

(iii) Changes in convertible bonds during the reporting period

☐Applicable ☒Not applicable

Cumulative conversion of convertible bonds during the reporting period

☐Applicable ☒Not applicable

(iv) Successive adjustments of the conversion price

☐Applicable ☒Not applicable

(v) The company's indebtedness, changes in creditworthiness and cash arrangements for debt repayment in future years

☐Applicable ☒Not applicable

(vi) Other information on the convertible bonds

☐Applicable ☒Not applicable

Section 6. Changes in ordinary shares and shareholders**I. Changes in ordinary share capital****(i) Statement of changes in ordinary shares 1.**

During the reporting period, there was no change in the total number of ordinary shares and the share capital structure of the Company.

2. Description of changes in ordinary shares

☐Applicable ☒Not applicable

3. Effect of changes in ordinary shares on financial indicators such as earnings per share and net assets per share for the most recent year and the most recent period (if any)

☐Applicable ☒Not applicable

4. Other content that the company considers necessary or that the securities regulator requires to be disclosed

☒Applicable ☐Not applicable

The Company held the thirteenth meeting of the seventh session of the Board of Directors and the seventh session of the Board of Directors on January 11, 2019 and February 1, 2019.

At the 15th meeting of the Board, the "Proposal on the Proposal to Repurchase Shares by Centralized Competitive Trading" and the "Proposal to Amend the <Proposal of the Company to

Repurchase Shares by Centralized Competitive Trading>" were considered and approved, and the "Report on the Repurchase of Shares by Centralized Competitive Trading" (Announcement No.: Pro 2019-002, 013) was disclosed on February 2, 2019.

On February 18, 2019, the Company implemented its first share sale through the trading system of the Shanghai Stock Exchange by means of centralized competitive trading.

Repurchase, and disclosed the Announcement on the First Repurchase of Shares by Centralized Competitive Trading (Announcement No.: Pro 2019-016) on February 19, 2019.

On February 28, 2019, the cumulative proportion of repurchased shares reached 1% of the total share capital of the Company and on March 2, 2019, the Company disclosed the Announcement on the Proportion of Repurchased Shares Reaching 1% by Centralized Competitive Trading and the Progress of Repurchase (Announcement No.: Pro 2019-017).

As of March 31, 2019, the cumulative number of shares repurchased by the Company was 6,938,326 shares, accounting for 1.23% of the total share capital of the Company.

The highest price traded was NT\$4.49 per share and the lowest price traded was NT\$4.22 per share, and the total amount paid was NT\$30,670,240.92 (excluding transaction fees).

(ii) Changes in restricted shares

☐Applicable ☒Not applicable

II. Securities Issuance and Listing

(I) Securities issuance up to the reporting period

☐Applicable ☒Not applicable

Description of securities issuance as of the reporting period (for bonds with different interest rates during the duration, please describe them separately):

☐Applicable ☒Not applicable

(ii) Changes in the total number of shares of the Company's common stock and the structure of shareholders and changes in the structure of the Company's assets and liabilities

☐Applicable ☒Not applicable

(iii) Status of existing internal employee shares

☐Applicable ☒Not applicable

III. Shareholders and actual controllers

(i) Total number of shareholders

Total number of common shareholders as of the end of the reporting period (households)	25,512
Total number of common shareholders (households) as of the end of the previous month prior to the date of disclosure of the annual report	25,971
Total number of preferred shareholders whose voting rights were restored as of the end of the reporting period (households)	0
Total number of shareholders of preferred shares whose voting rights were restored at the end of the previous month before the disclosure date of the annual report (households)	0

(2) Shareholdings of the top ten shareholders and the top ten outstanding shareholders (or shareholders with unlimited selling conditions) as of the end of the reporting period

Unit:Unit

Shareholdings of top ten shareholders							
Shareholder Name (Full name)	Increase or decrease during the reporting period	Number of shares held at the end of the period	Proportion (%)	Hold Limited Sale of conditional shares	Pledges or freezes		Nature of Shareholder
					Share Status	Quantity	
		83 / 326					

Hu Meishun	2,038,750	2,038,750	0.36		Unknown		Domestic natural persons
Xu Yuefei	2,025,600	2,025,600	0.36		Unknown		Domestic natural persons
Shareholdings of the top ten shareholders with unlimited sales conditions							
Shareholder Name	Number of shares held in circulation with unlimited selling conditions	Type and number of shares					
		Category	Quantity				
China Chemical Rubber Co.	250,711,574	RMB Ordinary Shares	250,711,574				
Henan Tire Group Co.	21,926,638	RMB Ordinary Shares	21,926,638				
Beijing Servcorp Changli Investment Fund Management Center (Limited Partnership)	11,047,120	RMB Ordinary Shares	11,047,120				
Jiaozuo Tongliang Asset Management Co.	9,009,631	RMB Ordinary Shares	9,009,631				
Tang Liping	4,247,150	RMB Ordinary Shares	4,247,150				
Xiamen Seawing International Trade Co.	4,140,000	RMB Ordinary Shares	4,140,000				
Zhao Yan	2,723,966	RMB Ordinary Shares	2,723,966				
Jiaozuo City State-owned Development Investment Co.	2,300,000	RMB Ordinary Shares	2,300,000				
Hu Meishun	2,038,750	RMB Ordinary Shares	2,038,750				
Xu Yuefei	2,025,600	RMB Ordinary Shares	2,025,600				
Description of the above shareholders' affiliation or concerted action	Among the above shareholders, to the extent of the Company's knowledge, the shareholders are not related to each other or Concerted action relationship.						
Description of preferred stockholders whose voting rights have been restored and the number of shares held							

Number of shares held by the top ten shareholders with limited selling conditions and conditions of sale

☐Applicable ☒Not applicable

(iii) Strategic investors or general corporations become the top 10 shareholders as a result of the placement of new shares

☐Applicable ☒Not applicable

IV. Controlling shareholders and actual controllers

(i) Controlling Shareholders

1 Legal person

☒Applicable ☐ Not applicable

Name	China Chemical Rubber Co.
The person in charge of the unit or the legal representative	Bai Xinping
Date of Establishment	May 31, 1988
	Research, production and sales of new chemical materials and related raw materials (except dangerous chemicals), tires, rubber products and latex products; development, design, production and sales of rubber and chemical

2 Natural Persons

☐Applicable ☒Not applicable

3 Special Note on the Absence of Controlling Shareholders of the Company

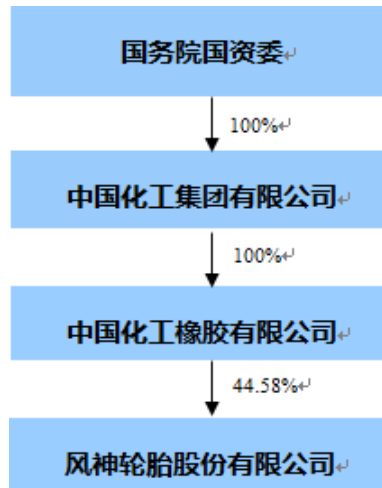
☐Applicable ☒Not applicable

4 Index and date of change in controlling shareholders during the reporting period

□Applicable ✓Not applicable

5 Block diagram of the ownership and control relationship between the Company and the controlling shareholder

✓Applicable □Not applicable

**(II) Actual control person****1 Legal person**

✓Applicable □ Not applicable

Name	China National Chemical Corporation
The person in charge of the unit or the legal representative	Ning Gaoning
Date of Establishment	April 22, 2004
Main Businesses	Chemical raw materials, chemical products, chemical minerals, fertilizers, pesticide operations (except chemically hazardous substances), plastics, tires, rubber products, film equipment, chemical equipment production and sales; mechanical products, electronic products, instruments, building materials, textiles, light industrial products, forest products, forestry and chemical products production and sales; chemical equipment, chemical cleaning, corrosion, petrochemical, water treatment technology research, development, and design and construction; technical consulting, information services, equipment (The above products do not contain dangerous chemicals); rent office space. (Enterprises choose their own business projects in accordance with the law, to carry out business activities; projects subject to approval by the relevant departments to carry out business activities in accordance with the approved content; shall not engage in this (The city's industrial policy prohibits and restricts the business activities of the project.)
	Holding of domestic listed companies:

	Holdings in foreign listed companies: Pirelli & C. S.p.A. (Milan-listed): 45.52% ELKEM ASA (listed in Oslo, Norway): 58.20%
Other Fact Sheets	

2 Natural Persons

☐ Applicable ☒ Not applicable

3 Special Note on the Absence of the Company's Effective Control Person

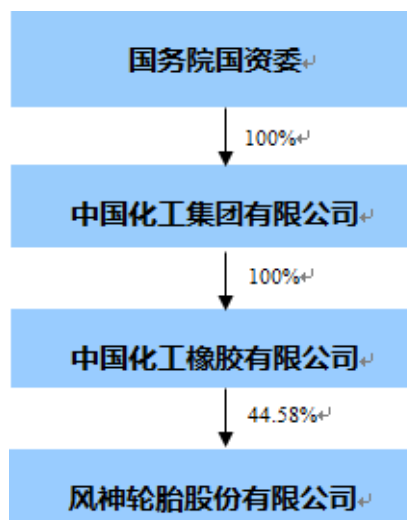
☐ Applicable ☒ Not applicable

4 Index and date of change of beneficial owner during the reporting period

☐ Applicable ☒ Not applicable

5 Block diagram of the ownership and control relationship between the company and the actual controller

☒ Applicable ☐ Not applicable



6 Control of the company by the beneficial owner through trust or other asset management

☐ Applicable ☒ Not applicable

(III) Other information on controlling shareholders and actual controllers

☒ Applicable ☐ Not applicable

The controlling shareholder of the company is China National Chemical Rubber Corporation and the actual controller is China National Chemical Corporation. China National Chemical Corporation is a large state-owned chemical enterprise established on the basis of enterprises belonging to the former Ministry of Chemical Industry and is subordinate to the State-owned Assets Supervision and Administration Commission of the State Council.

V. Other corporate shareholders holding more than ten percent of the shares

☐ Applicable ☒ Not applicable

VI. Description of share restriction reduction

☐Applicable ☒Not applicable

Section VII Preferred Stock Related Information

☐Applicable ☒Not applicable

Section 8 Directors, Supervisors, Senior Management and Employees

I. Changes in shareholdings and compensation

(i) Changes in shareholdings and remuneration of current and outgoing directors, supervisors and senior management during the reporting period

√/Applicable □ Not applicable

Unit: Unit											
Nam e	Position(Note)	Gen der	Age	Term Start Date	Term Expira tion Date	Numb er of share s held at the begin ning of the year	Numb er of share s held at the end of the year	Increase or decrease in shares during the year	Reaso ns for chang e	Total pre-tax compensatio n received from the company during the reporting period (million) (\$)	Whether or not to receive compensati on from a related party in the company
Wang Feng	Chairman, Secretary of the Party Committee, General Manager, Chief Chairman Executive Officer	Male	54	2018-04-13	2022-04-12					162	No
Jiao Chonggao	Directors	Male	50	2018-04-13	2022-04-12						Yes
Yuan Liang	Director, Chief Financial Officer	Male	35	2018-04-13	2022-04-12					75	No
Jiao Mengyuan	Directors	Male	56	2018-11-29	2022-04-12					0.9	Yes
Xue Shuang	Independent Directors	Femal e	48	2018-04-13	2022-04-12					9.5	No
Yang Yichuan	Independent	Male	67	2018-04-13	2022-04-12					9.5	No

Wang Jianjun	Vice President of Jiaozuo Branch of Fengshen Tire Co. Science	Male	41	2019-03-30	2022-04-12					24	No
Zhao Jianyong	Executive Director, General Manager, Secretary of the Party Committee, and Chief Executive Officer of Fengshen Tire (Taiyuan) Co, Trade Union President	Male	57	2019-03-30	2022-04-12					11	No
Bai Xinping (outgoing)	President	Male	51	2018-04-13	2019-01-17						Yes
Zhang Lihua (outgoing)	Directors	Male	52	2014-12-12	2018-03-15					50	No
Zheng Yuli (outgoing)	Directors	Male	63	2018-04-13	2018-11-13					0.4	Yes
Fan Xiaohua (outgoing)	Independent Directors	Female	45	2016-05-26	2018-04-13					3.1	No
Ma Baoqun (outgoing)	Supervisors	Male	59	2014-12-12	2018-04-13						No
Qi Fucui (outgoing)	Supervisors	Male	61	2018-04-13	2019-03-29					11	No

Giovanni Giuseppe Maria Pomati (Outgoing)	General Manager	Male	55	2016-10-26	2018-03-15					69	No
Paolo Benea (Outgoing)	Vice President	Male	61	2018-04-13	2018-12-22					170	No
Sun Liang (outgoing)	Chief Financial Officer	Male	50	2017-11-04	2018-03-17					24	No
Total	/	/	/	/	/				/	955	/

Name	Main work experience
Wang Feng	Mr. Wang Feng , aged 54, is a member of the CPC, a master of business administration, and a professor-level senior engineer. He is the Chairman of the Board of Directors, Secretary of the Party Committee, General Manager and Chief Executive Officer of the Company. He is entitled to the special allowance of the State Government, the representative of the 12th National People's Congress, the representative of the 10th and 11th People's Congress of Jiaozuo City, and the member of the 10th CPC Committee of Jiaozuo City. Director and Deputy Secretary of the Party Committee of China National Chemical Rubber Corporation. He was the chairman of the board, secretary of the party committee, general manager of the Company, director of the first, second, third, fourth, fifth and sixth sessions of the Board of Directors of the Company, senior strategic advisor of Pirelli Tyre Company, Pirelli Industrial Tire Chief Integration Management Officer of the company.
Jiao Chonggao	Mr. Jiao Chonggao , aged 50, a member of the Communist Party of China, holds a bachelor's degree and is a senior accountant. Director of the Company. He is currently the Chief Accountant of China National Chemical & Rubber Corporation. Previously, he served as Finance Director of China National Chemical & Rubber Corporation.

	Director of Qingdao Huanghai Rubber Co.
Yuan Liang	Mr. Yuan Liang , aged 35, a member of the Communist Party, is a director and the chief financial officer of the Company. He is a Certified Public Accountant in China, a Chartered Professional Accountant in Canada and a Certified Public Accountant in Australia. Previously, he served as PricewaterhouseCoopers Zhongtian Accounting Ltd. and was also the treasurer of the finance department of China National Chemical Corporation.
Jiao Mengyuan	Mr. Jiao Mengyuan , aged 56, is a member of the CPC, a master's degree holder, an accountant and a director of the Company. He is currently the chairman, party secretary and general manager of Henan Tire Group Co. Director of Small and Medium Enterprise Guarantee Investment Co.
Xue Shuang	Ms. Xue Shuang , aged 48, is a member of the Communist Party of China, a doctor of accounting, a professor and an independent director of the Company. She is a professor of the School of Accounting of Shanghai University of Finance and Economics.
Yang Yichuan	Mr. Yang Yichuan , aged 67, a member of the Communist Party of China, with a college degree and a senior economist, is an independent director of the Company. He has served as a director, president and deputy secretary of Guangxi Liugong Group Co.
Wu Chunqi	Mr. Wu Chunqi , aged 48, a member of the CPC, holds a doctorate in law and a post-doctorate in land management from Renmin University of China, and is an independent director of the Company. He is currently the Director General of Beijing City College Zhongsheng Think Tank and the President and Professor of China Institute of Real Estate (Natural Resources) Registration. He is also the Secretary General of China Real Estate (Natural Resources) Registration Collaborative Innovation Center, and the Research Center of Land Policy and System of Renmin University of China. Deputy Director, Vice President of Beijing Urban Management Society, Vice President of Shandong Land Law Research Society.
Wang Renjun	Mr. Wang Renjun , aged 57, CPC member, bachelor degree, engineer, chairman of the supervisory committee, deputy secretary of the party committee, secretary of the discipline inspection committee and chairman of the labor union of the Company. He has served as deputy technical director of Henan Tire Co., Ltd. molding branch plant, deputy director of inner tube branch plant, deputy director of enterprise management department, director of agricultural tire branch plant, director of agricultural tire branch plant of Fengshen Tire Co., Ltd. human resources and enterprise management Head of the Department, Head of the Organization Department of the Party Committee and Head of the Human Resources Department.
Qi Chunyu	Mr. Qi Chunyu , aged 43, is a member of the Communist Party of China, with a postgraduate degree and a supervisor of the Company. He is currently the deputy general counsel and lawyer of the supervisory department of China National Chemical Rubber Corporation. He was the General Counsel of China Chemical New Materials Lawyer of the Corporate Management Division of the Company and Sinochem General Institute of Chemical Science and Technology, Lawyer of the Asset Operation Department and Supervisory Department of China National New Chemical Materials Corporation, and Assistant to the Director of Liaoyuan Plant.
Original Leiying	Mr. Yuan Leiying , aged 45, is a member of the Communist Party of China, with postgraduate education, senior economist and supervisor of the Company. Now he is the executive director and general manager of Jiaozuo City State-owned Development Investment Co. Director and member of the General Branch of Industrial Investment Group Co.
Xu	Mr. Xu Qingbin , aged 41, with a bachelor's degree, is a supervisor of the Company and the head of Manufacturing Department II of the

Qingbin	Company.
Qi Rong	Ms. Qi Rong , aged 49, a member of the Communist Party of China, bachelor's degree, accountant, supervisor and head of the audit department of the Company. She has served as the deputy head and head of the Finance Department of the Company.
Zhang Xiaoxin	Mr. Zhang Xiaoxin , aged 55, is a member of the Communist Party of China, has a postgraduate degree, a professor-level senior engineer, and is the vice president of the Company. He has been the deputy director and director of the power branch of Henan Tire Factory, and the production department of the Company. Vice Minister, Minister, Assistant General Manager, Vice General Manager, Chairman of Labor Union, Chairman of Supervisory Board, General Manager.
Paolo Ghirga	Mr. Paolo Ghirga , 52 years old, PhD, Technical Director of our company. He was previously Global Quality Director for Pirelli Industrial Tires and Quality Director for Pirelli Asia Pacific.
Shin Yusheng	Mr. Shen Yusheng , aged 57, a member of the CPC, holds a bachelor's degree, is a professor-level senior engineer, and is the deputy general manager of the Company. He has served as the deputy director of Henan Tire Factory's technical research department and deputy director of the project office; the Company's enterprise Director of Industry Development Department, Deputy Chief Engineer, Assistant General Manager, Deputy General Manager.
Liu Xinjun	Mr. Liu Xinjun , aged 41, a member of the CPC, holds a bachelor's degree in management, a senior international financial manager, secretary of the Board of Directors and deputy chief financial officer of the Company. Previously worked at Goodpoints Chengshan (Shandong) Ltd. and Zhengzhou Yutong Bus Co.
Wang Jianjun	Mr. Wang Jianjun , aged 41, a member of the CPC and a master's student, is currently the deputy general manager of Jiaozuo Branch of Fengshen Tire Co. He was the head of our manufacturing department, head of human resources department, and Head of Safety and Environmental Protection Department.
Zhao Jianyong	Mr. Zhao Jianyong , aged 57, a member of the CPC, with a bachelor's degree, is the executive director, general manager, secretary of the party committee and chairman of the labor union of Fengshen Tire (Taiyuan) Co.

Other information notes

☐Applicable ☒Not applicable**(ii) Equity incentives granted to directors and senior management during the reporting period**☐Applicable ☒Not applicable**II. Current and outgoing directors, supervisors and senior management during the reporting period****(i) Employment with shareholders**☒Applicable ☐ Not applicable

Name of the incumbent	Name of shareholder unit	Positions held in shareholder units	Term Start Date	Term Expiration Date
Wang Feng	China Chemical Rubber Co.	Director, Deputy Secretary of the Party Committee	December 2011	
Jiao Chonggao	China Chemical Rubber Co.	Chief Accountant	December 2011	
Jiao Mengyuan	Henan Tire Group Co.	Secretary of the Party Committee, Chairman of the Board, General Manager	August 2018	
Qi Chunyu	China Chemical Rubber Co.	Deputy General Counsel	July 2009	
Original Leiqing	Jiaozuo City State-owned Development Investment Co.	Executive Director, General Manager	December 2017	

(II) serving in other units☒Applicable ☐ Not applicable

Name of the incumbent	Name of other units	Positions held in other units	Term Start Date	Term Expiration Date
Xue Shuang	Shanghai University of Finance and Economics	Professor, School of Accounting	July 2011	
Xue Shuang	Shanghai Zijiang Enterprise Group Co.	Independent Directors	May 2014	
Xue Shuang	Jiangsu Hengrui Pharmaceutical Co.	Independent Directors	May 2015	
Yang Yichuan	Fujian Longxi Bearing (Group) Co.	Independent Directors	March 2018	
Qi Chunyu	China Auto Bearing (Group) Corporation	Deputy General Counsel	July 2009	

III. Remuneration of directors, supervisors and senior management

√Applicable □ Not applicable

Decision-making procedures for compensation of directors, supervisors and senior management	The compensation of directors shall be set by the Compensation and Evaluation Committee of the Board of Directors of the Company and approved by the General Meeting of Shareholders of the Company; the compensation of senior management shall be set by the Company. It is formulated by the Remuneration and Evaluation Committee of the Board of Directors and approved by the Board of Directors of the Company.
The basis for determining the compensation of directors, supervisors and senior management	The remuneration incentive and restraint mechanism for directors and executives of the Company and the implementation rules of performance appraisal for executives of the Company.

IV. Changes in directors, supervisors and senior management of the Company

√Applicable □ Not applicable

Name	Positions held	Change situation	Reason for change
Wang Feng	Chairman, Party Secretary, General Manager, Chief Executive Officer	Elections	
Jiao Chonggao	Directors	Elections	
Yuan Liang	Director, Chief Financial Officer	Elections	
Jiao Mengyuan	Directors	Elections	
Xue Shuang	Independent Directors	Elections	
Yang Yichuan	Independent Directors	Elections	
Wu Chunqi	Independent Directors	Elections	
Wang Renjun	Chairman of the Supervisory Board, Deputy Secretary of the Party Committee, Secretary of the Discipline Inspection Committee, Chairman of the Labor Union	Elections	
Qi Chunyu	Supervisors	Elections	
Original Leiqing	Supervisors	Elections	
Xu Qingbin	Supervisors	Elections	
Qi Rong	Supervisors	Elections	

Zhao Jianyong	Executive Director, General Manager, Fengshen Tire (Taiyuan) Co, Secretary of the Party Committee and Chairman of the Labor Union	Appointm ents	
Bai Xinping	President	Outgoing	
Zhang Lihua	Directors	Outgoing	
Zheng Yuli	Directors	Outgoing	
Fan Xiaohua	Independent Directors	Outgoing	
Ma Baoqun	Supervisors	Outgoing	
Qifucai	Supervisors	Outgoing	
Giovanni Giuseppe Maria Pomati	General Manager	Outgoing	
Paolo Benea	Vice President	Outgoing	
Sun Liang	Chief Financial Officer	Outgoing	

V. Description of the penalties imposed by securities regulators in the past three years

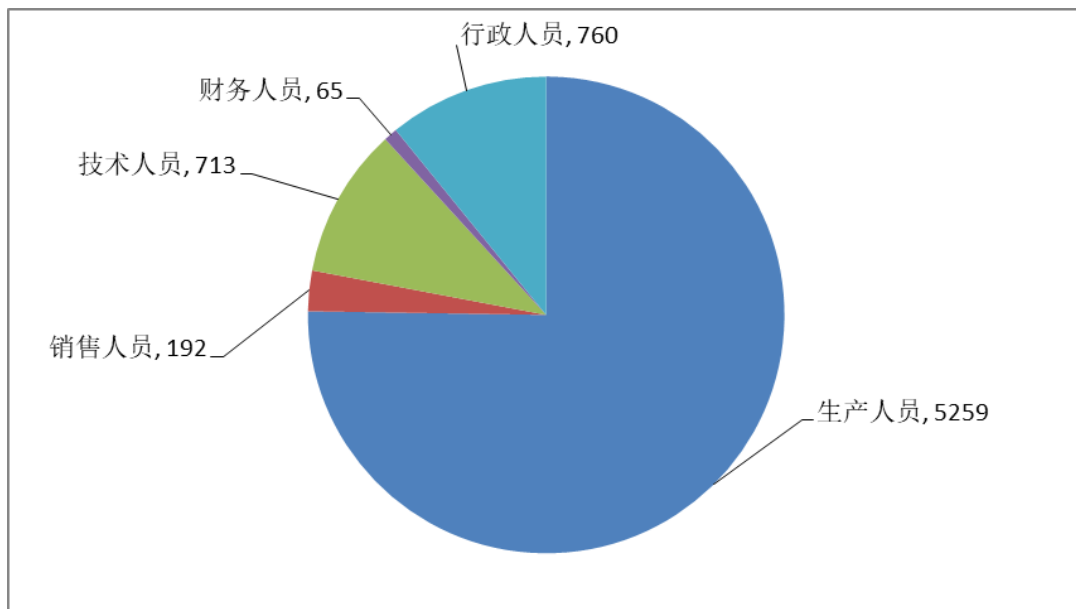
☐Applicable ☒Not applicable

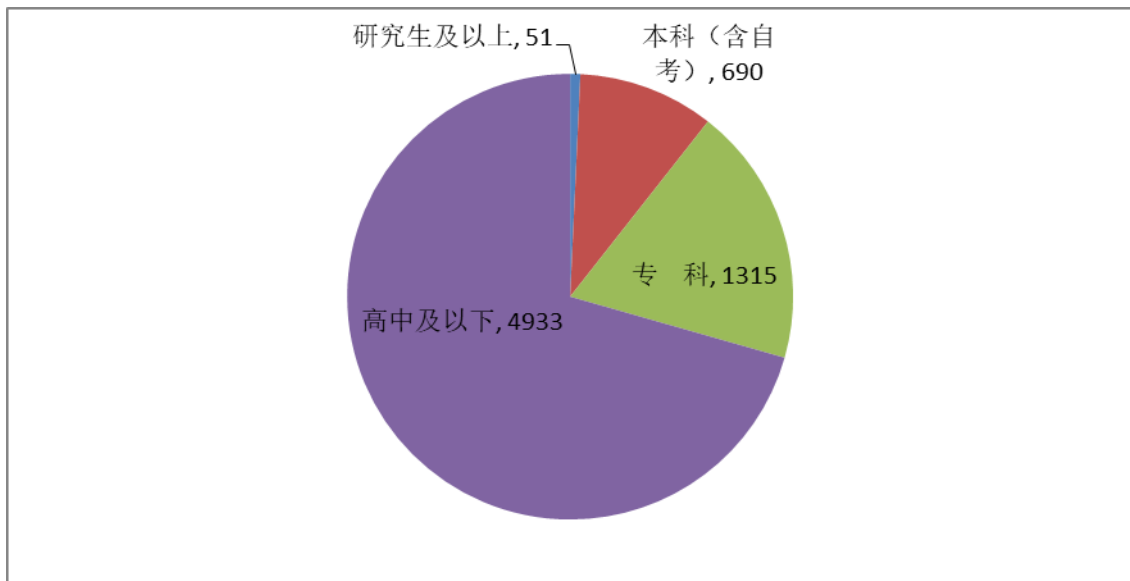
VI. Employees of the parent company and major subsidiaries

(i) Employee profile

Number of active employees of the parent company	5,610
Number of active employees of major subsidiaries	1,379
Total number of active employees	6,989
Number of retired employees of the parent company and major subsidiaries required to bear expenses	1,827
Professional Composition	
Professional composition categories	Number of professional composition
Production staff	5,259
Sales Staff	192
Technical Staff	713
Finance Staff	65
Administrative staff	760
Total	6,989
Education level	
Education level category	Number (people)
Graduate student and above	51
Bachelor's degree (including self-study)	690
Specialty	1,315
High School and below	4,933
Total	6,989

Statistical chart of professional composition



Educational attainment statistics chart**(ii) Remuneration Policy**

√Applicable □Not applicable

During the reporting period, the remuneration policy implemented by the parent company for general employees was based on the Remuneration Management System of Fengshen Tire Co,

The Notice on the Implementation of the Company's Remuneration Adjustment Program; the remuneration of directors is implemented in accordance with the Rules for the Implementation of the Remuneration Incentive and Restraint Mechanism for Directors of Fengshen Tire Company Limited; the remuneration of senior management is implemented in accordance with the Rules for the Implementation of the Remuneration Incentive and Restraint Mechanism for Senior Management. The personal salary of the management staff is combined with the performance indicators of the post to calculate the performance salary, and the salary calculation of the production line staff is mainly based on the staff output, quality and the completion of work tasks; at the same time, supporting the implementation of incentive policies such as subject and achievement awards, gold and silver staff allowances, quarterly funds for quality and quarterly awards for cost reduction and efficiency improvement to encourage staff to complete their work tasks with higher quality and efficiency.

During the reporting period, the salary of personnel of the subsidiary Fengshen (Taiyuan) was implemented according to the 2018 salary system. The salary calculation of production line staff was mainly based on the staff's output, quality and the completion of work tasks. According to the general arrangement of the company's salary adjustment, the performance appraisal program was implemented and the company's special bonus for quality was improved throughout the year, which played a positive role in stabilizing process control and improving product quality for the company.

(iii) Training Program

√Applicable □Not applicable

During the reporting period, Fengshen organized a total of 1336 training sessions, including 122 sessions at the company level and 1214 sessions at the department level.

The total number of training hours reached 107,000, and the number of hours per person reached 18.7.

The following training programs were highlighted in 2018:

1. To improve the English communication skills of managers and professional and technical staff, Beijing Branch has continuously conducted English training;

2, in order to enhance the company's equipment management capabilities, invited Zhengzhou Toptron Education Technology Co., Ltd. teachers to conduct equipment preventive maintenance and independent preservation capacity enhancement training, a total of more than 150 people attended the training;

3. 2018 Six Sigma Black Belt and Green Belt training was carried out jointly with China National Chemical Corporation, and more than 60 employees from various bases attended the training;

4、Organize nearly one hundred engineers and technicians to participate in continuing education training, and complete the training hours requirements for public and professional subjects for continuing education.

5. All participants of the eighth distance training for team leaders of central enterprises passed the final examination, and 19 people were organized to participate in the ninth distance training for team leaders, and all of them completed the basic course;

6、In order to strengthen the technical exchange and cooperation with Pirelli, the company organizes R&D technicians in batches to participate in exchange training abroad for a period of 10 to 45 days.

7、In order to standardize the production standardization operation of the company's front-line staff, through a combination of theoretical learning and practical operation, the SOP training has been continuously organized for front-line staff of key key positions, which has effectively enhanced the standardization operation level of the staff and laid a solid foundation for further improvement of the company's product quality.

During the reporting period, the subsidiary Fengshen Tire (Taiyuan) Co., Ltd. focused on a number of training programs including safety, firefighting, process procedures, standard operation method and K3 system, with more than 8,000 hours of training throughout the year, while the Industrial Engineering Department deployed professional trainers to improve the business ability of all staff.

In 2019, the company will continue to carry out training in conjunction with the staff training demand survey; further strengthen training control, improve the business level of training managers in each unit, and improve the training completion rate and training effect; continue to optimize the internal lecturer team, continue to grade internal lecturers and provide incentives; actively carry out functional business training, solidly promote the construction of a learning team, organize and carry out safety and fire training, key We will continue to optimize the internal lecturer team, continue to grade internal lecturers and provide incentives; actively carry out functional business training, solidly promote the construction of a learning team, organize safety and fire training, training on energy-saving techniques and methods for key energy-consuming positions and training for new employees, job skills training and other vocational training.

(iv) Outsourcing of labor services

☒ Applicable ☐ Not applicable

Total number of hours worked for labor outsourcing	2455,024 hours
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VII. Others

☐Applicable ☒Not applicable

Section 9 Corporate Governance**I. Corporate governance-related information note**

☒Applicable ☐ Not applicable

In strict accordance with the requirements of the Company Law, the Securities Law, the Code of Governance for Listed Companies and the documents on corporate governance issued by the CSRC and the Shanghai Stock Exchange, the Company has continuously improved its corporate governance structure, standardized its operations, strengthened its internal management, enhanced its information disclosure and established a more complete corporate governance structure and corporate governance system.

1. Regarding shareholders and shareholders' meetings:

The Company implements the convening, convening and proceedings of shareholders' meetings in accordance with the requirements of the Opinions on the Regulation of Shareholders' Meetings of Listed Companies, the Rules of Procedure of Shareholders' Meetings and the Articles of Association of the Company. It has established a corporate governance structure that can ensure the full exercise of the laws, administrative regulations and legal rights of all shareholders, treat all shareholders equally, and ensure that shareholders can fully exercise their rights and protect their legitimate rights and interests.

2. Regarding the controlling shareholder and the listed company:

The Company and the controlling shareholder are clearly distinguished in terms of assets, finance, institutions and business management, each of which is independently accounted for and independently responsible for responsibilities and risks. There is no irregular appropriation of funds and assets of the listed company by the controlling shareholder. The Company's Board of Directors, Supervisory Committee and internal institutions

All of them operate independently. The controlling shareholder exercises its rights and undertakes its obligations in strict accordance with the relevant provisions of the Company Law and the Articles of Association. The Company's connected transactions are fair and reasonable, and the basis for pricing, conclusion of agreements and performance of connected transactions are fully disclosed by the Company in a timely manner.

3. Regarding directors and the Board of Directors:

During the reporting period, the directors of the Company attended the meetings of the Board of Directors and the general meeting of the Company in accordance with the relevant laws and regulations and in a serious and responsible manner, and exercised their rights and performed their duties faithfully, honestly and diligently in accordance with the Rules of Procedure of the Board of Directors. The independent directors actively understood the major decisions of the Company, brought their working experience and professional knowledge into play, gave independent opinions on major matters of the Company, etc., performed their duties as independent directors in a serious and responsible manner, effectively safeguarded the legitimate rights and interests of the Company and all shareholders, and promoted the standardized operation of the Company. The four professional committees under the Board of Directors, namely, the Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration and Evaluation Committee, have carefully reviewed and discussed the matters within their respective responsibilities before convening the Board of Directors' meetings and formed unanimous opinions before submitting them to the Board of Directors' meetings for consideration, so that the role of each professional committee has been effectively played and continuously strengthened.

4. Regarding the Supervisors and the Supervisory Board:

All the supervisors of the Company, in accordance with the Rules of Procedure of the Supervisory Committee and in the spirit of being responsible to the shareholders, have conscientiously performed their duties and supervised the daily connected transactions, related transactions, financial position of the Company as well as the legality and compliance of the directors and senior management of the Company in performing their duties.

5. Regarding information disclosure and transparency:

The Board of Directors has designated the secretary of the Board of Directors to be responsible for information disclosure, established an investor relations management department with corresponding personnel to perform information disclosure obligations, receive visitors and answer inquiries in accordance with the law, and designated Shanghai Securities News and China Securities Journal as the company's information disclosure media to disclose relevant company information in a true, accurate, complete and timely manner.

6. on the daily supervision and prevention work:

The Company has formulated the "Registration and Filing System for Lovers of Insider Information", "Work System for the Secretary of the Board of Directors" and "Accountability System for Material Errors in Information Disclosure in Annual Reports". During the reporting period, the daily supervisory work was carried out solidly to ensure the legal compliance of the Company's operation and management, the safety and integrity of the Company's assets, the truthfulness and accuracy of information disclosure, and the absence of incidents of using insider trading.

7. Related transactions and competition in the same industry:

The Company insists on regulating the connected transaction business in strict accordance with the Articles of Association, the Rules of Procedure of the General Meeting, the Rules of Procedure of the Board of Directors, the Working System of Independent Directors, the Management Measures of Connected Transactions and other relevant regulations, and independent directors and lawyers issue witness opinions to continuously improve the standardized operation of the Company. For the interbank competition and connected transactions formed by the change of shareholding, the Company urges the controlling shareholder to resolve the interbank competition as soon as possible and regulate and reduce

the connected transactions.

8. Investor relationship management:

During the reporting period, the Company maintained close daily communication with investors in a transparent, open and fair manner, kept abreast of market developments, analyzed market concerns, organized and participated in various forms of investor meetings, and continued to deliver the Company's information in a timely manner through various channels such as SSE E Interactive, email and hotline to enhance communication with investors and strengthen market confidence.

9. Management of insider information registration:

The Company has formulated the "Registration and Filing System for Informants of Insider Information" in accordance with the relevant laws and regulations such as the Company Law, the Securities Law, the "Measures for the Administration of Information Disclosure of Listed Companies", the "Rules for the Listing of Stocks on the Shanghai Stock Exchange" and the relevant provisions of the Articles of Association of the Company. During the reporting period, the Company strictly followed the provisions of the "Registration and Filing System for Lovers of Insider Information" to report or disclose the information in accordance with the law, and truthfully and completely recorded the list of all the lover of insider information in all aspects of reporting, transmission, preparation, review and disclosure of insider information before disclosure, as well as the time when the lover became aware of the insider information and other related files for the Company's self-inspection and inquiries by relevant regulatory authorities. No department or individual of the Company has been found to leak, report or transmit the Company's insider information to the outside world on their own. No insider information informant is found to have used the insider information to buy or sell shares of the Company before the disclosure of significant and sensitive information affecting the share price of the Company.

Whether there are significant differences between corporate governance and the requirements of the relevant regulations of the CSRC; if there are significant differences, the reasons should be explained

☐Applicable ☒Not applicable

II. Briefing on the shareholders' meeting

Sessions	Date	of the designated website where the resolution was published Query Index	Date of disclosure of the publication of the resolution
First Interim Shareholding 2018	January 22, 2018	http://www.sse.com.cn	January 23, 2018

East Conference			
Second Interim Shareholding 2018 East Conference	April 13, 2018	http://www.sse.com.cn	April 14, 2018
Annual General Meeting of Shareholders 2017	June 22, 2018	http://www.sse.com.cn	June 23, 2018
Third Interim Shareholding 2018 East Conference	November 29, 2018	http://www.sse.com.cn	November 30, 2018

Information Note for the Shareholders' Meeting

☐Applicable ☒Not applicable

III. Performance of duties by directors

(i) Participation of directors in the board of directors' meetings and shareholders' meetings

Name of Director	Whether independent director	Participation in the Board of Directors						Participating Shareholders General Assembly
		Number of board meetings to be attended during the year	Number of personal attendance	By communication Number of participation	Number of Delegated Attendance	Number of absences	Whether two consecutive meetings without personal participation proposal	Attendance at shareholders' meetings
Wang Feng	No	12	1	11	0	0	No	3
Jiao Chonggao	No	16	3	13	0	0	No	4
Jiao Mengyuan	No	16	0	16	0	0	No	1
Xue Shuang	Yes	16	1	15	0	0	No	1
Yang Yichuan	Yes	16	2	14	0	0	No	3
Wu Chunqi	Yes	12	1	11	0	0	No	1
Bai Xiping (outgoing)	No	16	2	14	0	0	No	4
Zheng Yuli (outgoing)	No	14	3	11	0	0	No	3
Zhang Lihua (outgoing)	No	2	1	1	0	0	No	1
Fan Xiaohua (outgoing)	Yes	4	1	3	0	0	No	1

Explanation of failure to attend two consecutive board meetings in person

☐Applicable ☒Not applicable

Number of board meetings held during the year	16
Of which: Number of on-site meetings	1
Number of meetings held by means of communication	13
Number of meetings held on-site in combination with communication	2

(ii) Dissent by independent directors on matters relating to the Company

☐Applicable ☒Not applicable

(iii) Others

☐Applicable ☒Not applicable

IV. Important opinions and recommendations made by special committees under the Board of Directors in the performance of their duties during the reporting period, and if there are matters of dissent, the details shall be disclosed

☐Applicable ☒Not applicable

V. Description of the risks identified by the Supervisory Board for the Company

☐Applicable ☒Not applicable

Sixth, the company on its business, personnel, assets, institutions, financial and other aspects of the controlling shareholder can not guarantee the independence, can not maintain the ability to operate independently

☐Applicable ☒Not applicable

If there is competition in the same industry, the company's corresponding solution measures, work progress and follow-up work plan

☒Applicable ☐Not applicable

On 14 February 2014, the Company disclosed the "Announcement on the Fulfillment of the Company's Shareholders' Undertaking"(for details, see Announcement No.: Pro 2014)

-006), Announcement on Further Clarification of Commitments by the Controlling Shareholder of the Company disclosed on 21 June 2014 (Announcement No.: Pro 2014-020).

On June 6, 2016, the Company disclosed an Announcement on Purchase and Sale of Assets and Connected Transaction (Announcement No.: Pro 2016-048) to purchase 100% equity interest in Fengshen (Taiyuan) and 100% equity interest in Qingdao Huanghai Rubber Co., Ltd. from China Rubber for cash; to purchase 10% equity interest in Pirelli Industrial S.r.l from Pirelli for cash, and also to The transaction plan of the subject assets, including the sale of 80% equity interest in Jiaozuo Fengshen Tire Co., Ltd. to Pirelli in a cash transaction, was completed on October 22, 2016 (Announcement No.: Pro 2016-066).

On 13 April 2017, the Company disclosed the "Preliminary Plan for the Issuance of Shares to Purchase Assets and Raise Matching Funds and Connected Transaction of Fengshen Shares" (Announcement No.: Pro 2017-024), in which the Company proposed to conduct a major asset reorganization and purchase the equity interests of the subject assets, including Guilin Baili Tire Co. Due to the prior signing of the Asset Injection Agreement by the parties to the transaction in 2017

December 31, 2018 automatically terminated, the company held an extraordinary shareholders' meeting on January 22, 2018 to consider the "About the termination of this major capital

On January 24, 2018, the Company disclosed an interim announcement (Announcement No.: Pro 2018-013) that there were objectively significant obstacles to the continuation of the Transaction as the legal basis for the Transaction no longer existed.

On March 16, 2018, the Company disclosed the Announcement on the Signing of Equity Escrow

Agreement and Related Transactions by Fengshen Co.

(Announcement No.: Pro 2018-020), the Company was entrusted to manage the equity of other industrial tire assets of the controlling shareholder Rubber Company, Guilin Peili Tire Co.

On 4 December 2018, the Company disclosed the "Proposal on the Signing of <Equity and Debenture Transfer Agreement> and Related Transaction" and "Proposal on the Signing of <Equity Escrow Agreement> and Related Transaction" (Announcement No.: Pro 2018-063). The Company and Huanghai Group signed the "Equity and Debt Transfer Agreement" in respect of Huanghai Limited, whereby the Company transferred 100% of the equity interest in Huanghai Limited directly held by the Company and the Company's debts on Huanghai Limited as at 30 June 2018 to Huanghai Group. The Company also signed the Equity Trusteeship Agreement with Huanghai Group in respect of Huanghai Limited, under which Huanghai Group entrusted the Company to manage 100% of its equity interests in Huanghai Limited (Announcement No.: Pro 2018-064)

On December 4, 2018, the Company disclosed the "Proposal on Signing <Equity Trust Termination Agreement> and Related Transactions", agreeing to sign the "Equity Trust Termination Agreement" with the controlling shareholder Rubber Company to terminate the trust of 100% equity interest in Guilin Peili.

VII. Appraisal mechanism for senior management and the establishment and implementation of incentive mechanism during the reporting period

☒Applicable ☐Not applicable

During the reporting period, the company strictly followed the Rules for the Implementation of Remuneration Incentive and Restraint Mechanism for Senior Management Personnel to Appraisal, the remuneration structure of senior management consists of three parts: basic annual salary, performance bonus and performance incentive bonus. Among them, the performance bonus is directly linked to the company's performance and the performance appraisal results of senior management; the performance incentive-based bonus is a medium- to long-term incentive. The Remuneration and Evaluation Committee of the Board of Directors is responsible for studying and supervising the establishment and implementation of the assessment, incentive and reward mechanism for the senior management of the Company. Every year, the company appraises the senior management through the annual reporting meeting.

VIII. Whether to disclose the internal control self-evaluation report

☒Applicable ☐ Not applicable

For details, please refer to the "Self-Evaluation Report on Internal Control" disclosed by the Company in the designated information disclosure media on April 13, 2019.

Description of significant deficiencies in internal control for the reporting period

☐Applicable ☒Not applicable

IX. Information statement related to the internal control audit report

☒Applicable ☐Not applicable

Lixin Accounting Firm (Special General Partnership) has audited the effectiveness of the company's internal control over financial reporting and issued a

The audit report of standard unqualified opinion. The Company has disclosed the internal control audit report on April 13, 2019, the full text of which is available on the website of the Shanghai Stock Exchange at www.sse.com.cn.

Whether to disclose the internal control audit report: Yes

X. Other

☐Applicable

☒Not applicable

Section X Financial Reports

I. Audit Report

☒Applicable ☐ Not applicable

Audit Report

Xinhui
Shihua Zi
[2019] No.
ZA10242

All shareholders of Fengshen Tire Co:

I. Audit opinion

We have audited the financial statements of Fengshen Tire Co. (hereinafter referred to as Fengshen), which comprise the consolidated and parent company balance sheets as of December 31, 2018, the consolidated and parent company income statements, the consolidated and parent company statements of cash flows, the consolidated and parent company statements of changes in shareholders' equity for the year 2018, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and parent company financial position as of December 31, 2018, and the consolidated and parent company results of operations and cash flows for the year 2018 of Fengshen Corporation, prepared in accordance with the provisions of the Accounting Standards for Business Enterprises.

Second, the basis for forming an audit opinion

We conducted our audit in accordance with PRC generally accepted auditing standards. Our responsibilities under these standards are further described in the "Responsibilities of Certified Public Accountants for the Audit of Financial Statements" section of our auditor's report. We are independent of Fengshen and have fulfilled our other responsibilities in accordance with the Code of Ethics for Certified Public Accountants in China. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key audit matters

Key audit matters are those matters that, in our professional judgment, are considered to be most significant to the audit of the financial statements for the period. These matters are addressed in the context of the audit of the financial statements as a whole and the formation of an audit opinion, and we do not express an opinion on these matters individually. We have identified the following matters as key audit matters that require communication in the audit report.

Key Audit Matters	Audit Response
1、Revenue recognition	

<p>In FY2018, revenue from sales of tires of Fengshen Co.</p> <p>This is one of the main sources of revenue and key performance indicators of Fengshen, and thus there is an inherent risk that management may manipulate t h e t i m i n g of revenue recognition in order to achieve specific goals or expectations; secondly, the company has various sales channels, and different sales channels have different conditions and timing for revenue recognition, so we consider the recognition of revenue from tire sales as a key audit matter. Therefore, we considered revenue recognition from tire sales as a key audit matter.</p> <p>See Note 3, (xxiii) for the accounting policy on revenue recognition, and (xxxii) for the disclosure of revenue categories.</p>	<p>The audit procedures we performed for revenue recognition from tire sales consisted primarily of:</p> <p>(1) Understood, assessed and tested the effectiveness of the design and operation of key internal controls related to sales revenue recognition;</p> <p>(2) Checking whether the conditions, methods and timing of revenue recognition are in compliance with the requirements of the accounting standards and accounting policies of enterprises;</p> <p>(3) Conduct comparative analysis of revenues and gross margins for the same period, monthly, and in the same industry, analyze changes in relevant financial indicators, and review the reasonableness of changes in revenues;</p> <p>(4) Select a sample of revenue recognition and perform detail tests to check sales orders, shipment records, shipping documents, customs declarations, sales invoices, payback records, bookkeeping vouchers, etc.; for export revenue, obtain customs export data to assess the authenticity and completeness of revenue recognition;</p> <p>(5) In conjunction with the accounts receivable audit, select key customers to write letters to verify the current year's sales in order to assess the authenticity and accuracy of revenue recognition;</p> <p>(6) Performing cut-off tests on revenues around the balance sheet date to assess whether revenues are accounted for in the appropriate accounting period;</p> <p>(7) Check the information related to revenue recognition in the financial statements</p> <p>The adequacy and appropriateness of the presentation and disclosure in the table.</p>
<p>2. Recognition and measurement of cost of goods sold</p>	
<p>As shown in Note V, (xxxi), in fiscal 2018, the wind</p>	<p>Our review of the implementation of cost recognition measurement for tire sales</p>

The cost of sales of tires of God shares was \$4,919,106,148.88, and the gross profit margin of tires was 18.96%; the cost of sales of tires for FY2017 was \$6,430,977,323.80, and the gross profit margin of tires was 9.69%, so the decrease in cost of sales had a greater impact on the company's profit, and was one of the main influencing factors for the company's turnaround. Therefore, we regard the recognition and measurement of cost of sales of tires as a key audit matter.

The counting procedure mainly includes:

(1) Understood, assessed and tested the effectiveness of the design and operation of key internal controls related to production costing;

(2) (2) To understand the accounting policies adopted for cost accounting, cost accounting methods and procedures, such as the receipt and carry-over of raw materials, work-in-progress and inventory goods, the accrual and apportionment of related labor costs and overhead costs, and the determination and apportionment of fixed costs, etc.; (3) To understand and verify whether there are any significant abnormalities in the prices of the Company's major raw materials and their change trends compared with the prices and trends of the same or similar raw materials in the market, in order to assess the reasonableness of the trend of material cost changes;

(4) To understand and verify the match between the company's main raw materials and unit energy consumption and its production capacity, output and sales volume; to understand and verify the fluctuation of materials, labor and costs during the reporting period in order to assess the reasonableness of the trend of cost changes;

(5) Perform raw material valuation tests, select samples, check purchase orders, purchase invoices, transportation invoices, acceptance slips, warehousing slips, and bookkeeping vouchers to assess the authenticity and accuracy of material entry costs; understand the valuation method of raw materials issued by the company, whether the front and back are consistent, and take major materials to review whether their calculations are correct, and check whether the amounts of material cost differences incurred and carried forward are correct to assess the accuracy of material cost measurement;

(6) Review costing sheets, check whether the calculation and allocation of

direct materials, direct labor and manufacturing costs are correct, and check with the relevant supporting documents (such as material receipt records, production work hour records, material cost allocation summary, labor cost allocation summary, etc.); obtain and review the correctness of the detailed summary of production costs, and reconcile direct materials with the summary of material consumption, direct labor with the allocation of employee compensation, the Reconcile the total manufacturing costs with the breakdown of manufacturing costs and the breakdown of related account items to evaluate the authenticity and accuracy of cost recognition and measurement;

(7) Performing valuation tests on inventory items issued, taking samples and reviewing the accuracy of the cost of goods sold carried forward;

(8) A cut-off test is applied to cost of goods sold to assess whether the company is able to reduce the cost of goods sold by reconciling the cost recognition period between years.

Inter-regulation of profits;

(9) Check the information related to cost recognition measurement in the financial

The adequacy and appropriateness of the presentation and disclosure in the statement of operations.

IV. Other Information

The management of Fengshen Corporation (hereinafter referred to as management) is responsible for other information. Other information includes Feng Shen's 2018 Annual Report

The information covered in this report does not include the financial statements and our audit report.

Our audit opinion on the financial statements does not cover other information, and we do not express any form of assurance conclusion on other information.

In conjunction 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, or appears to be materially misstated in, the financial statements or what we learned in the course of our audit.

Based on the work we have performed, if we determine that other information is materially misstated, we should report that fact. We do not have any matters to report in this regard.

V, Management's and Governance's Responsibility for the Financial Statements

Management is responsible for preparing financial statements that give a fair view in accordance with accounting standards for businesses and for designing, implementing and maintaining internal control necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of Fengshen to continue as a going concern and disclosing matters related to going concern (where applicable) and apply the going concern assumption unless liquidation is planned, operations are discontinued, or there is no other realistic alternative. Governance is responsible for overseeing the financial reporting process for Fengshen Corporation.

VI, CPA's responsibility for the audit of financial statements

Our objective is 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 audit report that includes an audit opinion. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit performed in accordance with auditing standards will always detect a material misstatement when one exists. Misstatements may result from fraud or error and are generally considered to be material if there is a reasonable expectation that, individually or in the aggregate, the misstatement could have affected the economic decisions made by users of the financial statements based on the financial statements.

In performing our audit work in accordance with auditing standards, we use professional judgment and maintain professional skepticism. At the same time, we perform the following:

(1) Identify and assess the risks of material misstatement of financial statements due to fraud or error, design and perform audit procedures to address those risks, and obtain sufficient appropriate audit evidence as a basis for expressing an audit opinion. The risk of failing to detect a material misstatement due to fraud is higher than the risk of failing to detect a material

misstatement due to error because fraud may involve collusion, forgery, intentional omissions, misrepresentation, or override of internal control.

(2) Understand the internal controls relevant to the audit in order to design appropriate audit procedures.

(3) Evaluate the appropriateness of management's selection of accounting policies and the reasonableness of the accounting estimates and related disclosures made.

(4) To draw conclusions about the appropriateness of management's use of the going concern assumption. Also, based on the audit evidence obtained, we reach a conclusion as to whether there is a material uncertainty about the existence of matters or circumstances that may cast significant doubt about Fengshen's ability to continue as a going concern. If we conclude that a material uncertainty exists, auditing standards require that we draw the attention of users of the financial statements to the relevant disclosures in the auditor's report; if the disclosures are not adequate, we should express a non-unqualified opinion. Our conclusion is based on information available to us as of the date of the audit report. However, future events or circumstances may cause Fengshen to fail to continue as a going concern.

(5) Evaluate the overall presentation, structure and content (including disclosures) of the financial statements and evaluate whether the financial statements present fairly the related transactions and events.

(6) We obtain sufficient and appropriate audit evidence about the financial information of entities or business activities in Fengshen to express an audit opinion on the financial statements. We are responsible for directing, supervising and performing the group audit and accept full responsibility for the audit opinion.

We communicate with governance on matters such as planned audit scope, timing, and significant audit findings, including communication of internal control deficiencies of concern identified during our audit.

We also provide a statement to governance regarding compliance with ethical requirements related to independence and communicate with governance about all relationships and other matters that could reasonably be perceived to affect our independence, as well as related precautions, if applicable.

From the matters communicated with governance, we determine which matters are most significant to the audit of the financial statements for the period and therefore constitute critical audit matters. We describe these matters in our audit report, except in those cases where public disclosure of such matters is prohibited by law or regulation, or in those rare cases where we determine that a matter should not be communicated in the audit report if we reasonably expect that the negative consequences of communicating the matter in the audit report would outweigh the benefits in the public interest.

Lixin Certified Public Accountants
(Special General Partnership)

China:
(Project Partner)

China - Shanghai

Chinese Certified Public Accountants:
April 12, 2019

II. Financial Statements

CONSOLIDATED BALANCE SHEET

Prepared by: Fengshen Tire Co.

December 31, 2018

Unit:

Projects	Note	Closing balance	Opening balance
Current assets:		B	
Monetary Funds	VII.1	864,145,186.28	780,554,671.97
Settlement Allowance			
Unwinding funds			
measured at fair value with changes recognized in the current	117 /		
Financial assets with a gain or loss in the period			
Derivative financial assets			
Notes and accounts	VIII.4	1,280,428,606.51	1,284,331,841.40

Unit: RMB

Of which: Interest receivable			
Dividend receivable			
Buy-back financial assets			
Inventory	VII.7	917,865,897.45	754,570,299.38
Assets held for sale			
Non-current assets due within one year			
Other current assets	VII.10	51,624,214.37	38,185,015.02
Total current assets		3,232,153,077.51	3,142,678,458.26
Non-current assets:			
Issuance of loans and advances			
Available-for-sale financial assets	VII.11	528,615,484.78	554,305,484.78
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	VII.14	70,018,548.77	85,320,318.34
Investment properties			
Fixed Assets	VII.16	2,972,985,658.99	3,206,992,957.81
Construction in progress	VII.17	70,649,084.52	151,218,516.56
Productive biological assets			
Oil and gas assets			
Intangible assets	VII.20	52,706,451.45	33,342,015.35
Development Expenses			
Goodwill			
Long-term amortized expenses	VII.23	64,655,209.51	60,161,300.20
Deferred income tax assets	VII.24	56,202,914.48	50,011,204.90
Other non-current assets	VII.25	126,888,215.34	103,512,062.96
Total non-current assets		3,942,721,567.84	4,244,863,860.90
Total Assets		7,174,874,645.35	7,387,542,319.16
Current liabilities:			
Short-term borrowings	VII.26	925,000,000.00	1,021,780,000.00
Borrowing from the central bank			
Deposit-taking and interbank deposits			
Unwinding funds			
measured at fair value with changes recognized in the current			
Financial liabilities with gains or losses in the period			
Derivative financial liabilities			
Notes Payable and Accounts Payable	VII.29	1,839,861,441.01	2,002,689,810.16
Receipts in advance	VII.30	108,662,247.23	112,524,592.51
Sale of repurchased financial assets			
Fees and commissions payable			
Employee compensation payable	VII.31	53,132,281.93	85,803,264.96
Taxes Payable	VII.32	21,583,163.50	60,544,164.26
Other payables	VII.33	396,400,012.19	363,995,313.82
Of which: Interest payable	VII.33	3,566,785.07	2,277,563.70

Dividends payable			
Sub-insurance accounts payable			
Reserve for insurance contracts			
Securities trading agency			
Underwriting securities			

Liabilities held for sale			
Non-current liabilities due within one year	VII.35	995,971,200.00	490,000,000.00
Other current liabilities			
Total current liabilities		4,340,610,345.86	4,137,337,145.71
Non-current liabilities:			
Long-term borrowings	VII.37	767,235,456.00	1,275,904,474.00
Bonds Payable			
Of which: Preferred shares			
Perpetual Debt			
Long-term payables	VII.39	20,000,000.00	20,000,000.00
Long-term employee compensation payable	VII.40	1,289,945.57	6,837,154.16
Projected liabilities			
Deferred revenue	VII.42	28,306,417.85	26,677,380.72
Deferred income tax liabilities			1,743,545.45
Other non-current liabilities			
Total non-current liabilities		816,831,819.42	1,331,162,554.33
Total liabilities		5,157,442,165.28	5,468,499,700.04
Owner's equity (or shareholders' equity):			
Paid-in capital (or share capital)	VII.44	562,413,222.00	562,413,222.00
Other equity instruments			
Of which: Preferred shares			
Perpetual Debt			
Capital surplus	VII.46	1,847,866,598.25	1,754,952,025.13
Less: Treasury stock			
Other comprehensive income	VII.48	-2,915,500.00	9,880,090.91
Specialized reserves			
Surplus reserves	VII.50	267,238,913.33	267,238,913.33
General risk allowance			
Undistributed earnings	VII.51	-657,170,753.51	-675,441,632.25
Total equity attributable to owners of the parent company		2,017,432,480.07	1,919,042,619.12
Minority interests			
Total owner's equity (or shareholders' equity)		2,017,432,480.07	1,919,042,619.12
Liabilities and owner's equity (or shareholders' equity)		7,174,874,645.35	7,387,542,319.16
(Benefit) Total			

Legal representative: Wang Feng Responsible for accounting work: Yuan Liang Responsible for accounting institution: Liu Xinjun

Parent
Company
Balance Sheet

Prepared by: Fengshen Tire Co.

December 31, 2018

Unit:

Proj ects	Note 120 /	Closing balance	Opening balance
Current assets:			
Monetary Funds		854,020,226.32	711,621,030.36
Measured at fair value with changes in			

YuanCurrency:RMB

Notes and accounts receivable	XVII.1	1,123,200,709.32	1,099,989,782.98
Of which: notes receivable		412,966,050.12	576,104,374.71
Accounts Receivable		710,234,659.20	523,885,408.27
Prepayments		29,918,364.17	95,481,710.32
Other receivables	XVII.2	1,153,883,153.40	944,525,769.55
Of which: Interest receivable			
Dividend receivable			
Inventory		698,817,157.68	571,951,129.58
Assets held for sale			
Non-current assets due within one year			
Other current assets		39,985,044.00	30,585,255.97
Total current assets		3,899,824,654.89	3,454,154,678.76
Non-current assets:			
Available-for-sale financial assets		528,615,484.78	554,305,484.78
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XVII.3	458,337,017.16	483,574,005.12
Investment properties			
Fixed Assets		1,931,905,979.92	2,036,772,464.39
Construction in progress		65,931,317.84	81,537,273.70
Productive biological assets			
Oil and gas assets			
Intangible assets		39,781,044.25	19,821,961.23
Development Expenses			
Goodwill			
Long-term amortized expenses		63,761,655.01	60,161,300.20
Deferred income tax assets		56,202,914.48	50,011,204.90
Other non-current assets		122,625,573.85	86,610,489.75
Total non-current assets		3,267,160,987.29	3,372,794,184.07
Total Assets		7,166,985,642.18	6,826,948,862.83
Current liabilities:			
Short-term borrowings		925,000,000.00	1,021,780,000.00
Measured at fair value with changes in Financial liabilities included in current profit or loss			
Derivative financial liabilities			
Notes Payable and Accounts Payable		1,688,279,619.63	1,393,081,745.15
Receipts in advance		79,580,101.55	79,071,019.44
Employee compensation payable		42,034,864.63	38,712,074.35
Taxes Payable		13,974,922.65	50,311,640.56
Other payables		383,840,131.53	291,277,653.99
Of which: Interest payable		3,566,785.07	2,277,563.70
Dividends payable			

Liabilities held for sale			
Non-current liabilities due within one year		912,971,200.00	380,000,000.00
Other current liabilities			
Total current liabilities		4,045,680,839.99	3,254,234,133.49
Non-current liabilities:			

Long-term borrowings		767,235,456.00	1,192,904,474.00
Bonds Payable			
Of which: Preferred shares			
Perpetual Debt			
Long-term payables		20,000,000.00	20,000,000.00
Long-term employee compensation payable		1,289,945.57	1,403,025.83
Projected liabilities			
Deferred revenue		28,306,417.85	26,677,380.72
Deferred income tax liabilities			1,743,545.45
Other non-current liabilities			
Total non-current liabilities		816,831,819.42	1,242,728,426.00
Total liabilities		4,862,512,659.41	4,496,962,559.49
Owner's equity (or shareholders' equity):			
Paid-in capital (or share capital)		562,413,222.00	562,413,222.00
Other equity instruments			
Of which: Preferred shares			
Perpetual Debt			
Capital surplus		458,649,010.11	458,649,010.11
Less: Treasury shares			
Other comprehensive income		-2,915,500.00	9,880,090.91
Specialized reserves			
Surplus reserves		266,656,723.33	266,656,723.33
Undistributed earnings		1,019,669,527.33	1,032,387,256.99
Owner's equity (or shareholders' equity) Total		2,304,472,982.77	2,329,986,303.34
Liabilities and owner's equity (or shares) (Eastern equity) Total		7,166,985,642.18	6,826,948,862.83

Legal representative: Wang Feng Responsible for accounting work: Yuan Liang Responsible for accounting institution: Liu Xinjun

CONSOLIDATED INCOME STATEMENT

January - December 2018

Unit: Yuan Currency: RMB

Projects	Not 24 /	Current Period Incurred	Prior Period Incurrence
I. Total operating revenue		6,218,639,534.81	7,303,614,224.03
Of which: Operating income	VII.52	6,218,639,534.81	7,303,614,224.03
Interest income			

Interest expense			
Handling fees and commission expenses			
Surrender premium			
Net benefit expenses			
Net withdrawals from reserves for insurance contracts			
Policy Dividend Payments			
Reinsurance costs			
Taxes and surcharges	VII.53	71,364,722.89	48,775,055.31
Selling expenses	VII.54	344,904,897.80	405,937,967.65
Overhead	VII.55	230,339,386.92	283,480,462.48
R&D expenses	VII.56	292,056,168.43	238,372,563.74
Finance costs	VII.57	105,522,029.64	120,945,122.85
Of which: Interest expense		127,168,457.93	111,753,927.89
Interest income		4,832,286.54	5,693,573.03
Impairment loss on assets	VII.58	51,720,559.89	64,429,394.41
Add: Other gains	VII.59	10,488,662.87	25,772,077.36
Investment income (loss is filled with a "-" sign) (column)	VII.60	-2,962,046.53	-25,094,969.66
Of which: to associates and joint ventures of investment income		-15,301,769.57	-25,682,969.66
Gain (loss) on change in fair value to (The "-" sign is filled in)			
Gain on disposal of assets (loss marked with a "-") (Fill in the column)	VII.62	85,448.90	-3,709,136.28
Foreign exchange gain (loss is filled in with a "-" sign) (column)			
III. Operating profit (loss is shown with a "-" sign)		39,727,152.18	-486,941,742.29
Add: Non-operating income	VII.63	24,517,228.42	986,294.11
Less: Non-operating expenses	VII.64	3,986,663.44	6,974,168.96
IV. Total profit (Total loss is filled with "-" sign) (column)		60,257,717.16	-492,929,617.14
Less: Income tax expense	VII.65	41,986,838.42	-17,936,441.31
V. Net profit (net loss is shown with a "-" sign)		18,270,878.74	-474,993,175.83
(i) Classification by business continuity			
1. Net profit (net loss) from continuing operations to (The "-" sign is filled in)		98,780,745.41	-303,921,984.61

2. Net profit from discontinued operations (net loss of less than (The "-" sign is filled in)		-80,509,866.67	-171,071,191.22
(ii) Classification by ownership attribution			
1. Minority interests in profit or loss			
2. Net profit attributable to shareholders of the parent company		18,270,878.74	-474,993,175.83
VI. Other comprehensive income, net of tax	VII.48	-12,795,590.91	-1,037,000.00
Other comprehensive income attributable to owners of the parent company Net income after tax		-12,795,590.91	-1,037,000.00
(i) Others that cannot be reclassified to profit or loss Comprehensive income			
1. Remeasurement of defined benefit plan changes Amount			

2. The equity method cannot be transferred to profit or loss under its Other comprehensive income			
(ii) Other comprehensive income to be reclassified to profit or loss Combined revenue		-12,795,590.91	-1,037,000.00
1. Other transferable gains and losses under the equity method Comprehensive income			
2. Fair value of available-for-sale financial assets Gains and losses on changes in value		-12,795,590.91	-1,037,000.00
3. Held-to-maturity investments were reclassified to Gains or losses on available-for-sale financial assets			
4. Effectiveness of cash flow hedge gains and losses Part			
5. Translation differences on foreign currency financial statements			
6. Other			
Other comprehensive income attributable to minority shareholders net of tax			
VII. Total comprehensive income		5,475,287.83	-476,030,175.83
Comprehensive income attributable to owners of the parent company Total amount		5,475,287.83	-476,030,175.83
Total comprehensive income attributable to minority shareholders			
VIII. Earnings per share:			
(I) Basic earnings per share (yuan/share)		0.03	-0.85
(ii) Diluted earnings per share (yuan/share)		0.03	-0.85

Representative: Wang Feng Responsible for accounting work: Yuan Liang Responsible for accounting institution: Liu Xinjun

Statement
January-
December 2018

		Unit:	YuanCurrency:RMB
Projects	Not e	Current Period Incurred	Prior Period Incurrence
I. Operating income	XVII.4	6,095,433,130.98	6,368,649,350.41
Less: Operating costs	XVII.4	4,946,042,634.58	5,621,085,827.76
Taxes and surcharges		60,440,382.17	38,474,278.85
Selling expenses		295,796,755.40	343,651,583.27
Overhead		163,095,085.25	196,132,835.36
R&D expenses		286,433,010.72	219,906,640.44
Finance costs		85,861,576.24	84,988,621.52
Of which: Interest expense		104,237,786.32	78,796,077.06
Interest income		4,443,204.47	4,883,533.31
Impairment loss on assets		22,531,323.64	14,638,162.62
Add: Other gains		8,529,762.87	20,451,533.36
Investment income (loss is filled with a "-" sign) (column)	XVII.5	-261,434,267.71	-25,094,969.66
Of which: to associates and joint ventures		-15,301,769.57	-25,682,969.66

(Fill in the column)			
II. Operating profit (loss is shown by "-" sign)		-17,673,250.08	-159,191,405.79
Add: Non-operating income		1,109,172.33	734,731.49
Less: Non-operating expenses		1,281,568.76	220,833.97
Third, the total profit (the total loss is filled with a "-" sign) (column)		-17,845,646.51	-158,677,508.27
Less: Income tax expense		-5,127,916.85	-17,936,441.31
IV. Net profit (net loss is shown with a "-" sign)		-12,717,729.66	-140,741,066.96
(i) Net income (net loss) from continuing operations (filled in with a "-" sign)		-12,717,729.66	-140,741,066.96
(ii) Net income (net loss) from discontinued operations (filled in with a "-" sign)			
V. Other comprehensive income, net of tax		-12,795,590.91	-1,037,000.00
(i) Other comprehensive income that cannot be reclassified to profit or loss Combined revenue			
1. Remeasurement of defined benefit plan changes forehead			
2. Others that cannot be transferred to profit or loss under the equity method Comprehensive income			
(ii) Other comprehensive that will be reclassified to profit or loss Earnings		-12,795,590.91	-1,037,000.00
1. Other consolidation of transferable gains and losses under the equity method Combined revenue			
2. Fair value of available-for-sale financial assets Change in profit or loss		-12,795,590.91	-1,037,000.00
3. Reclassification of held-to-maturity investments as available-for-sale Gain or loss on financial assets available for sale			
4. Effective Department of cash flow hedge gains and losses Score			
5. Translation differences on foreign currency financial statements			

6. Other			
VI. Total comprehensive income		-25,513,320.57	-141,778,066.96
VII. Earnings per share:			
(I) Basic earnings per share (yuan/share)			
(ii) Diluted earnings per share (yuan/share)			

Legal representative: Wang Feng Responsible for accounting work: Yuan Liang Responsible for
accounting institution: Liu Xinjun

**CONSOLIDAT
ED
STATEMENT
OF CASH
FLOWS** January
- December 2018

Unit: Yuan Currency: RMB

Proj ects	Note	Current Period Incurred	Prior Period Incurrence
I. Cash flows from operating activities:			
Cash received from the sale of goods and provision of services		4,585,935,223.82	5,393,524,464.05
Net increase in customer deposits and interbank deposits			

forehead			
Cash received from premiums of original insurance contracts			
Net cash received from reinsurance operations			
Net increase in policyholders' savings and investment funds			
Disposals of assets measured at fair value with changes in fair value			
Net increase in financial assets included in profit or loss for the period			
Cash received for interest, fees and commissions			
Net increase in funds transferred in			
Net increase in funding for repo operations			
Tax refunds received		5,857,448.59	73,102,616.24
Other cash received in connection with operating activities	VII.67	67,708,889.21	102,437,534.96
Subtotal cash inflow from operating activities		4,659,501,561.62	5,569,064,615.25
Cash paid for the purchase of goods and services		3,141,427,097.20	4,688,644,185.84
Net increase in loans and advances to customers			
Net increase in deposits with central banks and interbank forehead			
Cash payment of benefits from the original insurance contract			
Cash paid for interest, fees and commissions			
Cash paid as policy dividends			
Cash paid to and for employees Gold		612,506,268.29	623,753,425.59
All taxes paid		201,194,306.24	90,344,724.04
Other cash paid in connection with operating activities	VII.67	351,238,062.42	376,490,215.81
Subtotal cash outflow from operating activities		4,306,365,734.15	5,779,232,551.28
Net cash flows from operating activities	VII.68	353,135,827.47	-210,167,936.03
II. Cash flows from investing activities:			
Cash received from the recovery of investments		21,890,086.68	
Cash received from obtaining investment income		1,086,000.00	588,000.00

Disposal of fixed assets, intangible assets and other Net cash recovered from long-lived assets			624,306.00
Net cash received from disposal of subsidiaries and other operating units		57,840,591.70	
Other cash received in connection with investing activities			
Subtotal cash inflow from investing activities		80,816,678.38	1,212,306.00
Purchase and construction of fixed assets, intangible assets and other Cash paid for long-term assets		58,718,993.24	89,066,318.45
Cash paid for investments			
Net increase in pledged loans			
Payments from subsidiaries and other business units Net cash of			
Other cash paid in connection with investing activities	VII.67		22,119,384.14
Subtotal cash outflow from investing activities		58,718,993.24	111,185,702.59
Net cash flows from investing activities forehead		22,097,685.14	-109,973,396.59
III. Cash flows from financing activities:			
Cash received from absorption of investments			
Of which: absorption of investment from minority shareholders by subsidiaries			

Cash received			
Cash received for obtaining loans		1,660,000,000.00	2,578,197,733.02
Cash received from issuance of bonds			
Other cash received in connection with financing activities	VII.67	1,250,000.00	8,250,000.00
Subtotal cash inflow from financing activities		1,661,250,000.00	2,586,447,733.02
Cash paid for debt service		1,781,191,818.00	2,077,894,444.07
Distribution of dividends, profits or payment of interest of cash		123,851,417.01	169,592,819.02
Of which: Payments by subsidiaries to minority shareholders			
Dividends, profits			
Other cash paid in connection with financing activities	VII.67		53,545,885.34
Subtotal cash outflow from financing activities		1,905,043,235.01	2,301,033,148.43
Net cash flows from financing activities		-243,793,235.01	285,414,584.59
forehead			
IV. Changes in exchange rates on cash and cash equivalents		3,984,874.07	-20,022,321.43
The impact of			
V. Net increase in cash and cash equivalents		135,425,151.67	-54,749,069.46
Add: Cash and cash equivalents balance at the beginning of the period		727,231,587.97	781,980,657.43
VI. Cash and cash equivalents at the end of the period		862,656,739.64	727,231,587.97

Legal representative: Wang Feng Responsible for accounting work: Yuan Liang Responsible for accounting institution: Liu Xinjun

**Parent
Company
Statement of
Cash Flows**
January-
December 2018

Unit: Yuan Currency: RMB

Proj ects	Not e	Current Period Incurred	Prior Period Incurrence
I. Cash flows from operating activities:			
Cash received from the sale of goods and provision of services	133 /	4,170,761,072.97	4,730,861,569.82
Gold			
Tax refunds received		14,271.04	58,850,283.99
Receipt of other operating activities related		61,033,218.20	86,849,772.29
Cash			

Net cash recovered from other long-term assets			
Disposal of subsidiaries and other business units Net cash received		60,006,174.08	
Receipt of other investing activities related to Cash			
Subtotal cash inflow from investing activities		82,982,260.76	588,000.00
Acquisition and construction of fixed assets, intangible assets and other Cash paid for other long-term assets		48,786,546.64	67,791,584.15
Cash paid for investments			
Acquisition of subsidiaries and other business units Net cash paid			
Payments for other investing activities related to Cash			22,119,384.14
Subtotal cash outflow from investing activities		48,786,546.64	89,910,968.29
Cash flows from investing activities Net volume		34,195,714.12	-89,322,968.29
III. Cash flows from financing activities:			
Cash received from absorption of investments			
Cash received for obtaining loans		1,660,000,000.00	2,578,197,733.02
Cash received from issuance of bonds			
Receipt of other financing activities related to Cash		36,359,302.33	46,348,989.73
Subtotal cash inflow from financing activities		1,696,359,302.33	2,624,546,722.75
Cash paid for debt service		1,671,191,818.00	1,726,103,027.39
Distribution of dividends, profits or repayment of interest Cash paid		101,847,739.48	131,447,141.45
Payments for other financing activities related to Cash		139,954,142.37	729,550,559.00
Subtotal cash outflow from financing activities		1,912,993,699.85	2,587,100,727.84
Cash flows from financing activities		-216,634,397.52	37,445,994.91

Net volume			
IV. Effect of exchange rate changes on cash and cash equivalents The impact of the object		3,531,409.91	-19,880,749.32
V. Net increase in cash and cash equivalents		163,995,905.96	-65,516,658.17
Add: Cash and cash equivalents balance at beginning of period forehead		689,955,688.36	755,472,346.53
VI. Cash and cash equivalents at the end of the period		853,951,594.32	689,955,688.36

Legal representative: Wang Feng Responsible for accounting work: Yuan Liang Responsible for accounting institution: Liu Xinjun

**Consolidated
Statement of Changes
in Owners' Equity**
January - December
2018

Unit:

YuanCurrency:RM

Proj ects	Unit: YuanCurrency:RMB														
	This issue														
	Equity attributable to owners of the parent company											Mi no rit y int er es ts	B Total Owner's Equity		
	Share Capital	Other equity instruments			Capital surplus	Le ss : St oc k U nit	Other comprehensive income	S pe ci ali ze d re se rv es	Surplus reserves	- G en er al ris k all o w an ce	Undistributed earnings			Ot he r	Subt otal
Pr ef err ed S ha re s		P er pe tu al D eb t	Ot he r												
I. Prior year ending balance	562,413,222.00				1,754,952,025.13		9,880,090.91		267,238,913.33		-675,441,632.25		1,919,042,619.12		1,919,042,619.12
Add: Change in accounting policy															
Correction of Prior Period Errors															
Enterprises under the same control Merger															
Other															
II. Opening balance of the year	562,413,222.00				1,754,952,025.13		9,880,090.91		267,238,913.33		-675,441,632.25		1,919,042,619.12		1,919,042,619.12
III. Amount of increase or decrease in the current period (Decrease is shown with a "-" sign)					92,914,573.12		-12,795,590.91				18,270,878.74		98,389,860.95		98,389,860.95
(i) Total comprehensive income							-12,795,590.91				18,270,878.74		5,475,287.83		5,475,287.83

2018 Annual

(or equity)															
2. Transfer of surplus to capital (or equity)															
3. Surplus reserves to cover losses															
4. Changes in defined benefit plans Amount of retained earnings carried forward															
5. Other															
(E) special reserve															
1. Withdrawal in the current period															
2. Used in this period															
(F) Other															
IV. Closing balance of the period	562,413,222.00				1,847,866,598.25		-2,915,500.00		267,238,913.33		-657,170,753.51		2,017,432,480.07		2,017,432,480.07

Projects	Previous period													Minority interests	Total Owner's Equity
	Equity attributable to owners of the parent company														
	Share Capital		Other equity instruments		Capital surplus	Less: Stock Unit	Other comprehensive income	Specialized reserves	Surplus reserves	- General risk allowance	Undistributed earnings	Other	Subtotal		
	Preferred Shares	Perpetual Debt	Other												

I. Prior year ending balance	562,413,222.00				1,754,952,025.13		10,917,090.91		267,238,913.33		-144,207,134.22		2,451,314,117.15		2,451,314,117.15
Add: Change in accounting policy															
Correction of Prior Period Errors															
Enterprises under the same control Merger															
Other															
II. Opening balance of the year	562,413,222.00				1,754,952,025.13		10,917,090.91		267,238,913.33		-144,207,134.22		2,451,314,117.15		2,451,314,117.15
C. The amount of increase or decrease in the current period (the decrease is filled in with a "-" sign) (column)							-1,037,000.00				-531,234,498.03		-532,271,498.03		-532,271,498.03
(i) Total comprehensive income							-1,037,000.00				-474,993,175.83		-476,030,175.83		-476,030,175.83
(ii) Owner input and Capital Reduction															
1. Owner input general Share															
2. Other equity instruments held Capital investment															
3. Share-based payments are included in all Amount of equity															
4. Other															
(iii) Profit distribution											-56,241,322.20		-56,241,322.20		-56,241,322.20
1. Withdrawal of surplus reserves															
2. Provision for general risks															
3. To owners (or shareholders) Distribution of											-56,241,322.20		-56,241,322.20		-56,241,322.20
4. Other															
(iv) Within owner's equity															

Departmental Carryover														
1. Transfer of capital surplus to capital (or equity)														
2. Transfer of surplus to capital (or equity)														
3. Surplus reserves to cover losses														
4. Changes in defined benefit plans Amount of retained earnings carried forward														
5. Other														
(E) special reserve														
1. Withdrawal in the current period														
2. Used in this period														
(F) Other														
IV. Closing balance of the period	562,413,222.00				1,754,952,025.13		9,880,090.91		267,238,913.33		-675,441,632.25		1,919,042,619.12	1,919,042,619.12

Legal representative: Wang Feng Responsible for accounting work: Yuan Liang Responsible for accounting institution: Liu Xinjun

Unit: YuanCurrency:RMB

Projects	Current Issue										
	Share Capital	Other equity instruments			Capital surplus	Less: Treasury stock	Other comprehensive income	Specialized reserves	Surplus reserves	Undistributed earnings	Total Owner's Equity
		Priorty Shares	Perpetual Debt	its He							
I. Prior year ending balance	562,413,222.00				458,649,010.11		9,880,090.91		266,656,723.33	1,032,387,256.99	2,329,986,303.34
Add: Change in accounting policy											
Correction of Prior Period Errors											
Other											
II. Opening balance of the year	562,413,222.00				458,649,010.11		9,880,090.91		266,656,723.33	1,032,387,256.99	2,329,986,303.34
C. The amount of increase or decrease in the current period (the decrease is filled in with a "-" sign) (column)							-12,795,590.91			-12,717,729.66	-25,513,320.57
(i) Total comprehensive income							-12,795,590.91			-12,717,729.66	-25,513,320.57
(ii) Owner input and reduction of capital											
1. Ordinary shares invested by owners											
2. Capital contributions from holders of other equity instruments											
3. Share-based payments included in owners' equity											
4. Other											
(iii) Profit distribution											
1. Withdrawal of surplus reserves											
2. Distribution to owners (or shareholders)											
3. Other											
(iv) Internal carryforward of owners' equity											
1. Transfer of capital surplus to capital (or share capital)											
2. Transfer of surplus to capital (or share capital)											
3. Surplus reserves to cover losses											
4. Transfer of retained earnings from changes in defined benefit plans											
5. Other											
(E) special reserve											
1. Withdrawal in the current period											
2. Used in this period											
(F) Other											
IV. Closing balance of the period	562,413,222.00				458,649,010.11		-2,915,500.00		266,656,723.33	1,019,669,527.33	2,304,472,982.77

Projects	Previous period										
	Share Capit al	Other equity instruments			Capital surplus	Less: Treasury stock	Other comprehensive income Benefit	Dedicated storage Preparati on	Surplus reserves	Undistributed earnings	Total Owner's Equity
		Priority Share	Perpetu al Debt	its He							
I. Prior year ending balance	562,413,222.00				458,649,010.11		10,917,090.91		266,656,723.33	1,229,369,646.15	2,528,005,692.50
Add: Change in accounting policy											
Correction of Prior Period Errors											
Other											
II. Opening balance of the year	562,413,222.00				458,649,010.11		10,917,090.91		266,656,723.33	1,229,369,646.15	2,528,005,692.50
C. The amount of increase or decrease in the current period (the decrease is filled in with a "-" sign) (column)							-1,037,000.00			-196,982,389.16	-198,019,389.16
(i) Total comprehensive income							-1,037,000.00			-140,741,066.96	-141,778,066.96
(ii) Owner input and reduction of capital											
1. Ordinary shares invested by owners											
2. Capital contributions from holders of other equity instruments											
3. Share-based payments included in owners' equity											
4. Other											
(iii) Profit distribution										-56,241,322.20	-56,241,322.20
1. Withdrawal of surplus reserves											
2. Distribution to owners (or shareholders)										-56,241,322.20	-56,241,322.20
3. Other											
(iv) Internal carryforward of owners' equity											
1. Transfer of capital surplus to capital (or share capital)											
2. Transfer of surplus to capital (or share capital)											
3. Surplus reserves to cover losses											
4. Transfer of retained earnings from changes in defined benefit plans											
5. Other											
(E) special reserve											
1. Withdrawal in the current period											
2. Used in this period											

(F) Other											
IV. Closing balance of the period	562,413,222.00				458,649,010.11		9,880,090.91		266,656,723.33	1,032,387,256.99	2,329,986,303.34

Legal representative: Wang Feng Responsible for accounting work: Yuan Liang Responsible for accounting institution: Liu Xinjun

III. Basic information of the company

1. Company Overview

√Applicable □Not applicable

(hereinafter referred to as "the Company", "the Company" or "Fengshen") formerly known as Henan Tire Co. Ltd. was approved by Henan Provincial People's Government, Henan Stock Approval No. [1998] 49, and was jointly established by Henan Tire Group Co. The Company was registered with the Henan Provincial Administration for Industry and Commerce on December 1, 1998, with an initial registered capital of

The Company's parent company is China National Chemical Rubber Corporation (formerly known as China National Chemical Rubber Corporation). The parent company of the Company is China National Chemical Rubber Corporation (formerly known as China National Chemical Rubber Corporation, which was established in January 2013).

(The overall corporate restructuring was changed to China National Chemical Rubber Co.)

Approved by the China Securities Regulatory Commission (hereinafter referred to as the "CSRC") under the document "Securities Regulatory Issue No. [2003] 119", the Company issued 75 million shares of RMB common stock (A) on September 29, 2003 and listed them on the Shanghai Stock Exchange on October 21, 2003, with the stock code 600469. After the issuance, the registered capital was increased to RMB 255 million.

In June 2005, the Company was identified by the CSRC as a pilot company for the share split reform. At the resolution of the Sixth Meeting of the Third Session of the Board of Directors of the Company held on July 5, 2005, the seven non-marketable shareholders of the Company unanimously agreed to pay a portion of their respective shares as consideration to the marketable shareholders in exchange for the right to market their non-marketable shares, i.e., the marketable shareholders registered on the share registration date of the implementation of the program. For every 10 outstanding shares held, 4.2 shares will be paid to the non-marketable shareholders; upon completion of the payment, the non-marketable shares held by the non-marketable shareholders of the Company will be granted the right to be listed and circulated. On July 29, 2005, the equity share reform plan was approved by the State-owned Assets Supervision and Administration Commission of the State Council.

On August 8, 2005, the extraordinary general meeting of the Company considered and approved the proposal of the Company's share reform program. Implementation of the program

The share registration date was August 12, 2005. Upon completion of the stock split, the total share capital of the Company remained at 255 million shares.

On June 25, 2007, the Company received the document "Approval on the Transfer of State-owned Shares of Fengshen Tire Company Limited" from the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) No. [2007] 545, agreeing that the Company's controlling shareholder, Henan Tire Group Limited, would transfer its 10,000,000 state-owned legal person shares of the Company to China Haohua Chemical (Group) Corporation. October 2007

On 11 November, 10,000,000 shares held by Henan Tire Group Co., Ltd. were transferred to China Haohua Chemical (Group) General Co.

The transfer procedures of the Company were completed. After the completion of the transfer of state-owned shares, the total share capital of the Company remains at 255 million shares, of which China Haohua Chemical (Group) Corporation and Henan Tire Group Company Limited hold 100 million shares and 33,866,800 shares respectively.

On May 30, 2008, the Company's application for a non-public offering of shares was approved by the China Securities Regulatory Commission (CSRC), and on June 27, 2008, the CSRC issued CSRC License [2008] No. 861 "Approval of Non-public Offering of Shares of Fengshen Tire Co. China Haohua Chemical (Group)

The registered capital was increased to RMB37,494.21.48 million after the issuance of 11,994.21.48 million shares through the non-public issuance of shares by 7 specific parties, including the head office.

The total share capital is 37,494.2148 million shares, of which China Haohua Chemical (Group) Corporation holds 15,964.2148 million shares, Henan Tire Group

Ltd. holds 33,540,200 shares, Jiangsu Xingda Steel Cord Co.

Ltd. holds 10 million shares, Hubei Fuxing Technology Co.

Ltd. holds 8.5 million shares, Long Gong (Fujian) Bridge Box Co.

The Company's shares are held by the public shareholder and 12,145.98 million shares are held by the public shareholder.

On December 21, 2009, China Haohua Chemical (Group) Corporation and China National Chemical and Rubber Corporation signed the "Agreement on Transfer of State-owned Equity", in which China Haohua Chemical (Group) Corporation transferred 159,642,148 shares of the Company (accounting for 42.58% of the total share capital of the Company) to China National Chemical and Rubber Corporation without any compensation. On January 7, 2010, the State-owned Assets Supervision and Administration Commission of the State Council approved the above equity transfer with the document of State-owned Assets Ownership [2010] No. 3. As 59,642,148 shares of Fengshen held by China Haohua Chemical (Group) Corporation were restricted shares, the transfer was approved by the State-owned Assets Supervision and Administration Commission of the State Council on January 7, 2010.

As the conditions for transfer were not yet available, the two parties signed the Supplementary Agreement on the Transfer of State-owned Equity on August 31, 2010, agreeing to transfer

On September 20, 2010, the transfer of shares to China National Chemical and Rubber Corporation was set at 100,000,000 shares.

The registration and confirmation procedures have been fully completed. China National Chemical & Rubber Corporation holds 100,000,000 shares of the Company, accounting for 26.67% of the total share capital of the Company, and has become the parent company of the Company; China Haohua Chemical (Group) Corporation holds 59,642,148 shares of the Company, accounting for 15.91% of the total share capital of the Company, and is the second largest shareholder of the Company.

On May 16, 2013, China National Chemical Rubber Corporation and China Haohua Chemical Group Corporation (formerly known as China Haohua Chemical Group Corporation) entered into an agreement.

On June 8, 2013, the China Securities Regulatory Commission approved the waiver of the tender offer obligation for this transfer, and on July 5, the transfer registration procedures were completed. On June 8, 2013, the China Securities Regulatory Commission approved the waiver of the tender offer obligation for this share transfer without compensation, and on July 5, the registration procedures for the transfer of the above shares were all completed. Ltd. increased from 100,000,000 shares to 159,642,148 shares, and the shareholding ratio increased from 26.67% to 42.58%, China Haohua

Chemical Group Co.

In May 2016, according to the Company's 2015 Annual General Meeting, the Company's 2015 Annual Profit Distribution Proposal was considered and approved by the

Based on the total share capital of 374,942,148 shares at the end of 2015, 5 shares were sent to all shareholders for every 10 shares, after implementation on June 29, 2016

The Company's share capital is RMB 562,413,222.

As of December 31, 2018, the total cumulative issued share capital of the Company was 562,413,222 shares, all of which were outstanding under unlimited sale conditions

Share. The registered capital of the company is RMB 56,241.3222 million, and the unified social credit code of enterprise legal person business license is: 914100007126348530.

The registered office is at No. 48 Jiao Dong Nan Road, Jiaozuo City, Henan Province, with legal representative Xinping Bai.

The company belongs to the tire manufacturing enterprise, belongs to the industry of rubber manufacturing category, the scope of business is: to operate the enterprise production of tires and related technology export business; to operate the enterprise production of raw and auxiliary materials, machinery and equipment, spare parts, instruments and related technology import business; to carry out foreign cooperative production, processing with materials, processing of samples, assembly of parts and compensation trade business. Tire production and sales; sales of raw and auxiliary materials for tire production; sales of auto and construction machinery parts and accessories.

Our main products: all-steel radial tires, bias tires, etc.

These financial statements were approved by the Company's Board of Directors on April 12, 2019.

2. Scope of Consolidated Financial Statements

√Applicable □Not applicable

As of December 31, 2018, the subsidiaries within the scope of the Company's consolidated financial statements were as follows

Subsidiary Name

Fengshen Tire (Taiyuan) Co.

Fengshen Tire (Hong Kong) Co.

For details of the scope of the consolidated financial statements and changes in the scope of the consolidated financial statements for the current period, please refer to "Section X.

Financial Reports" and "IX. interests in other subjects."

IV. Basis of preparation of financial statements

1. Preparation basis

The Company operates on a going concern basis, based on transactions and events that actually occur, in accordance with the Accounting Standards for Business Enterprises -

Basic Accounting Standards (BAS) and specific accounting standards, guidance on the application of ASBEs, interpretations of ASBEs and other related provisions (hereinafter collectively referred to as "ASBEs").

and the disclosure requirements of the China Securities Regulatory Commission's "Rules Governing the Preparation of Information Disclosures by Companies Issuing Public Securities No. 15 - General Provisions on Financial Reporting" for the preparation of financial statements.

2. Going concern

√Applicable □Not applicable

The Company does not have any financial statements that may cast significant doubt on the Company's ability to continue as a going concern for the 12 months from the end of the reporting period

The matter or situation.

V. Significant Accounting

Policies and Accounting

Estimates Specific Accounting

Policies and Accounting

Estimates Tip:

√Applicable ☐ Not applicable

The following disclosures have covered the specific accounting policies and accounting estimates formulated by the Company in accordance with the actual production and operation characteristics.

1. Statement of compliance with corporate accounting standards

The financial statements prepared by the Company comply with the requirements of the Accounting Standards for Business Enterprises and give a true and complete view of the financial position, financial statements and financial statements of the Company for the reporting period,

Operating results, cash flows and other related information.

2. Accounting Period

The fiscal year is from January 1 to December 31.

3. Business cycle

√Applicable □Not applicable

The Company's business cycle is 12 months.

4. Local currency of accounts

The Company adopts RMB as its local currency of account.

5. Accounting for business combinations under common control and non-common control

√Applicable □Not applicable

Business combination under common control: The assets and liabilities acquired by the Company in a business combination are determined in accordance with the assets and liabilities of the consolidated party at the date of the combination,

Liabilities (including goodwill arising from the acquisition of the consolidated party by the ultimate controlling party) are measured at their carrying value in the consolidated financial statements of the ultimate controlling party. The difference between the carrying value of the net assets acquired in the merger and the carrying value of the merger consideration paid (or the total nominal value of shares issued) is adjusted to equity premium in capital surplus, and if the equity premium in capital surplus is not sufficient for elimination, it is adjusted against retained earnings.

Business combinations not under common control: The Company measures assets paid for, incurred or assumed as consideration for a business combination at fair value at the date of purchase, and the difference between the fair value and its carrying amount is recognized in profit or loss for the period. The Company recognizes goodwill for the difference between the cost of the merger and the share of the fair value of the identifiable net assets of the acquiree acquired in the merger; the difference between the cost of the merger and the share of the fair value of the identifiable net assets of the acquiree acquired in the merger, after review, is recognized in profit or loss for the period. Intermediary fees such as audit, legal services, appraisal and consulting fees and other directly related costs incurred for the business combination are recognized in profit or loss as incurred; transaction costs for the issuance of equity securities for the business combination are eliminated from equity.

6. Preparation of Consolidated Financial Statements

√Applicable □Not applicable

1. Scope of consolidation

The scope of consolidation of the Company's consolidated financial statements is determined on the basis of control, and all subsidiaries (including the divisible portion of investees controlled by the Company) are included in the consolidated financial statements.

2. Merger procedure

The Company prepares consolidated financial statements based on its own and each subsidiary's financial statements and other relevant information. The Company

The consolidated financial statements are prepared by considering the entire enterprise group as one accounting entity, reflecting the financial position, results of operations and cash flows of the enterprise group as a whole in accordance with the recognition, measurement and presentation requirements of relevant enterprise accounting standards and in accordance with uniform accounting policies.

The accounting policies and accounting periods adopted by all subsidiaries included in the scope of consolidation of the consolidated financial statements are consistent with those of the Company. If the accounting policies and accounting periods adopted by a subsidiary are not consistent with those of the Company, the accounting policies and accounting periods used in the preparation of the consolidated financial statements shall be those of the Company,

The necessary adjustments are made during the accounting period. For a subsidiary acquired through a business combination other than a business combination under common control, the financial statements are adjusted on the basis of the fair value of the identifiable net assets at the date of purchase. For subsidiaries acquired through a business combination under the same control, their financial statements are adjusted on the basis of the carrying amounts of their assets and liabilities (including goodwill resulting from the acquisition of the subsidiary by the ultimate controlling party) in the financial statements of the ultimate controlling party.

The share of the subsidiary's ownership interest, net profit or loss for the period and comprehensive income attributable to minority shareholders are presented separately in the consolidated balance sheet under the item of ownership interest, in the consolidated income statement under the item of net profit and in the consolidated statement of total comprehensive income, respectively. The balance resulting from the excess of the minority shareholders' share of the subsidiary's loss for the period over the minority shareholders' share of the subsidiary's ownership interest at the beginning of the period is eliminated to reduce shareholders' equity.

(1) Increase in subsidiaries or operations

During the reporting period, if a subsidiary or business is added as a result of a business combination under the same control, the opening number of the consolidated balance sheet is adjusted; the revenue, expenses and profit of the subsidiary or business combination from the beginning of the period to the end of the reporting period are included in the consolidated income statement; the cash flow of the subsidiary or business combination from the beginning of the period to the end of the reporting period is included in the consolidated cash flow statement, and the relevant items in the comparative statement are also adjusted as if The consolidated reporting entity has existed since the point at which the ultimate controlling party began to control.

If it is possible to exercise control over an investee under the same control due to additional investment, etc., the parties involved in the consolidation are treated as if they existed in their current state at the time when the ultimate controlling party began to exercise control for adjustment purposes. For equity investments held prior to the acquisition of control of the consolidated party, the related gains or losses, other comprehensive income and other changes in net assets recognized between the later of the date of acquisition of the original equity interest and the date when the consolidated party and the consolidated party are under the same control and the date of consolidation are eliminated from opening retained earnings or current profit or loss, respectively, in the period of the comparative statements.

During the reporting period, if a subsidiary or business is added as a result of a business

combination not under common control, the opening balance of the consolidated balance sheet is not adjusted; the revenue, expenses and profit of such subsidiary or business from the date of purchase to the end of the reporting period are included in the consolidated income statement; and the cash flows of such subsidiary or business from the date of purchase to the end of the reporting period are included in the consolidated cash flow statement.

If the Company is able to exercise control over an investee not under common control due to additional investment, etc., the Company remeasures the equity interest in the investee held prior to the date of purchase at the fair value of the equity interest at the date of purchase, and the difference between the fair value and its carrying amount is recognized as investment income for the period. If the equity interest in the investee held before the purchase date involves other comprehensive income under the equity method of accounting and other changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution, the related other comprehensive income and other changes in owners' equity are transferred to investment income for the period to which the purchase date belongs, except for other comprehensive income resulting from the remeasurement of the investee's net liabilities or changes in net assets of the defined benefit plan. Other comprehensive income arising from the remeasurement of the net liabilities or net assets of the defined benefit plan is excluded.

(2) Disposal of subsidiaries or operations

① General treatment method

If the Company disposes of a subsidiary or business during the reporting period, the revenues, expenses and profits of the subsidiary or business from the beginning of the period to the date of disposal are included in the consolidated income statement; the cash flows of the subsidiary or business from the beginning of the period to the date of disposal are included in the consolidated cash flow statement.

When control over an investee is lost due to the disposal of a portion of the equity investment or for other reasons, the Company remeasures the remaining equity investment after disposal at its fair value at the date of loss of control. The difference between the consideration received for the disposal of the equity interest and the fair value of the remaining equity interest

and, less the difference between the share of the net assets of the original subsidiary calculated in proportion to the original shareholding on a continuing basis from the date of purchase or the date of consolidation and the sum of goodwill, is included in investment income in the period in which control is lost. Other comprehensive income or changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution related to the equity investment in the original subsidiary is transferred to investment income in the period when control is lost, except for other comprehensive income resulting from the remeasurement of the investee's net liabilities or changes in net assets of the defined benefit plan.

If the Company's shareholding percentage decreases as a result of capital increases by other investors in subsidiaries and thus loses control, the Company will be accounted for in accordance with the above principles.

② Step-by-step disposal of subsidiaries

Where an equity investment in a subsidiary is disposed of in steps through multiple transactions until control is lost, the terms and conditions and economic effects of each transaction to dispose of the equity investment in the subsidiary are such that one or more of the following circumstances normally indicate that the multiple transaction event should be accounted for as a package transaction:

- i. These transactions were entered into simultaneously or with consideration of the effects of each other;
- ii. these transactions as a whole to achieve a complete business result;
- iii. -the occurrence of a transaction is dependent on the occurrence of at least one other transaction;
- iv. -A transaction is not economical when viewed alone, but is economical when considered together with other transactions.

If the disposal of an equity investment in a subsidiary until the loss of control is a package transaction, the Company accounts for each transaction as a disposal of a subsidiary and loss of control; however, the difference between the disposal price and the share of the net assets of the subsidiary corresponding to the disposal of the investment for each disposal prior to the loss of control is recognized in the consolidated financial statements as other comprehensive income and is transferred to profit or loss in the period when control is lost. It is transferred to profit or loss in the period in which control is lost.

Where the various transactions for the disposal of equity investments in subsidiaries until the loss of control are not a package transaction, prior to the loss of control

The accounting treatment is based on the policy related to partial disposal of equity investments in subsidiaries in the event of no loss of control; in the event of loss of control, the accounting treatment

is based on the general treatment of disposal of subsidiaries.

(3) Purchase of minority interests in subsidiaries

The Company's new long-term equity investment acquired as a result of the purchase of minority interest and the

Company's share of the subsidiary based on the new shareholding from the date of purchase

(The difference between the share of net assets calculated on an ongoing basis from the beginning of the year (or the date of consolidation) is adjusted against the equity premium in capital surplus in the consolidated balance sheet, and if the equity premium in capital surplus is not sufficient for elimination, retained earnings are adjusted.

(4) Partial disposal of equity investments in subsidiaries without loss of control

The difference between the disposal price obtained from partial disposal of long-term equity investments in subsidiaries without loss of control and the share of the net assets of the subsidiaries calculated on an ongoing basis from the date of purchase or the date of consolidation corresponding to the disposal of long-term equity investments is adjusted against the equity premium in capital surplus in the consolidated balance sheet, and if the equity premium in capital surplus is not sufficient for elimination, it is adjusted against retained earnings.

7. Classification and accounting treatment of joint venture arrangements

√Applicable ☐Not applicable

Joint venture arrangements are divided into joint operations and joint ventures.

A joint operation occurs when the Company is a joint party to a joint arrangement, enjoys the assets and bears the liabilities related to the arrangement. The Company recognizes the following items related to the share of interest in a joint operation and accounts for them in accordance with the relevant ASBEs:

- (1) Recognition of assets held individually by the Company and recognition of jointly held assets based on the Company's share;
- (2) Recognition of liabilities assumed by the Company individually and liabilities assumed jointly on the basis of the Company's share;
- (3) recognize revenue from the sale of the Company's share of common operating output;
- (4) Recognition of revenue from joint operations arising from the sale of output at the Company's share;
- (5) The Company recognizes expenses incurred separately, and recognizes expenses incurred in joint operations based on the Company's share. The accounting policy for the Company's investment in joint ventures is described in Note 3 (XIV), "Long-term equity investments".

8. Criteria for determining cash and cash equivalents

In preparing the statement of cash flows, the Company recognizes cash on hand and deposits that are readily available for disbursement as cash. To recognize cash with both Investments with the four conditions of short maturity, high liquidity, easy conversion to known cash, and minimal risk of changes in value are identified as cash equivalents.

9. Foreign currency operations and translation of foreign currency statements

√Applicable □Not applicable

1、 Foreign currency business

Foreign currency operations are recorded in RMB using the spot exchange rate or an approximate exchange rate at the date of the transaction as the translation rate. The balances of foreign currency monetary items at the balance sheet date are translated at the spot exchange rate at the balance sheet date, and the resulting exchange differences are treated in accordance with the principle of capitalization of borrowing costs, except for those arising from special borrowings in foreign currencies related to the acquisition and construction of assets eligible for capitalization. In addition, all of them are charged to current profit or loss.

2. Translation of foreign currency financial statements

Assets and liabilities in the balance sheet are translated using the spot exchange rate at the balance sheet date; items in owners' equity, except for "undistributed earnings", **are translated** using the spot exchange rate at the time of occurrence. Income and expense items in the income statement are translated using the spot exchange rate or an approximation thereof at the date of the transaction.

Upon disposal of a foreign operation, the difference in translation of the foreign currency financial statements related to the foreign operation is transferred from the owner's equity item to profit or loss in the period of disposal.

10. Financial Instruments

☒Applicable ☐Not applicable

Financial instruments include financial assets, financial liabilities and equity instruments.

1、Classification of financial instruments

Financial assets and financial liabilities are classified at initial recognition as follows: Financial assets at fair value through profit or loss

or financial liabilities, including financial assets or financial liabilities held for trading and those directly designated as at fair value through profit or loss; held-to-maturity investments; receivables; available-for-sale financial assets; and other financial liabilities.

2. Recognition basis and measurement method of financial instruments

(1) Financial assets at fair value through profit or loss (financial liabilities)

Upon acquisition, the fair value (net of cash dividends declared but not yet paid or interest on bonds that are due but not yet received) is used as the initial recognition amount, and the related transaction costs are recognized in profit or loss for the current period.

Interest or cash dividends received during the holding period are recognized as investment income, and changes in fair value are recognized in current profit or loss at the end of the period.

Upon disposal, the difference between its fair value and the initial carrying amount is recognized as investment income, with an adjustment to the gain or loss on changes in fair value.

(2) Held-to-maturity investments

Upon acquisition, the amount is initially recognized as the sum of the fair value (net of interest on bonds that have reached the interest payment period but have not yet been collected) and related transaction costs.

Interest income is recognized over the holding period at amortized cost and the effective interest rate, which is included in investment income. The effective interest rate is determined at the time of acquisition and remains constant over the expected life of the investment or a shorter period, as applicable. Upon disposal, the difference between the acquisition price and the carrying amount of the investment is recognized as investment income.

(3) Accounts receivable

Claims receivable resulting from the sale of goods or provision of services to outside parties, as well as claims on other enterprises held by the Company that do not include debt instruments with quoted prices in an active market, including accounts receivable and other receivables, are initially recognized at the contractual or agreed price receivable from the purchaser; those with a financing nature are initially recognized at their present value.

Upon collection or disposal, the difference between the acquisition price and the carrying amount of the receivable is recognized in profit or loss for the current period.

(4) Available-for-sale financial assets

Upon acquisition, the amount is initially recognized as the sum of the fair value (net of cash

dividends declared but not yet paid or interest on bonds that are due but not yet received) and related transaction costs.

Interest or cash dividends received during the holding period are recognized as investment income. At the end of the period, the investment is measured at fair value and the change in fair value is recognized in other comprehensive income. However, investments in equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured, and derivative financial assets that are linked to and must be settled by delivery of such equity instruments, are measured at cost.

Upon disposal, the difference between the acquisition price and the carrying amount of the financial asset is recognized as investment gain or loss; at the same time, the amount corresponding to the disposal portion of the accumulated changes in fair value previously recognized directly in other comprehensive income is reversed out and recognized in profit or loss for the current period.

(5) Other financial liabilities

The initial recognition amount is based on the sum of its fair value and related transaction costs. Amortized cost is used for subsequent measurement.

3. Recognition basis and measurement method for transfer of financial assets

When a company transfers a financial asset, it derecognizes the financial asset if substantially all the risks and rewards of ownership of the financial asset have been transferred to the transferring party, or does not derecognize the financial asset if substantially all the risks and rewards of ownership of the financial asset have been retained.

In determining whether a transfer of financial assets meets the above conditions for derecognition of financial assets, the principle of substance over form is applied. The Company distinguishes between transfers of financial assets as a whole and partial transfers of financial assets. If a transfer of a financial asset as a whole meets the derecognition condition, the difference between the following two amounts is recognized in profit or loss for the current period:

- (1) The carrying value of the financial assets transferred;
- (2) The sum of the consideration received for the transfer and the cumulative amount of changes in fair value originally recognized directly in owners' equity (in cases where the financial assets involved in the transfer are available-for-sale financial assets).

If a partial transfer of a financial asset satisfies the conditions for derecognition, the carrying amount of the financial asset transferred as a whole is apportioned between the derecognized portion and the unrecognized portion according to their respective relative fair values, and the difference between the following two amounts is recognized in profit or loss for the period:

- (1) The carrying value of the derecognized portion;
- (2) The sum of the consideration for the derecognized portion and the amount corresponding to the derecognized portion of the cumulative amount of changes in fair value originally recognized directly in owners' equity (in the case where the financial assets involved in the transfer are available-for-sale financial assets).

If the transfer of a financial asset does not meet the derecognition condition, the financial asset continues to be recognized and the consideration received is recognized as a financial liability.

4. Conditions for derecognition of financial liabilities

A financial liability or a portion thereof is derecognized when the present obligation of the financial liability has been discharged in whole or in part. If the Company enters into an agreement with a creditor to replace an existing financial liability by assuming a new financial liability, and the contractual terms of the new financial liability are materially different from those of the existing financial liability, the existing financial liability is derecognized and the new financial liability is recognized at the same time.

If all or part of the contractual terms of an existing financial liability are materially modified, the existing financial liability or part of it is derecognized and the modified financial liability is recognized

as a new financial liability.

When a financial liability is derecognized in whole or in part, the difference between the carrying amount of the financial liability derecognized and the consideration paid (including non-cash assets transferred or new financial liabilities assumed) is recognized in profit or loss for the period. If the Company repurchases a portion of a financial liability, the carrying amount of the financial liability as a whole is allocated on the repurchase date based on the relative fair values of the portion that continues to be recognized and the portion that is derecognized. The difference between the carrying amount allocated to the derecognized portion and the consideration paid (including the non-cash assets transferred or new financial liabilities assumed) is recognized in profit or loss for the period.

5. Methodology for determining the fair value of financial assets and financial liabilities

The fair value of financial instruments for which there is an active market is determined using quoted prices in an active market. The fair value of financial instruments for which there is no active market is determined using valuation techniques. In the valuation, the Company adopts the following valuation techniques that are applicable in the current circumstances and for which sufficient data and information are available

Valuation techniques supported by other information select inputs that are consistent with the characteristics of the asset or liability considered by market participants in transactions for the relevant asset or liability, and use relevant observable inputs in preference. Unobservable inputs are used only when the relevant observable inputs are not available or not practicable to obtain.

6. Test methods and accounting treatment for impairment of financial assets (excluding receivables)

Except for financial assets at fair value through profit or loss, the Company examines the carrying amount of financial assets at the balance sheet date and provides for impairment if there is objective evidence that a financial asset is impaired.

(1) Provision for impairment of available-for-sale financial assets:

At the end of the period, if there is a significant decline in the fair value of an available-for-sale financial asset, or if, after taking into account all relevant factors, it is expected that such a downward trend is other than temporary, it is determined that it is impaired, and the cumulative loss resulting from the decline in fair value originally recognized directly in owners' equity is reversed together with the impairment loss recognized. For available-for-sale debt instruments for which an impairment loss has been recognized, if the fair value has increased in a subsequent accounting period and can be objectively related to an event occurring after the recognition of the original impairment loss, the originally recognized impairment loss is reversed and recognized in profit or loss for the current period.

Impairment losses incurred on investments in available-for-sale equity instruments are not reversed through profit or loss.

(2) Provision for impairment of held-to-maturity investments:

The measurement of impairment loss on held-to-maturity investments is treated similarly to the measurement of impairment loss on receivables.

11. Provision for bad debts of receivables

(1). Receivables with individually significant amounts and separately provided for bad debts

√Applicable ☐ Not applicable

Judgment basis or amount criteria for significant individual amounts	A single closing balance of more than 10 million yuan (including 10 million) should be Receivables and other receivables and long-term receivables with a single ending balance of more than \$1 million (including \$1 million).
Provision for bad debts with a single significant amount and a single provision	If there is objective evidence of impairment, a provision for bad debts is made for the difference between the present value of estimated future cash flows and their carrying amount, which is

(2). Receivables for which provision for bad debts is made based on a combination of credit risk characteristics

✓Applicable ☐ Not applicable

Provisioning methods for bad debts by combination of credit risk characteristics (ageing analysis,
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Combination 1	Separate testing of receivables and other receivables that are not impaired
Combination 1	Ageing analysis method

In the portfolio, the provision for bad debts using the ageing analysis method

☒Applicable ☐ Not applicable

Age of accounts	Accrual ratio of accounts receivable (%)	Accrual ratio of other receivables (%)
Within 1 year (including 1 year)	3	3
Of which: within 1 year sub-item, can add Addition		
1-2 years	5	5
2-3 years	10	10
More than 3 years		

In the portfolio, the bad debt provision using the percentage balance method

☐Applicable ☒Not applicable

In the portfolio, the provision for bad debts using other methods

☐Applicable ☒Not applicable

(3). Receivables that are not individually significant but for which a separate provision for bad debts is made

☒Applicable ☐ Not applicable

Rationale for a separate provision for bad debts	<p>If there is objective evidence that an individual receivable is impaired for an immaterial amount, the present value of future cash flows is less than its carrying amount based on</p> <p>The difference in value is recognized as an impairment loss and a provision for bad debts is made.</p>
	At the end of the period, receivables that do not

12. Inventory

☒Applicable ☐Not applicable

1、 Classification of inventories

Inventories are classified as raw materials, inventory goods, work-in-process, and low-value consumables.

2、 Valuation method of issued inventories

Inventories are valued on a weighted-average basis when they are issued.

3. The basis for determining the net realizable value of different categories of inventories

The net realizable value of inventories of finished goods, inventory goods and materials for sale, which are directly used for sale, is determined in the normal course of production and operation by using the estimated selling price of the inventory less estimated selling expenses and related taxes. The net realizable value of inventories held for the execution of sales contracts or labor contracts is calculated on the basis of the contract price. If the quantity of inventories held exceeds the quantity ordered in the sales contract, the net realizable value of the excess inventories is calculated on the basis of the general sales price. Provision for inventory decline is made at the end of the period according to individual inventory items; however, for inventories with large quantities and lower unit prices, provision for inventory decline is made according to inventory categories; inventories that are related to product lines manufactured and sold in the same region, have the same or similar end use or purpose, and are difficult to be measured separately from other items are combined and provision for inventory decline is made.

The net realizable value of inventory items is determined on the basis of market prices at the balance sheet date, except where there is clear evidence of unusual market prices at the balance sheet date.

The net realizable value of inventory items at the end of the period is determined on the basis of market prices at the balance sheet date.

4. The inventory system of inventory is based on the perpetual inventory system.

5, Amortization method of low-value consumables and packaging

- (1) Low-value consumable items are amortized using the 50/50 method;
- (2) The packaging uses the one-time resale method.

13. Assets held for sale

☒Applicable ☐Not applicable

The Company classifies non-current assets or disposal groups as held for sale if they meet both of the following conditions:

- (1) immediately in their current condition, in accordance with the practice for the sale of such assets or disposal groups in similar transactions;

(2) A sale is highly likely to occur, i.e. the Company has resolved on a plan of sale and obtained firm purchase commitments, and the sale is expected to be completed within one year. Where the relevant regulations require the approval of the relevant authority or regulatory authority of the Company before the sale can take place, such approval has been obtained.

14. Long-term equity investments

☒Applicable ☐Not applicable

1. Judgment criteria for joint control and significant influence

Shared control means control over an arrangement that is shared in accordance with the relevant agreement, and the relevant activities of the arrangement must be shared

The decision can be made only after the unanimous consent of the participants in control. If the Company exercises joint control over an investee together with other joint venture parties and has rights to the net assets of the investee, the investee is a joint venture of the Company.

Significant influence means having the power to participate in the making of financial and operating decisions of an enterprise, but not being able to control or jointly control with other parties the making of those policies. Where the Company is able to exercise significant influence over an investee, the investee is an associate of the Company.

2. Determination of initial investment cost

(1) Long-term equity investments resulting from business combinations

Business combination under the same control: If the company pays cash, transfers non-cash assets or assumes debts and issues equity securities as consideration for the combination, the initial investment cost of the long-term equity investment is determined at the date of combination on the basis of the share of the acquisition of the ownership interest of the consolidated party in the book value of the consolidated financial statements of the ultimate controlling party. If it is possible to exercise control over an investee under the same control due to additional investment, etc., the initial investment cost of long-term equity investments is determined at the date of consolidation on the basis of the share of the carrying value of the net assets of the investee in the consolidated financial statements of the party ultimately in control after the consolidation. The difference between the initial investment cost of the long-term equity investment at the date of consolidation and the sum of the carrying value of the long-term equity investment before reaching consolidation plus the carrying value of the consideration newly paid for further acquisition of shares at the date of consolidation is adjusted for equity premium, and if the equity premium is not sufficient for elimination, it is reduced by retained earnings.

Business combinations not under common control: The initial investment cost of long-term equity investments is based on the cost of consolidation determined at the date of purchase. If the Company is able to exercise control over the investee under non-identical control due to additional investment, the initial investment cost is determined by adding the book value of the original equity investment and the cost of the additional investment to the initial investment cost.

(2) Long-term equity investments acquired by other means

Long-term equity investments acquired by paying cash are recognized as initial investment cost based on the actual purchase price paid.

Long-term equity investments acquired by issuing equity securities are measured at the fair value of the equity securities issued as the initial investment cost. On the premise that the exchange of non-monetary assets has commercial substance and the fair value of the assets exchanged or exchanged can be measured reliably, the initial investment cost of long-term equity investments

acquired in exchange for non-monetary assets is determined by the fair value of the assets exchanged and the related taxes and fees payable, unless there is conclusive evidence that the fair value of the assets exchanged is more reliable; for non-monetary assets exchanged that do not satisfy the above premise, the initial investment cost is determined by the book value of the assets exchanged and the related taxes and fees payable. For non-monetary asset exchanges that do not meet the above prerequisites, the carrying value of the assets exchanged and the related taxes and fees payable are used as the initial investment cost of the long-term equity investments exchanged. The initial investment cost of long-term equity investments acquired through debt restructuring is determined on the basis of fair value.

3. Subsequent measurement and profit and loss recognition methods

(1) Long-term equity investments accounted for under the cost method

The Company's long-term equity investments in subsidiaries are accounted for using the cost method. Except for the declared but unpaid cash dividends or profits included in the actual price or consideration paid upon acquisition of the investment, the Company recognizes investment income for the current period on the basis of its entitlement to the declared cash dividends or profits of the investee.

(2) Long-term equity investments accounted for under the equity method

Long-term equity investments in associates and joint ventures are accounted for using the equity method. The initial cost of investment is greater than the investment's share of the investee's

The difference between the share of the fair value of the identifiable net assets of the investment unit and the initial investment cost of the long-term equity investment is not adjusted; the difference between the initial investment cost and the share of the fair value of the identifiable net assets of the investee at the time of investment is recognized in profit or loss for the current period.

The Company recognizes investment income and other comprehensive income according to the share of net profit or loss and other comprehensive income of the investee, and adjusts the book value of long-term equity investments; calculates the share of profits or cash dividends declared by the investee and reduces the book value of long-term equity investments accordingly; adjusts the book value of long-term equity investments for changes in the investee's ownership interest other than net profit or loss, other comprehensive income and profit distribution. For changes in the equity of the investee other than net profit or loss, other comprehensive income and profit distribution, the carrying amount of the long-term equity investment is adjusted and recognized in owners' equity.

In recognizing the share of the investee's net income or loss, the recognition is based on the fair value of the investee's identifiable net assets at the time the investment is acquired, adjusted for the investee's net income in accordance with the Company's accounting policies and accounting periods. If, during the period in which the investment is held, the investee prepares consolidated financial statements, the amount attributable to the investee in the consolidated financial statements in net income, other comprehensive income and other changes in owner's equity is accounted for on the basis of the amount attributable to the investee.

Unrealized internal transaction gains or losses incurred between the Company and its associates or joint ventures are offset in proportion to the portion attributable to the Company, and investment income is recognized on this basis. Unrealized losses on internal transactions with investees are recognized in full if they are impairment losses on assets. Transactions between the Company and its associates or joint ventures in which the assets are invested or sold and which constitute a business are accounted for in accordance with "I(5) Accounting for Business Combinations Under Common Control and Non-Common Control" and "III,

(vi) The relevant policies disclosed in the "Consolidated Financial Statements" are accounted for.

When the Company recognizes its share of losses incurred by the investee, it is treated in the following order: First, the carrying value of the long-term equity investment is eliminated. Second, if the carrying value of long-term equity investments is not sufficient for elimination, investment losses continue to be recognized to the extent of the carrying value of other long-term equity interests that substantially constitute the net investment in the investee, and the carrying value of long-term

receivables, etc. is eliminated. Finally, after the above treatment, if, according to the investment contract or agreement, the enterprise still assumes additional obligations, a projected liability is recognized for the expected obligations assumed, which is included in the current investment loss.

(3) Disposal of long-term equity investments

The difference between the carrying amount and the actual acquisition price of a long-term equity investment is recognized in profit or loss for the current period.

When a long-term equity investment accounted for using the equity method is disposed of, the portion of the investment that was previously recognized in other comprehensive income is accounted for on the same basis as the direct disposal of the related assets or liabilities by the investee, in proportion to the corresponding percentage. Owner's equity recognized as a result of changes in the investee's ownership interest other than net profit or loss, other comprehensive income and profit distribution is transferred to current profit or loss on a proportionate basis, except for other comprehensive income resulting from the remeasurement of the investee's net liabilities or changes in net assets of the defined benefit plan.

If a portion of the equity investment is disposed of and other reasons for losing common control or significant influence over the investee, the remaining equity interest after disposal is accounted for in accordance with the recognition and measurement of financial instruments standard instead, and the difference between its fair value and its carrying amount at the date of loss of common control or significant influence is recognized in profit or loss for the current period. Other comprehensive income recognized as a result of the equity method of accounting for the former equity investment is accounted for on the same basis as the direct disposal of the related assets or liabilities by the investee upon the termination of the equity method of accounting. Owner's equity recognized as a result of changes in the investee's ownership interest other than net profit or loss, other comprehensive income and profit distribution is transferred in full to current profit or loss upon the discontinuation of the equity method of accounting.

If the Company loses control over the investee due to the disposal of part of the equity investment or the decrease in the Company's shareholding due to the increase of capital in the subsidiary by other investors, when preparing the individual financial statements, the remaining equity interest that can exercise joint control or significant influence over the investee is accounted for under the equity method instead, and the remaining equity interest is adjusted as if it had been accounted for under the equity method since its acquisition; the remaining equity interest that cannot exercise joint control or significant influence over the investee is accounted for under the equity method instead. If the remaining equity interest cannot exercise joint control or significant influence over the investee, it is accounted for in accordance with the relevant provisions of the Standard on Recognition and Measurement of Financial Instruments, and the difference between its fair value and its carrying amount at the date of loss of control is recognized in profit or loss for the current period.

If the equity interest disposed of is acquired through a business combination for reasons such as additional investment, and the remaining equity interest after disposal is accounted for by the cost method or the equity method in the preparation of individual financial statements, other comprehensive income and other owners' equity recognized as a result of the equity method of accounting for the equity investment held prior to the date of purchase are carried forward proportionately; if the remaining equity interest after disposal is instead accounted for under the Financial Instruments Recognition and Measurement Guideline, the other comprehensive income and other owners' equity are carried forward in full.

**15. Not
applicable to
investment
properties**

**16. Fixed
assets (1).
Recognitio
n
conditions**

√Applicable ☐ Not applicable

Fixed assets are tangible assets that are held for the production of goods, provision of services, rental or operation management and have a useful life of more than one fiscal year. Fixed assets are recognized when both of the following conditions are met:

- (1) it is probable that the economic benefits associated with the fixed asset will flow to the enterprise;

(2) The cost of the fixed asset can be measured reliably.

(2). Depreciation Method

√Applicable ☐ Not applicable

Category	Depreciation Method	Depreciable life (years)	Residual Value Rate	Annual depreciation rate
Houses and Buildings	Annual averaging	25-40	5	2.38-3.80

Depreciation of fixed assets is provided using the average method over the estimated useful lives of the assets and the estimated net salvage value. If the useful lives of the components of fixed assets are different or provide economic benefits to the enterprise in different ways, different depreciation rates or depreciation methods are selected and depreciated separately. For fixed assets leased under finance leases, if it is reasonably certain that ownership of the leased assets will be obtained at the end of the lease term, depreciation is charged over the remaining useful life of the leased assets; if it is not reasonably certain that ownership of the leased assets will be obtained at the end of the lease term, depreciation is charged over the shorter of the lease term and the remaining useful life of the leased assets.

(3). Basis of recognition and valuation method of fixed assets leased under finance

√Applicable □Not applicable

An asset is recognized as a finance lease if one of the following conditions is stipulated in the terms of the lease agreement entered into by the company and the leaser:

- (1) Ownership of the leased assets vests in the Company at the end of the lease term;
- (2) the company has an option to purchase an asset for a purchase price that is substantially less than the fair value of the asset at the time the option is exercised;
- (3) The lease term represents the majority of the useful life of the leased asset;
- (4) The present value of the minimum lease payments at the commencement date of the lease is not significantly different from the fair value of the asset.

At the commencement date of the lease, the Company records the lower of the fair value of the leased asset and the present value of the minimum lease payments as the recorded value of the leased asset and the minimum lease payments as the recorded value of the long-term payable, with the difference as an unrecognized financing expense.

17. Construction in progress

√Applicable □Not applicable

Construction-in-progress projects are recorded as fixed assets on the basis of the necessary expenditure incurred to construct the asset before it reaches its intended useable state

Value. If the constructed fixed assets have reached their intended useable state but have not yet been finalized, they will be transferred to fixed assets at their estimated value from the date they reach their intended useable state based on the project budget, cost or actual cost of the project, and depreciated in accordance with the Company's fixed assets depreciation policy, and the original provisional estimated value will be adjusted based on the actual cost after the finalization of the project, but without The original depreciation amount is not adjusted.

18. Borrowing Costs

√Applicable □Not applicable

1. The recognition principle of capitalization of borrowing costs

Borrowing costs, including interest on borrowings, amortization of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings etc.

Borrowing costs incurred by the Company that are directly attributable to the acquisition or production of assets eligible for capitalization are capitalized and charged to the cost of the related

assets; other borrowing costs are recognized as expenses when incurred and charged to current profit or loss based on the amount incurred.

Assets eligible for capitalization are assets such as property, plant and equipment, investment properties and inventories that require a substantial period of time for their acquisition or production activities to reach their intended use or saleable condition.

Borrowing costs begin to be capitalized when both of the following conditions are met:

- (1) Asset expenditure has been incurred, which includes expenditure incurred in the form of cash payments, transfers of non-cash assets or the assumption of interest-bearing debt for the acquisition or production of assets eligible for capitalization;
- (2) Borrowing costs have been incurred;
- (3) The acquisition or production activities necessary to bring the asset to its intended use or saleable condition have begun.

2. Period of capitalization of borrowing costs

The capitalization period refers to the period from the point when capitalization of borrowing costs begins to the point when capitalization ceases, and borrowing costs are suspended from capitalization

The period is not included.

Borrowing costs cease to be capitalized when the acquisition or production of assets eligible for capitalization reaches its intended use or saleable condition.

When part of the acquisition or production of an asset eligible for capitalization is completed separately and can be used separately, the borrowing costs for that part of the asset cease to be capitalized.

If the parts of an asset that are acquired or produced are completed separately but must wait until the whole is completed before it can be used or sold to the public, the capitalization of borrowing costs ceases when the asset is completed as a whole.

3. Suspension of capitalization period

If there is an unusual interruption in the process of acquisition or production of an asset eligible for capitalization and the interruption lasts for more than three consecutive months

The capitalization of borrowing costs is suspended; if the interruption is necessary to bring the assets acquired or produced that are eligible for capitalization to their intended useable or marketable condition, the borrowing costs continue to be capitalized. Borrowing costs incurred during the interrupted period are recognized in profit or loss until the acquisition or production of the asset recommences and the borrowing costs continue to be capitalized.

4. Calculation of the capitalization rate and capitalization amount of borrowing costs

For special borrowings for the acquisition or production of assets eligible for capitalization, the actual borrowings incurred during the period of the special borrowings are used as the basis for the capitalization.

The capitalization amount of borrowing costs is determined by subtracting the amount of interest income earned on unused borrowing funds deposited in banks or investment income earned on temporary investments. For general borrowings used for the acquisition or production of assets eligible for capitalization, the amount of borrowing costs to be capitalized for general borrowings is determined by multiplying the weighted-average amount of accumulated asset expenditures in excess of the portion of special borrowings by the capitalization rate of the general borrowings used. The capitalization rate is determined based on the weighted-average interest rate of general borrowings.

19. Biological Assets

☐Applicable ☒Not applicable

20. Oil and gas assets

☐Applicable ☒Not applicable

21. Intangible assets

(1). Valuation methods, useful life, impairment testing

☒Applicable ☐ Not applicable

1、 Valuation method of intangible assets

(1) The Company initially measures intangible assets at cost when they are acquired

The cost of an externally acquired intangible asset includes the purchase price, related taxes and other expenses directly attributable to bringing the asset to its intended use. Where the purchase price of an intangible asset is deferred beyond normal credit terms and is substantially of a financing nature, the cost of the intangible asset is determined on the basis of the present value of the purchase price. When an intangible asset is acquired in a debt restructuring, the fair value of the intangible asset is used to determine its recorded value, and the difference between the carrying amount of the restructured debt and the fair value of the intangible asset is recognized in profit or loss for the current period.

On the premise that the exchange of non-monetary assets has commercial substance and the fair value of the assets being exchanged or exchanged can be measured reliably, intangible assets exchanged for non-monetary assets are recorded at the fair value of the assets being exchanged, unless there is conclusive evidence that the fair value of the assets being exchanged is more reliable; for non-monetary asset exchanges that do not satisfy the above premise, the carrying amount of the assets being exchanged and the related tax payable are used as the cost of the intangible assets being exchanged. In the case of a non-monetary asset exchange that does not meet the above prerequisites, the carrying amount of the asset to be exchanged and the related taxes to be paid are used as the cost of the intangible asset to be exchanged and no gain or loss is recognized.

(2) Subsequent measurement

The useful life of an intangible asset is analyzed and determined at the time of acquisition.

For intangible assets with finite useful lives, they are amortized on a straight-line basis over the period that they bring economic benefits to the enterprise; if the period over which the intangible assets bring economic benefits to the enterprise cannot be foreseen, they are considered to be intangible assets with indefinite useful lives and are not amortized.

2, Estimated useful lives of intangible assets with finite useful lives

Proj ects	Expected service life basis
Trademark rights	Benefit period
Software	Benefit period
Non-patented technology	Benefit period
Patented Technology	Benefit period

The useful lives and amortization methods of intangible assets with finite useful lives are reviewed at the end of each year. As a result of the review, the useful lives and amortization

methods of intangible assets at the end of the current year were not different from those previously estimated.

3. The basis for determining intangible assets with indefinite useful lives and the procedures for reviewing their useful lives

Intangible assets with indefinite useful lives are considered to be those for which the Company cannot predict the period of economic benefits to the enterprise. As of the balance sheet date, the Company has no intangible assets with indefinite useful lives.

(2). Accounting policy for internal research and development expenditures

√Applicable ☐ Not applicable

1. Specific criteria for classifying the research and development phases

The expenditures for in-house research and development projects are divided into research phase expenditures and development phase expenditures.

Research stage: the stage of original and planned investigation and research activities to acquire and understand new scientific or technical knowledge, etc.

Paragraph.

Development stage: The stage in which research results or other knowledge are applied to a plan or design to produce new or substantially improved materials, devices, products, etc., prior to commercial production or use.

2. Specific conditions for capitalization of development stage expenditures

Expenditures for the development phase of internal research and development projects are recognized as intangible assets when both of the following conditions are met:

- (1) It is technically feasible to complete the intangible asset so that it can be used or sold;
- (2) An intent to complete the intangible asset and use or sell it;
- (3) The manner in which the intangible asset will generate economic benefits, including the ability to demonstrate the existence of a market for the product produced using the intangible asset or the existence of a market for the intangible asset itself, and the ability to demonstrate the usefulness of the intangible asset if it will be used internally;
- (4) have sufficient technical, financial and other resource support to complete the development of the intangible asset and the ability to use or sell the intangible asset;
- (5) The expenditure attributable to the development phase of this intangible asset can be measured reliably.

Expenditures in the development stage that do not meet the above criteria are recognized in profit or loss when incurred. Research stage expenditures are charged to current profit or loss as incurred.

22. Impairment of long-lived assets

☒Applicable ☐Not applicable

Long-term assets such as long-term equity investments, fixed assets, construction in progress, and intangible assets with finite useful lives, etc., as of the balance sheet date

If there is an indication of impairment, an impairment test is performed. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment is made for the difference and an impairment loss is recorded. The recoverable amount is the higher of the asset's fair value less costs of disposal and the present value of estimated future cash flows of the asset. The provision for asset impairment is calculated and recognized on an individual asset basis. If it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group is determined using the asset group to which the asset belongs. An asset group is the smallest combination of assets that can generate cash inflows independently.

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least at the end of each

year.

The Company performs goodwill impairment testing and apportions the carrying value of goodwill arising from a business combination to the relevant asset group from the date of purchase in accordance with a reasonable method; if it is difficult to apportion to the relevant asset group, it is apportioned to the relevant asset group combination. When apportioning the carrying amount of goodwill to the relevant asset group or combination of asset groups, the apportionment is made in proportion to the fair value of each asset group or combination of asset groups to the total fair value of the relevant asset group or combination of asset groups. If the fair value is not readily measurable, the apportionment is based on the proportion of the carrying amount of each asset group or combination of asset groups to the total carrying amount of the relevant asset group or combination of asset groups.

When testing for impairment of the relevant asset group or combination of asset groups containing goodwill, if there is an indication of impairment of the asset group or combination of asset groups related to goodwill, the asset group or combination of asset groups not containing goodwill is first tested for impairment, the recoverable amount is calculated and compared with the relevant carrying amount, and a corresponding impairment loss is recognized. An impairment test is then performed on the asset group or combination of asset groups containing goodwill

Testing is performed to compare the carrying amount of these related groups of assets or groups of assets (including the portion of the carrying amount of goodwill apportioned) with their recoverable amounts, and an impairment loss on goodwill is recognized if the recoverable amount of the related groups of assets or groups of assets is less than their carrying amounts.

Once recognized, the above impairment losses on assets are not reversed in subsequent accounting periods.

23. Long-term amortized expenses

☒Applicable ☐Not applicable

Long-term amortization is an expense that has been incurred but should be borne by the current and future periods and is apportioned over a period of more than one year. The Company's long-term amortization expense is amortized on a straight-line basis over the period of benefit.

24. Employee Compensation

(1). Accounting for short-term compensation

☒Applicable ☐Not applicable

The Company recognizes the actual short-term compensation incurred as a liability in the accounting period in which the employee provides services to the Company and recognizes it in current profit or loss or in the cost of related assets.

The social insurance premiums and housing fund paid by the Company for its employees, as well as the labor union funds and employee education funds withdrawn in accordance with regulations, are used to determine the corresponding amount of employee compensation based on the prescribed accrual basis and accrual ratio during the accounting period in which the employees provide services to the Company.

Employee benefit costs are measured at fair value if they are non-monetary benefits and can be measured reliably.

(2). Accounting for post-employment benefits

☒Applicable ☐Not applicable

(1) Set up a withdrawal plan

The Company pays basic pension insurance and unemployment insurance for its employees in accordance with the relevant local government regulations. In the accounting period in which the employees provide services to the Company, the amount payable is calculated on the basis and at the rate specified by the local regulations and recognized as a liability and charged to current profit or loss or the cost of related assets.

In addition to basic pension insurance, the Company has established a corporate pension contribution system (supplementary pension insurance)/corporate annuity plan in accordance with the relevant policies of the national corporate annuity system. The Company contributes a certain percentage of the employees' gross salaries to the local social insurance agency/annuity plan, and the corresponding expenses are charged to current profit or loss or the cost of related assets.

(2) Defined benefit plans

The Company attributes benefit obligations arising from defined benefit plans to employees in the period in which the employees render services in accordance with the formula determined by the expected accumulated benefit unit method, and recognizes them in current profit or loss or the cost of related assets.

The deficit or surplus arising from the present value of the defined benefit plan obligation less the fair value of the defined benefit plan assets is recognized as a defined

The net liability or net assets of a defined benefit plan. If a defined benefit plan has a surplus, the Company measures the net defined benefit plan assets at the lower of the surplus of the defined benefit plan or the asset limit. All defined benefit plan obligations, including those expected to be paid within twelve months after the end of the annual reporting period in which employees render services, are discounted based on market yields on treasury bonds or high-quality corporate bonds in active markets that match the maturity and currency of the defined benefit plan obligations as of the balance sheet date.

The service cost incurred by the defined benefit plan and the net interest on the net liabilities or net assets of the defined benefit plan are recognized in profit or loss or the cost of related assets; the changes resulting from the remeasurement of the net liabilities or net assets of the defined benefit plan are recognized in other comprehensive income and are not reversed to profit or loss in subsequent accounting periods, and the portion previously recognized in other comprehensive income is carried forward to unappropriated earnings to the extent of equity upon termination of the original defined benefit plan. The portion of other comprehensive income within equity is transferred to unappropriated earnings upon termination of the defined benefit plan. Upon settlement of a defined benefit plan, a gain or loss on settlement is recognized as the difference between the present value of the defined benefit plan obligation and the settlement price determined at the settlement date.

(3). Accounting for Termination Benefits

☒Applicable ☐Not applicable

The Company recognizes a liability for employee compensation arising from termination benefits when it is unable to unilaterally withdraw termination benefits provided as a result of a termination plan or reduction proposal, or when it recognizes costs or expenses related to a restructuring involving the payment of termination benefits, whichever is earlier, current profit or loss.

(4). Accounting for other long-term employee benefits

☐Applicable ☒Not applicable

25. Projected liabilities

☒Applicable ☐Not applicable

1. Criteria for recognition of projected liabilities

The Company recognizes a projected liability when the obligations related to contingencies such as litigation, debt guarantees, loss contracts, restructuring matters, etc., simultaneously meet

the following conditions:

- (1) The obligation is a present obligation assumed by the Company;
- (2) it is probable that the performance of the obligation will result in an outflow of economic benefits to the Company;
- (3) The amount of the obligation can be measured reliably.

2. Measurement of various types of projected liabilities

The Company's projected liabilities are initially measured at the best estimate of the expenditure required to satisfy the related present obligation. The Company determines the best

The best estimate is determined by considering the risks associated with the contingencies, uncertainties and the time value of money. The best estimate is determined by discounting the relevant future cash outflows if the effect of the time value of money is significant.

The best estimates are handled separately as follows:

Where a continuous range (or interval) of required expenditures exists and the likelihood of various outcomes within that range is equal, the best estimate is determined as the average of the middle of the range, i.e., the upper and lower amounts.

If there is no continuous range (or interval) of expenditures required, or if there is a continuous range but the probabilities of various outcomes within that range are not the same, the best estimate is determined based on the most probable amount if the contingency relates to a single item; if the contingency relates to multiple items, the best estimate is determined based on various probable outcomes and related probabilities.

If all or part of the expenditures required to settle a projected liability are expected to be reimbursed by a third party, the amount of reimbursement is recognized separately as an asset when it is substantially certain that it will be received, and the amount of reimbursement recognized does not exceed the carrying amount of the projected liability.

26. Share-based payment

☐ Applicable ☒ Not applicable

27. Other financial instruments such as preferred shares and perpetual bonds

☐ Applicable ☒ Not applicable

28. Revenue

☒ Applicable ☐ Not applicable

1. General principles of revenue recognition for sales of goods:

- (1) the Company has transferred the principal risks and rewards of ownership of the goods to the purchaser;
- (2) the Company neither retains the right of continuing management normally associated with ownership nor exercises effective control over the goods sold;
- (3) the amount of revenue can be measured reliably;
- (4) the associated economic benefits are likely to flow to the Company;
- (5) The related, incurred or to be incurred costs can be measured reliably.

2. Specific principles

(1) Domestic sales: the products have been sent out according to the customer's order and accepted by the customer; foreign sales: the goods arrive at the port and complete customs clearance procedures;

- (2) The amount of revenue from the sale of products has been determined and the payment has been received or is expected to be collected;

(3) The unit cost of products sold can be reasonably calculated.

29. Government Grants

√Applicable ☐ Not applicable

1、 Type

Government grants, which are monetary and non-monetary assets acquired by the Company from the government without compensation. They are classified as asset-related government grants and revenue-related government grants.

Government grants related to assets are government grants acquired by the Company for the acquisition and construction or other formation of long-term assets. Government grants related to revenue are government grants other than those related to assets.

The specific criteria for the Company to classify government grants as asset-related are:

The Company classifies subsidies from relevant governmental authorities as asset-related governmental subsidies when there is clear evidence that the subsidies are provided for the formation of long-term assets.

The specific criteria for the Company to classify government grants as revenue-related are:
government grants other than those related to assets.

For government documents that do not specify the recipients of the subsidy, the Company classifies the government subsidy as revenue-related.

2. Confirm the time point

Government grants are recognized and measured at the actual amounts received on arrival. Government grants are recognized and measured at the actual amount received when the grant is actually received, only if there is conclusive evidence that the grant

Financial support is recognized and measured at the amount receivable when it is allocated according to a fixed fixed standard and when there is conclusive evidence that the relevant conditions specified in the financial support policy can be met and the financial support is expected to be received.

3. Accounting treatment

Government grants related to assets are written down to the carrying amount of the related assets or recognized as deferred income. If deferred revenue is recognized, the amount of deferred revenue is recognized in the relevant

The assets are amortized over their useful lives in accordance with a reasonable and systematic method to current profit or loss (to other income if related to the Company's ordinary activities; to non-operating income if not related to the Company's ordinary activities)

Government grants related to revenue that are used to compensate the Company for related costs or losses in subsequent periods are recognized as deferred revenue and are charged to current profit or loss (to other income if they are related to the Company's ordinary activities; to non-operating income if they are not

related to the Company's ordinary activities) or reduced by related costs or losses in the period in which they are recognized; those used to compensate the Company for related costs or losses already incurred are charged directly to current profit or loss (to other income if they are related to the Company's ordinary activities; to non-operating income if they are not related to the Company's ordinary activities) or reduced by related costs or losses. If it is used to compensate the Company for the related costs or losses incurred, it is directly recognized in profit or loss (other income if it is related to the Company's daily activities; non-operating income if it is not related to the Company's daily activities) or reduced by the related costs or losses.

30. Deferred income tax assets and deferred income tax liabilities

☒Applicable ☐Not applicable

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that future periods will be available against which deductible temporary differences can be utilized.

Deferred income is recognized to the extent that it is probable that future taxable income will be available against which the differences can be carried forward. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible losses and tax credits can be carried forward.

For taxable temporary differences, deferred income tax liabilities are recognized, except in special cases.

Special circumstances under which deferred tax assets or deferred tax liabilities are not recognized include: initial recognition of goodwill; and other transactions or events, other than business combinations, that occur and affect neither accounting profit nor taxable income (or deductible losses).

When there is a legal right to settle on a net basis and the intention is to settle on a net basis or to acquire assets and settle liabilities simultaneously, current income tax assets and current income tax liabilities are reported on a net basis after offsetting.

When there is a legal right to settle current income tax assets and current income tax liabilities on a net basis, and the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same tax authority on the same taxable entity or on different taxable entities, but in each future period in which the deferred income tax assets and liabilities are materially reversed, the taxable entities involved intend to settle current income tax assets and liabilities on a net basis. Deferred tax assets and deferred tax liabilities are reported on a net basis after offsetting when income tax assets and liabilities are acquired or settled simultaneously.

31. Leasing

(1). Accounting for operating leases

☒Applicable ☐Not applicable

- (1) Lease payments made by the Company for leased-in assets are apportioned on a straight-line basis over the entire lease term without deducting the rent-free period.

charged to current expense. The initial direct costs paid by the Company in connection with the lease transaction are charged to current expense.

When the lessor of an asset bears lease related expenses that should be borne by the company, the company deducts such expenses from the total rental amount and apportions the rental expenses over the lease period according to the deducted amount to current expenses.

- (2) Lease payments received by the Company for leasing assets are amortized on a straight-line basis over the entire lease term without deducting the rent-free period and are recognized as lease-related income. Initial direct costs paid by the Company in connection with the lease transaction are charged to current expense; if the amount is greater, they are capitalized and amortized to current income throughout the lease term on the same basis as the lease related income is recognized.

When the Company bears the lease related expenses that should be borne by the lessee, the Company deducts such expenses from the total rental income and allocates the rental expenses over the lease term according to the deducted rental expenses.

(2). Accounting treatment of finance leases√Applicable ☐Not applicable

(1) Finance leased assets: On the commencement date of the lease, the Company records the lower of the fair value of the leased assets and the present value of the minimum lease payments as the recorded value of the leased assets and the minimum lease payments as the recorded value of the long-term payable, and the difference is recorded as unrecognized finance costs. The Company uses the effective interest rate method to amortize the unrecognized financing costs over the lease term of the assets and includes them in finance costs. The initial direct costs incurred by the Company are included in the value of the leased-in assets.

(2) Finance lease out assets: The company recognizes the finance lease receivable, the difference between the sum of the unguaranteed residual value and its present value as unrealized financing gain at the lease commencement date, and recognizes it as lease income in each future period in which the rentals are received. The initial direct costs incurred by the company in connection with the leasing transaction are included in the initial measurement of the finance lease receivable and reduce the amount of revenue recognized over the lease term.

32. Other significant accounting policies and accounting estimates

☐Applicable ☒Not applicable

33. Changes in significant accounting policies and accounting estimates (1).**Changes in significant accounting policies**

☒Applicable ☐ Not applicable

Content and reasons for changes in accounting policies	Approval Process	Remarks (Name of the statement item that is significantly affected) name and amount)
<p>(1) In the balance sheet, "notes receivable" and "accounts receivable" are presented as "notes and accounts receivable"; "notes payable" and "accounts payable" are presented as "notes and accounts payable". Notes payable" and "accounts payable" are combined into "notes and accounts payable"; "interest receivable" and "dividends receivable" are combined into "notes and accounts payable". Interest receivable" and "Dividend receivable" are consolidated into "Other receivables"; "Interest payable" and "Dividend payable" are consolidated into "Other payables"; "Interest payable" and "Dividend payable" are consolidated into "Other payables". Interest payable" and "dividends payable" are</p>	<p>Published by the Ministry of Finance on June 15, 2018 The Ministry of Finance issued the Notice of the Ministry of Finance on the Revision and Issuance of the 2018 Financial Statement Form for General Enterprises (Caihui (2018) No. 15), w h i c h revised the financial statement form for general enterprises.</p>	<p>"Notes receivable" and "Accounts receivable" are p r e s e n t e d together as "Notes and accounts receivable", amounting to \$1,280,428,696.51 for the period. Prior period amount of \$1,384,331,841.49; "Notes payable" and "Accounts payable" are combined and presented as "Notes and accounts payable", amounting to \$1,839,861,441.01 for the current period. Prior period amount of \$2,002,689,810.16; Increase in "Other receivables" for the period 0.00, compared to \$0.00 in the previous period; increase in "Other payables" by</p>

Other
Descripti
ons None

(2). Changes in significant accounting estimates

☐Applicable ☒Not applicable

34. Other

☒Applicable

☐Not

applicable (1)

Discontinued operations

A discontinued operation is a separately distinguishable component that meets one of the following conditions, and the component has been disposed of by the Company or

Classified by the Company as held for sale:

⁰¹ The component represents a separate major business or a separate major operating area;

⁰² The component is part of an associated plan for the proposed disposal of a separate major business or a separate major operating area;

⁰³ This component is a subsidiary acquired exclusively for resale.

(2) Hedge Accounting**1) Classification of hedging**

⁰¹ Fair value hedge, which is the fair value of a recognized asset or liability that has not yet been recognized for a firm commitment (other than foreign exchange risk)

Hedging for variability risk.

⁰² Cash flow hedges are hedges of the risk of changes in cash flows that arise from a particular type of risk associated with a recognized asset or liability, a highly probable forecast transaction, or foreign exchange risk embedded in an unrecognized firm commitment.

⁰³ Hedging of net investment in foreign operations refers to the hedging of foreign exchange risk of net investment in foreign operations. Net investment in foreign operations refers to an enterprise's equity share in net assets from foreign operations.

2) Designation of hedging relationship and determination of hedge effectiveness

At the inception of the hedging relationship, the Company has a formal designation of the hedging relationship and prepares a report on the hedging relationship, risk management objectives and A formal written document of the hedging strategy. This document sets forth the hedging instrument, the hedged item or transaction, the nature of the hedged risk, and the Company's methodology for evaluating the effectiveness of the hedging instrument.

Hedge effectiveness is the extent to which changes in the fair value or cash flows of a hedging instrument offset changes in the fair value or cash flows of the hedged item attributable to the hedged risk. The Company evaluates hedge effectiveness on an ongoing basis to determine

whether the hedge is highly effective in the accounting period in which the hedging relationship is designated. The Company determines that a hedge is highly effective when both of the following conditions are met:

⁰¹ the hedge is expected to be highly effective in offsetting changes in fair value or cash flows arising from the hedged risk during the period specified in the hedge, at the inception of the hedge and in subsequent periods;

⁰² The actual offsetting results for this hedge ranged from 80% to 125%.

3) Hedge accounting treatment

⁰¹ Fair value hedge

Changes in the fair value of hedging derivatives are recognized in current profit or loss. Changes in the fair value of the hedged item resulting from the hedging risk

The adjustment to the carrying amount of the hedged item is recognized in profit or loss, together with an adjustment to the carrying amount of the hedged item. For fair value hedges related to financial instruments carried at amortized cost, adjustments to the carrying amount of the hedged item are amortized over the remaining period between the adjustment and the maturity date and are recognized in profit or loss for the current period. Amortization under the effective interest method may commence immediately after the adjustment to the carrying amount and no later than the termination of the hedged item to adjust for changes in fair value arising from the hedged risk. If the hedged item is derecognized, the unamortized fair value is recognized in profit or loss for the period. If the hedged item is a firm commitment that has not yet been recognized, the cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability, with the related gain or loss recognized in profit or loss. Changes in the fair value of the hedging instrument are also recognized in profit or loss for the period.

⁰² Cash flow hedge

The portion of the gain or loss on the hedging instrument that is an effective hedge is recognized directly in other comprehensive income, and the portion that is an ineffective hedge is recognized in current profit or loss.

If the hedged transaction affects current profit or loss, such as when the hedged financial income or financial expense is recognized or when a sale is expected to occur, the amount recognized in other comprehensive income is transferred to current profit or loss. If the hedged item is the cost of a non-financial asset or a non-financial liability, the amount originally recognized in other comprehensive income is transferred out to the amount initially recognized for that non-financial asset or non-financial liability (or, if originally recognized in other comprehensive income, is transferred out to profit or loss in the same period in which the non-financial asset or non-financial liability affects profit or loss) If the expected transaction or firm commitment is not expected to occur, the cumulative gain or loss on the hedging instrument previously recognized in shareholders' equity is reversed out and recognized in profit or loss for the period. If the hedging instrument has expired, been sold, contractually terminated or exercised (but not replaced or rolled over), or the designation of the hedging relationship has been revoked, the amount previously recognized in other comprehensive income is not reversed out until the expected transaction or firm commitment affects current profit or loss.

⁰³ Hedges of net investment in foreign operations

Hedges of net investments in foreign operations, including hedges of monetary items that are part of the net investment, are treated similarly to cash flow hedges. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other

comprehensive income, while the portion that is not an effective hedge is recognized in current profit or loss. Upon disposal of a foreign operation, any cumulative gain or loss recognized in shareholders' equity is reversed and recognized in current profit or loss.

(3) Repurchase of the Company's shares

The consideration and transaction costs paid by the company for the repurchase of its own equity instruments are recorded in the treasury stock item, which reduces shareholders' equity. Other than share-based payments, the issuance (including refinancing), repurchase, sale or cancellation of own equity instruments are treated as changes in equity.

VI. Taxes

1. Major Taxes

and Tax Rates

Major Taxes and

Tax Rates

☒ Applicable ☐ Not applicable

Taxes	Taxation basis	Tax rate
Value Added Tax	Sales tax is calculated on the basis of income from	17%, 16%, 11%, 10%, 6%

	After the tax amount, the difference is the VAT payable	
Consumption tax		
Business tax		
City Maintenance and Construction Tax	Payment based on actual VAT paid	7%, 5%
Corporate Income Tax	Payment based on taxable income	15%, 25%

Note: The VAT rate of 17% applies mainly to the sale of tires and materials; the VAT rate of 11% applies mainly to the sale of steam.

The sales business of steam and hot water, etc.; the VAT applicable to 6% rate is mainly partly applicable to the business of modern service industry. According to the document Cai Shui [2018] No. 32 of the Ministry of Finance and the State Administration of Taxation, since May 1, 2018, the tax rates of 17% and 11% are adjusted to 16% and 10% respectively for the taxable sales or imported goods of the taxpayers.

If there are taxable entities with different corporate income tax rates, disclose the description of the situation

☒Applicable ☐ Not applicable

Name of taxable entity	Income tax rate (%)
Fengshen Tire Co.	15%
Fengshen Tire (Taiyuan) Co.	25%

2. Tax Benefits

☒Applicable ☐Not applicable

According to the "High-tech Enterprise Identification Management Measures"(Guo Ke Fa Huo [2008] No. 172) and "High-tech Enterprise Identification Management

In 2017, Fengshen obtained the certificate of high-tech enterprise jointly issued by Henan Provincial Department of Science and Technology, Henan Provincial Department of Finance, Henan Provincial State Taxation Bureau and Henan Provincial Local Taxation Bureau (Certificate No. GR201741000395, issued on August 29, 2017, valid for three years) The company enjoys a preferential tax rate of 15% from 2017 to 2019.

3. Other

☐Applicable ☒Not applicable

Notes to the Consolidated Financial Statements 1.

☒Applicable ☐Not applicable

Unit: Yuan Currency: RMB

Proj ects	Closing balance	Opening balance
Cash on hand	20,386.09	60,666.24
Bank deposits	862,636,353.55	727,170,921.73
Other monetary funds	1,488,446.64	53,323,084.00
Total	864,145,186.28	780,554,671.97
Of which: deposited		

Other notes

Of these, the breakdown of monetary funds with restrictions on use due to mortgages, pledges or freezes, etc., as well as those placed outside the country with restrictions on repatriation of funds, is as follows

Proj ects	Closing balance	Balance at the beginnin g of the year
Bank Acceptance Deposit	400,000.00	53,192,400.00
Other restricted funds such as bond deposits	1,088,446.64	130,684.00
Total	1,488,446.64	53,323,084.00

2. Financial assets at fair value through profit or loss

☐Applicable ☒Not applicable

3. Derivative financial assets

☐Applicable ☒Not applicable

**4. Summary of notes
receivable and
accounts receivable**
(1). Category Listing

☒Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Projects	Closing balance	Opening balance
Notes receivable	423,646,050.12	597,292,697.07
Accounts Receivable	856,782,646.39	787,039,144.42

Other notes:

☐Applicable ☒Not applicable

Notes receivable**(2). Presentation of notes receivable by category**

☒Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Projects	Closing balance	Opening balance
Bankers' Acceptances	418,986,050.12	597,292,697.07
Commercial Acceptances	4,660,000.00	

(3). Notes receivable pledged by the Company at the end of the period

☐Applicable ☒Not applicable

(4). Notes receivable that have been endorsed or discounted by the Company and are outstanding at the balance sheet date at the end of the period

Unit: Yuan Currency: RMB

Projects	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
√Applicable □ Not applicable		
Bankers' Acceptances	1,151,585,962.25	

(5). Notes that the Company transferred to accounts receivable at the end of the period due to the non-performance of the drawer

Unit: Yuan Currency: RMB

Projects	Amount of accounts receivable transferred at the end of the period
√Applicable □ Not applicable	
Commercial Acceptances	
Bank Acceptance	5,766,931.05

Other notes

□Applicable √Not applicable

Accounts Receivable

(1). Accounts receivable classification disclosure

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Carrying value	Book balance		Provision for bad debts		Carrying value
	Amount	Proportion (%)	Amount	Accrual ratio (%)		Amount	Proportion (%)	Amount	Accrual rate (%)	
Significant individual amounts and separate bad debt accrual Accounts receivable prepared	10,459,203.91	1.11	10,459,203.91	100.00		34,988,928.39	3.59	34,988,928.39	100.00	

Note: The Company disposed of its entire net investment in Qingdao Yellow Sea Rubber Co., Ltd. during the period (including 100% equity interest held in it and claims that substantially constitute net investment) and completed the asset delivery on December 4, 2018. The beginning balance of accounts receivable includes Qingdao Huanghai Rubber

Ltd. with a carrying amount of \$156,316,988.13 and a provision for bad debts of \$112,048,166.45

Accounts receivable with significant individual amounts and a separate provision for bad debts at the end of the period

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Accounts Receivable (by unit)	Closing balance			
	Accounts Receivable	Provision for bad debts	Accrual ratio (%)	Reason for accrual
First Place	10,459,203.91	10,459,203.91	100.00	Not expected

In the portfolio, accounts receivable for which provision for bad debts is made on the basis of the ageing analysis
☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Age of accounts	Closing balance		
	Accounts Receivable	Provision for bad debts	Accrual ratio (%)
Within 1 year			
Of which: within 1 year subdivision			
Within 1 year	768,020,250.48	23,040,607.52	3
Subtotal within 1 year	768,020,250.48	23,040,607.52	3
1 to 2 years	27,763,664.12	1,388,183.20	5
2 to 3 years	48,953,097.77	4,895,309.78	10

Description of the basis for determining the portfolio: None

In the portfolio, accounts receivable for which bad debt provision is made using the percentage balance method
☐ Applicable ☒ Not applicable

In the portfolio, accounts receivable for which provision for bad debts is made using other methods
☒ Applicable ☐ Not applicable

Accounts receivable with insignificant individual amount and separately provided for bad debts at the

end of the period Accounts Receivable	Unit: Yuan Currency: RMB Closing balance			
	Accounts Receivable	Provision for bad debts	Accrual ratio (%)	Reason for accrual
First Place	1,012,481.99	1,012,481.99	100.00	Not expected to be recovered
Second Place	671,085.89	671,085.89	100.00	Not expected to be recovered
Third Place	608,954.52	608,954.52	100.00	Not expected to be

(2). Provision for bad debts provided for, recovered or reversed during the period:

Provision for bad debts amounted to \$17,199,859.05; provision for bad debts recovered or reversed amounted to \$0 during the period.

Of which the amount of provision for bad debts recovered or reversed during the period is significant:

☐Applicable ☒Not applicable

(3). Actual write-off of accounts receivable during the period

☐Applicable ☒Not applicable

(4). Top five accounts receivable with closing balances grouped by party in arrears

☒Applicable ☐Not applicable

Unit: Yuan Currency: RMB

Unit Name	Closing balance		
	Accounts Receivable	Percentage of total accounts receivable (%)	Provision for bad debts
First Place	66,411,711.64	6.99	1,992,351.35
Second Place	51,446,733.42	5.42	1,543,402.00
Third Place	49,644,581.29	5.23	1,489,337.44
Fourth Place	41,747,922.08	4.40	1,252,437.66
Fifth Place	38,878,484.88	4.08	1,118,418.18

(5). Derecognition of receivables due to transfer of financial assets

☐Applicable ☒Not applicable

(6). Transfer of accounts receivable and continued involvement in the amount of assets and liabilities formed

☐Applicable ☒Not applicable

Other notes:

☐Applicable ☒Not applicable

5. Prepayments

(1). Prepayments by ageing

☒Applicable ☐Not applicable

Unit: Yuan Currency: RMB

Age of accounts	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)

1 to 2 years	5,497,994.81	11.07	2,802,165.28	2.33
2 to 3 years	1,424,040.04	2.87	1,741,786.32	1.45
More than 3 years	5,084,794.88	10.24	16,722,581.31	13.90
Total	49,655,713.27	100.00	120,321,811.05	100.00

Description of the reasons for not timely settlement of prepayments aged over 1 year and with significant amounts: not yet settled

(2). Top five prepayments with ending balances grouped by prepaid objects

☒Applicable ☐Not applicable

Unit: Yuan Currency: RMB

Prepaid objects	Closing balance	As a percentage of the total closing balance of prepayments (%)
First Place	8,697,519.93	17.52
Second Place	2,359,694.51	4.75
Third Place	2,222,870.00	4.48
Fourth Place	2,217,146.96	4.47
Fifth place	1,867,888.51	3.76

Other notes

☐Applicable ☒Not applicable

6. Summary of other receivables

(1). Category Listing

☒Applicable ☐Not applicable

Unit: Yuan Currency: RMB

Proj ects	Closing balance	Opening balance
Interest receivable		
Dividend receivable		
Other receivables	68,433,369.63	64,714,819.35

Other notes:

☐Applicable ☒Not applicable

Interest receivable**(2). Classification of interest receivable**

- ☐ Applicable
☒ Not applicable

(3). Significant overdue interest

- ☐ Applicable
☒ Not applicable

Other

Description:

- ☐ Applicable ☒ Not applicable

(4). Dividend receivable

- ☐ Applicable ☒ Not applicable

(5). Significant dividends receivable aged over 1 year

- ☐ Applicable
☒ Not applicable

Other

Description:

- ☐ Applicable ☒ Not applicable

Other receivables**(6). Other receivables classification disclosure**

- ☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Carrying value	Book balance		Provision for bad debts		Carrying value
	Amount	Proportion (%)	Amount	Accrual rate (%)		Amount	Proportion (%)	Amount	Accrual rate (%)	
Other receivables that are individually significant and for which a separate provision for bad debts has been made paragraph	7,330,973.10	8.74	7,330,973.10	100.00		5,973,429.70	6.21	5,973,429.70	100.00	
Other										

Note: The beginning balance of other receivables includes the carrying amount of Qingdao Huanghai Rubber Co., Ltd. of RMB35,327,777.33 (excluding the balance due from related parties within the scope of consolidation) and the provision for bad debts of RMB21,192,470.16.

Other receivables with significant individual amounts
and a separate provision for bad debts at the end of
the period

Unit: Yuan Currency: RMB

<input checked="" type="checkbox"/> Applicable <input type="checkbox"/> Not applicable	Closing balance			
Other receivables (by unit)	Other receivables	Provision for bad debts	Accrual ratio (%)	Reason for accrual
First Place	4,392,098.13	4,392,098.13	100.00	Not expected

In the portfolio, other receivables for which
provision for bad debts is made under the ageing
analysis method

Unit: Yuan Currency: RMB

<input checked="" type="checkbox"/> Applicable <input type="checkbox"/> Not applicable	Closing balance		
Age of accounts	Other receivables	Provision for bad debts	Accrual ratio (%)
Within 1 year			
Of which: within 1 year subdivision			
Within 1 year	69,081,286.87	2,072,438.61	3
Subtotal within 1 year	69,081,286.87	2,072,438.61	3
1 to 2 years	975,545.91	48,777.30	5
2 to 3 years	297,288.35	29,728.84	10
3 to 4 years	106,284.79	21,895.42	20

Description of the basis
for determining the
portfolio: None

In the portfolio, other receivables for which bad debt provision is made using the percentage balance method

☐Applicable ☒Not applicable

Other receivables in the portfolio for which provision for bad debts is made using other methods

☐Applicable ☒Not applicable

(7). Breakdown by

RMB

nature of payments	Closing book balance	Opening book balance
Current payments	73,787,097.14	62,916,725.29
Security Deposit and Deposit	5,263,039.44	3,846,666.54
Employee reserve fund	1,927,122.47	4,570,193.10
Prepayment of natural gas		5,158,765.84

Unit: Yuan Currency:

People

Other	2,872,503.84	15,069,791.64
Total	83,849,762.89	96,239,989.05

(8). Provision for bad debts charged, recovered or reversed during the period

The provision for bad debts for the period was \$10,977,050.27; the amount of provision for bad debts recovered or reversed for the period was \$0. Of which, the amount of provision for bad debts reversed or recovered during the period was significant:

☐Applicable ☒Not applicable

(9). Actual write-off of other receivables during the period

☐Applicable ☒Not applicable

(10). Top five other receivables with closing balances, grouped by party in arrears

☒Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Unit Name	Nature of the payment	Closing balance	Age of accounts	of the total ending balance of other receivables Proportion (%)	Closing balance of provision for bad debts
First Place	Current payments	46,429,313.97	Within 1 year	55.37	1,392,879.42
Second Place	Current	18,566,338.75	Within 1 year	22.14	556,990.16

(11). Receivables involving government grants

☐Applicable ☒Not applicable

(12). Other receivables derecognized due to transfer of financial assets

☐Applicable ☒Not applicable

(13). Transfer of other receivables and continued involvement in the amount of assets and liabilities formed

☐Applicable ☒Not applicable

Other notes:

☐Applicable ☒Not applicable

7.**Inventory****(1).****Inventory**

classification

☒Applicable ☐Not applicable

Unit: Yuan Currency: RMB

Projects	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount

In the product	51,530,669.08		51,530,669.08	62,031,713.01		62,031,713.01
Stockists product	687,490,491.52	23,126,066.14	664,364,425.38	549,738,947.50	44,697,117.50	505,041,830.00
Low value easy Consumables	6,666,105.55		6,666,105.55	2,450,042.09		2,450,042.09
Total	944,230,844.17	26,364,946.72	917,865,897.45	807,509,246.27	52,938,946.89	754,570,299.38

Note: The beginning balance of inventories includes the carrying amount of Qingdao Huanghai Rubber Co. The Company's total assets were \$33,144,707.68.

(2). Provision for decline in value of inventories

☒Applicable ☐Not applicable

Unit: Yuan Currency: RMB

Projects	Opening balance	Amount of increase for the period		Decrease for the period		Closing balance
		Accrual	Other	Reversal or write-back	Other	
Raw Materials	8,241,829.39			51,261.41	4,951,687.40	3,238,880.58
In the product						
Stock items	44,697,117.50	23,270,722.35		11,782,310.69	33,059,463.02	23,126,066.14
Turnaround materials						
Expendable biological assets						

(3). Description of the closing balance of inventories containing the amount of capitalized borrowing costs

☐Applicable ☒Not applicable

(4). Completed unsettled assets resulting from construction contracts at the end of the period

☐Applicable

☒Not applicable

Other explanations

☐Applicable ☒Not applicable

8. Assets held for sale

☐Applicable ☒Not applicable

9. Non-current assets due within one year

☐Applicable ☒Not applicable

Other

Descripti
ons None

10. Other current assets

√Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Proje cts	Closing balance	Opening balance
Prepaid and pending tax credits	51,624,214.37	38,185,015.02

Total	51,624,214.37	38,185,015.02
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Other
descripti
ons None

11. Available-for-sale financial assets (1).

Available-for-sale financial assets

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Project s	Closing balance			Opening balance		
	Book balance	Im p air m e nt All o w a nc e Pre par atio	Carrying value	Book balance	Im pa ir m e nt All o w an ce Pre par atio n	Carrying value

The sale of Everbright Bank shares during the period resulted in a decrease in available-for-sale financial assets measured at fair value.

(2). Available-for-sale financial assets measured at fair value at the end of the period

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Classification of available-for-sale financial assets	Available-for- sale interests Tools	Available-for- sale debt Tools		Total
Cost of equity instruments / debt work Amortized cost of instruments	6,420,000.00			6,420,000.00

(3). Available-for-sale financial assets measured at cost at the end of the period

√Applicable □ Not applicable

Unit: Yuan Currency: People
RMB

Invest ee Units	Book balance				Provision for impairment				Sharehol ding in the investee (%)	C ur re nt C as
	Beginning of	T hi s	T hi s	End of term	B eg	C ur re	C ur re	E nd		

		Ad d	les s			Ad d	les s			
Prometeon Tyre Group S.r.l.	525,625,484.78			525,625,484.78					10	
Total	525,625,484.78			525,625,484.78					/	

(4). Changes in impairment of available-for-sale financial assets during the reporting period

☐Applicable ☒Not applicable

(5). Notes relating to available-for-sale equity instruments with significant or other than temporary decline in fair value at the end of the period for which no provision for impairment has been made

☐Applicable

☒Not applicable

Other
explanations

☐Applicable ☒Not applicable

**12. Held-to-maturity
investments (1).
Held-to-maturity
investments**

☐Applicable ☒Not applicable

(2). Significant held-to-maturity investments at the end of the period

☐Applicable ☒Not applicable

(3). Held-to-maturity investments reclassified during the period

☐Applicable ☒Not applicable

Other notes:

☐Applicable ☒Not applicable

**13. Long-term
receivables (1).
Long-term
receivables**

☐Applicable ☒Not applicable

(2). Long-term receivables derecognized due to transfer of financial assets

☐Applicable ☒Not applicable

(3). Transfer of long-term receivables and continued involvement in the amount of assets and liabilities formed

☐Applicable ☒Not applicable

Other notes

☐Applicable ☒Not applicable

14. Long-term equity investments

√Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Investee Units	Opening balance	Change in the period								Closing balance	Provision for impairment
		Addition	Reduction	Gains or losses recognized on	Other com	Other chan	Annou ncin	Impair ment	Other		

					A d j u s t m e n t		D i v i d e n d o r p r o f i t m o i s t e n				for e h e a d
I. Joint ventures											
Subtotal											
II. Affiliates											
Pirelli Tires (Jiaozuo) Limited Company	85,320,318.34			-15,301,769.57						70,018,548.77	
Subtotal	85,320,318.34			-15,301,769.57						70,018,548.77	
Total	85,320,318.34			-15,301,769.57						70,018,548.77	

Other
descriptions
None

15. Investment properties

The investment
property measurement
model is not applicable

16. Fixed assets summary table situation

Unit: Yuan Currency: RMB

(1). Category	Closing balance	Opening balance
Fixed Assets	2,965,522,189.45	3,199,937,236.60
Fixed Assets Liquidation	7,463,469.54	7,055,721.21
Not applicable		

Other notes:

☐Applicable ☒Not applicable **Fixed**

assets**(2). Fixed Assets**√Applicable ☐

Not applicable

Unit: Yuan Currency: RMB

Projects	Houses and Buildings	Machinery and equipment	Transportation	Electronic equipment	Total
I. Book Original value:					
1. At the beginning of the period	1,714,247,169.24	4,665,077,704.29	50,462,186.74	104,161,686.09	6,533,948,746.36

place					
(2) Constru ction in progres s Switch to	18,945,372.02	214,152,380.44	9,144,154.34	2,193,869.25	244,435,776.05
(3) Busines s combin ation Add					
3. Decre ase in the current period forehead	1,146,122.00	711,409,405.92	4,546,899.81	2,535,245.55	719,637,673.28
(1) Dispose or report Waste		83,346,557.81	1,997,309.08	55,708.92	85,399,575.81
(2) Transf er to in- proces s constru ction Program		14,981,584.70			14,981,584.70
(3) Disposa l of subpubl ic Division reduction	1,146,122.00	613,081,263.41	2,549,590.73	2,479,536.63	619,256,512.77
4. Final Balance	1,733,266,284.45	4,171,623,867.92	55,059,441.27	106,883,312.65	6,066,832,906.29
II. Accumulati on Depreciat ion					
1. At the beginning	458,078,341.09	2,697,045,461.38	27,187,693.94	56,209,415.45	3,238,520,911.86

of the period Balance					
2. Increa se in the current period forehead	48,005,808.04	266,535,128.81	4,243,511.28	14,911,924.17	333,696,372.30
(1) Counting mention	48,005,808.04	266,535,128.81	4,243,511.28	14,911,924.17	333,696,372.30
3. Decre ase in the current period forehead	48,808.55	479,713,755.92	3,737,365.24	2,098,129.98	485,598,059.69
(1) Dispose or report Waste		44,162,003.26	1,831,373.98	52,923.42	46,046,300.66
(2) Transfer to under constru ction Engineeri ng		6,345,256.25			6,345,256.25
(3) Disposa l of subpubl ic Division reduction	48,808.55	429,206,496.41	1,905,991.26	2,045,206.56	433,206,502.78
4. End of period balance forehead	506,035,340.58	2,483,866,834.27	27,693,839.98	69,023,209.64	3,086,619,224.47
III. Impairment					

Preparation					
1. At the beginning of the period Balance	4,153,032.82	91,034,819.69	298,000.59	4,744.80	95,490,597.90
2. Increase in the current period forehead		251,290.72	800.00	20,837.50	272,928.22
(1) Counting mention		251,290.72	800.00	20,837.50	272,928.22
3. Decrease in the current period forehead		81,042,348.61	4,102.84	25,582.30	81,072,033.75
(1) Dispose or report Waste		34,129,468.49			34,129,468.49
(2) Disposal of subpublic Division reduction		46,912,880.12	4,102.84	25,582.30	46,942,565.26
4. Final Balance	4,153,032.82	10,243,761.80	294,697.75		14,691,492.37
IV. Accounts Value					
1. Closing book value Value	1,223,077,911.05	1,677,513,271.85	27,070,903.54	37,860,103.01	2,965,522,189.45
2. Opening book	1,252,015,795.33	1,876,997,423.22	22,976,492.21	47,947,525.84	3,199,937,236.60

value Value					
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(3). Temporarily idle fixed**assets**

Unit: Yuan Currency: RMB

<input checked="" type="checkbox"/> Applicable <input type="checkbox"/> Not applicable	Original book value	Accumulated depreciation	Provision for impairment	Carrying value	Remarks
House and building Building	5,278,386.64	784,325.99	4,153,032.82	341,027.83	One hundred and fifty thousand sets

(4). Fixed assets leased through**finance leases**☐Applicable ☒Not applicable**(5). Fixed assets leased out through****operating leases**

Unit: Yuan Currency: RMB

<input checked="" type="checkbox"/> Applicable <input type="checkbox"/> Not applicable	Carrying
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House building	57,647,304.45
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(6). Fixed assets without proper title certificate

Unit: Yuan Currency: RMB

<input checked="" type="checkbox"/> Applicable <input type="checkbox"/> Not applicable Projects	Carrying value	Reasons for not completing the title certificate
Houses and Buildings	283,225,809.60	Acceptance information has

Other notes:

☐Applicable☒Not applicable**Fixed assets****liquidation**

Unit: Yuan Currency: RMB

<input checked="" type="checkbox"/> Applicable <input type="checkbox"/> Not applicable Projects	Closing balance	Opening balance
Houses and Buildings	878,237.58	878,237.58
Machinery and equipment	6,342,839.21	3,788,293.22
Transportation	225,126.88	2,376,359.66
Electronic equipment	47,265.87	42,820.75

Other

Description:

None

17. Summary table of construction in progress

(1). Category Listing☒Applicable ☐Not applicable

Unit: Yuan Currency: RMB

Projects	Closing balance	Opening balance
Construction in progress	70,649,084.52	150,874,380.70
Engineering Materials		344,135.86

Other notes:

☐Applicable ☒Not applicable**Construction in progress****(2). Construction in progress**☒Applicable ☐Not applicable

Unit: Yuan Currency: RMB						
Projects	Closing balance			Opening balance		
	Book	Prov ision	Carrying	Book balance	Im pa ir	Carrying

Enterprise Informatization Projects	17,957,384.25		17,957,384.25	12,790,776.84		12,790,776.84
Technical reform and error	47,275,820.39		47,275,820.39	68,746,496.86		68,746,496.86
Three package technical change make	4,717,766.68		4,717,766.68	65,263,589.08		65,263,589.08
Other odd jobs Program	698,113.20		698,113.20	4,073,517.92		4,073,517.92
Total	70,649,084.52		70,649,084.52	150,874,380.70		150,874,380.70

(1). Changes in significant construction-in-progress items during the period

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Project Name	Budget	Opening balance	Increase in the current period	Amount transferred to fixed assets during the period	Other decreases during the period	Closing balance	Cumulative investment in the project as a percentage of the budget (%)	Project Progress	Accumulated interest	Of which: Amount of interest capitalized in the period	Current interest capitalization rate (%)	Funding Sources

(3). Provision for impairment of construction in progress during the period

□Applicable

√Not applicable

Other

explanations

□Applicable √Not applicable

Engineering Materials**(4). Project material situation**

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Projects	Closing balance			Opening balance		
	Book balance	Impairment Allowance	Book value	Book balance	Impairment Allowance	Carrying value
			225 / 326			

Other

Description:

None

18. Productive biological assets

(1). Productive biological assets using the cost measurement model

☐Applicable ☒Not applicable

(2). Productive biological assets using the fair value measurement model☐Applicable☒Not applicable

Other

explanations

☐Applicable ☒Not applicable**19. Oil and gas assets**☐Applicable ☒Not applicable**20. Intangible****assets (1).****Intangible****assets**☒Applicable ☐Not applicable

Unit: Yuan Currency: RMB

Projects	Land use rights	Patents	Non-patented technology	Trademark rights	Soft ware	Total
I. Original book value						
1. Initial period Balance	25,277,445.62	12,336,346.51	6,204,300.78	14,930,347.37	5,716,475.21	64,464,915.49
2. this period Increase amount	21,231,904.68	18,547.17		718,322.62	450,000.00	22,418,774.47
(1) Purchase place	21,231,904.68	18,547.17		718,322.62	450,000.00	22,418,774.47
(2) Inside R&D						
(3) Enterprise increase in industry consolidation						
3. this period Reduction amount						
(1) Disposal place						
4. End of period balance forehead	46,509,350.30	12,354,893.68	6,204,300.78	15,648,669.99	6,166,475.21	86,883,689.96
II. Accumulated amortization						
1. Initial period Balance	4,967,557.67	10,766,511.83	6,204,300.78	6,462,676.80	2,721,853.06	31,122,900.14
2. this period Increase amount	714,664.32	526,386.08		1,343,495.73	469,792.24	3,054,338.37

IV. Book value						
1. end of period Carrying value	40,827,128.31	1,061,995.77		7,842,497.46	2,974,829.91	52,706,451.45
2. Initial period Carrying value	20,309,887.95	1,569,834.68		8,467,670.57	2,994,622.15	33,342,015.35

(2). The situation of land use rights without proper title certificate

☐ Applicable ☒ Not applicable

Not applicable

Other

Description:

☐ Applicable ☒ Not applicable

21. Development Expenses

☐ Applicable ☒ Not applicable

22. Goodwill

(1). Original book value of goodwill

☐ Applicable

☒ Not applicable

(2). Provision

for impairment

of goodwill

☐ Applicable ☒ Not applicable

(3). Information about the asset group or combination of asset groups in which the goodwill is located

☐ Applicable ☒ Not applicable

(4). Description of the goodwill impairment testing process, key parameters (e.g. projected period growth rate at present value of expected future cash flows, stabilization period growth rate, profit margin, discount rate, projection period, etc., if applicable) and the method of recognition of goodwill impairment loss

☐ Applicable ☒ Not applicable

(5). Impact of goodwill impairment testing

☐ Applicable ☒ Not applicable

Other notes

☐ Applicable ☒ Not applicable

23. Long-term amortized expenses

☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Projects	Opening balance	Increase in the current period	Amortization amount for the period	Other reductions forehead	Closing balance
Moulds	60,161,300.20	29,870,162.44	25,946,040.34		64,085,422.30
Leased-in fixed assets		636,411.90	66,624.69		569,787.21

Other
Description:
None

24. Deferred income tax assets/deferred income tax liabilities (1). Deferred income tax assets without offsetting

Unit: Yuan Currency: RMB

√Applicable <input type="checkbox"/> Not applicable Projects	Closing balance		Opening balance	
	Deductible temporary Differences	Deferred income tax Assets	Deductible temporary Differences	Deferred income tax Assets
Provision for asset impairment	70,714,854.45	10,607,228.16	60,389,304.50	9,058,395.68
Unrealized profit on internal transactions				
Deductible losses	25,494,584.74	3,824,187.71	104,304,821.04	15,645,723.16
Withholding costs	197,889,850.12	29,683,477.52	96,371,537.40	14,455,730.61
Employee wages	20,695,140.32	3,104,271.05	16,385,002.07	2,457,750.31
Employee education expenses	21,087,715.91	3,163,157.39	21,951,109.33	3,292,666.40
Deferred revenue	28,306,417.85	4,245,962.68	26,677,380.72	4,001,607.11

(2). Deferred income tax liabilities without offsetting

Unit: Yuan Currency: RMB

√Applicable <input type="checkbox"/> Not applicable Projects	Closing balance		Opening balance	
	Taxable temporary Differences	Deferred income tax Liabilities	Taxable temporary Differences	Deferred income tax Liabilities
Non-same control business combinations Asset valuation				

(3). Deferred income tax assets or liabilities presented as net of offsetting

☐Applicable ☒Not applicable

(4). Details of unrecognized deferred income tax assets

Unit: Yuan Currency: RMB

√Applicable <input type="checkbox"/> Not applicable Projects	Closing balance	Opening balance
Deductible temporary differences	78,473,840.23	227,470,336.33
Deductible losses	222,400,400.44	222,700,004.27

(5). Deductible losses on unrecognized deferred

income tax assets will

expire in the following years√Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Year	End of period amount	Opening amount
------	----------------------------	-------------------

2021	63,688,123.04	221,787,053.78
2022	133,312,954.77	230,687,814.36
2023	82,689,513.92	
Total	380,109,180.41	572,620,629.77

Other notes:

☐Applicable ☒Not applicable

25. Other non-current assets

☒Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Proj ects	Closing balance	Opening balance
Unrealized gain or loss on sale and leaseback	11,867,188.66	18,380,099.62
Prepayment for equipment works	115,021,026.68	81,300,554.95

Other

Description:

None

26. Short-term borrowings (1). Classification of short-term borrowings

☒Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Projects	Closing balance	Opening balance
Pledged loans		
Collateralized Borrowing		
Guaranteed Borrowing		
Credit Borrowing	925,000,000.00	1,021,780,000.00

Description of short-
term borrowings
classification: None

(2). Status of short-term loans that have been overdue

☐Applicable ☒Not applicable

The significant overdue short-term borrowings are as follows:

☐Applicable

☒Not applicable

Other

explanations

☐Applicable ☒Not applicable

27. Financial liabilities at fair value through profit or loss

☐Applicable ☒Not applicable

28. Derivative financial liabilities

☐Applicable ☒Not applicable

29. Summary of notes

payable and accounts

payable

(1). Category Listing

☒Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Projects	Closing balance	Opening balance
Notes Payable	432,953,908.92	411,079,051.33
Accounts Payable	1,406,907,532.09	1,591,610,758.83

Other notes:

☐Applicable ☒Not applicable

Notes Payable**(2). Presentation of notes payable**

☒Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Category	Closing balance	Opening balance
Commercial acceptances	17,300,000.00	196,588,000.00
Bank bills	445,653,908.92	214,491,051.33

Total notes payable that were due and unpaid at the end of the period were \$0.

Accounts

Payable

(3). Presentation of

Unit: Yuan Currency: RMB

Projects accounts payable	Closing balance	Opening balance
Purchase money payable	1,210,669,794.10	1,388,047,545.18
Project money payable	91,403,779.39	97,072,355.91
Shipping Fee	32,236,952.12	13,505,433.73
Other	72,597,006.48	92,985,424.01

(4). Significant accounts payable aged over 1 year

<input checked="" type="checkbox"/> Applicable <input type="checkbox"/> Not applicable		Unit: Yuan Currency: RMB	
Projects	Closing balance	Reasons for non-reimbursement or carry-forward	
51.01	44,424,244.27	Not applicable	

Third Place	7,028,871.85	Not yet settled
Fourth Place	6,016,578.76	Not yet settled
Fifth Place	5,152,785.56	Not yet settled
Total	37,924,045.54	/

Other notes

☐Applicable ☒Not applicable

30. Receipts in advance

(1). Presentation

Unit: Yuan Currency: RMB

Projects of pre-receivable items	Closing balance	Opening balance
Payment for	108,662,247.23	112,524,592.51

☒Applicable ☐ Not applicable

(2). Significant advance

receipts aged over 1 year

Unit: Yuan Currency: RMB

Projects	Closing balance	Reasons for non-reimbursement or carry-forward
First Place	8,064,581.63	Not yet settled
Second Place	967,000.00	Not yet settled

(3). Settled uncompleted projects resulting from construction contracts at the end of the period

☐Applicable

☒Not applicable

Other explanations

☐Applicable ☒Not applicable

31. Employee compensation payable (1).

Employee compensation payable is presented

√Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Projects	Opening balance	Increase in the current period	Decrease for the period	Closing balance
I. Short-term compensation	65,512,169.55	510,446,218.38	524,601,370.41	51,357,017.52
II. Post-employment benefits - defined contribution Program	17,971,274.23	67,631,137.50	84,079,155.72	1,523,256.01
III. Termination benefits	2,242,224.42	4,757,222.22	2,225,742.42	252,222.42

(2). Presentation**of short-term**

Unit: Yuan Currency: RMB

term Projects compensation	Opening balance	Increase in the current period	Decrease for the period	Closing balance
I. Salaries, bonuses, allowances and Subsidies Not applicable	17,005,881.27	435,227,602.25	431,538,343.20	20,695,140.32
II. Employee benefit costs		27,253,201.07	27,253,201.07	
III. Social insurance premiums	9,993,870.72	23,478,890.95	33,072,061.00	400,700.67
Of which: medical insurance premiums	8,231,650.91	19,775,950.78	27,606,901.02	400,700.67
Worker's compensation insurance premiums	907,913.09	2,165,131.04	3,073,044.13	
Maternity insurance premiums	854,306.72	1,537,809.13	2,392,115.85	

(3). Defined**contribution**

Unit: Yuan Currency: RMB

plan Projects presentation	Opening balance	Increase in the current period	Decrease for the period	Closing balance
√Applicable □ Not applicable 1. Basic pension insurance	17,047,287.36	55,699,310.47	71,223,341.82	1,523,256.01
2	923,986.87	1,449,819.23	2,373,806.10	

Other notes:

☐ Applicable ☒ Not applicable**32. Taxes and fees payable**☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Proj ects	Closing balance	Opening balance
Value Added Tax		37,289,848.99
Consumption tax		
Business tax	238 / 326	
Corporate Income Tax	6,027,686.03	6,027,686.03
Personal Income Tax	107,767.95	541,783.65
City Maintenance and Construction Tax	4,745,180.56	4,649,175.47

Total	21,583,163.50	60,544,164.26
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Other
Description:
None

33. Status of other payables summary table

(1). Category Listing

☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Projects	Closing balance	Opening balance
Interest Payable	3,566,785.07	2,277,563.70
Dividends payable		
Other payables	392,833,227.12	361,717,750.12

Other notes:

☐ Applicable ☒ Not applicable

Interest payable (2). Classified presentation

☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Projects	Closing balance	Opening balance
Interest on long-term loans with interest installments and principal repayment due Information	2,278,127.70	1,799,980.82
Corporate bond interest		
Interest payable on short-term borrowings	1,288,657.37	477,582.88

Significant overdue interest status:

☐ Applicable ☒ Not applicable

Other notes:

☐ Applicable ☒ Not applicable

Dividends payable (3). Classified presentation

n

☐Applicable ☒Not applicable

Other payables

(1). Presentation of other payables by nature of payment

☒Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Projects	Closing balance	Opening balance
Engineering equipment payment	138,893,235.51	131,292,859.81
Current payments	12,195,228.76	31,142,869.94
Deposit	10,606,394.49	7,317,326.36
Pending fees (repairs, customs clearance, etc.)	81,025,040.80	82,747,055.55
Technology Usage Fee	117,709,500.00	54,616,100.00
Shipping Fee	8,588,161.65	9,359,425.34
Withholding and Payment	3,184,196.58	16,651,184.47
Other	20,631,469.33	28,590,928.65
Total	392,833,227.12	361,717,750.12

(2). Significant other payables aged over 1 year

☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Projects	Closing balance	Reasons for non-reimbursement or carry-forward
First Place	6,460,000.00	Unsettled project payments
Second Place	3,200,000.00	Unsettled project payments
Third Place	3,110,513.36	Unsettled project

Other notes:

☐ Applicable ☒ Not applicable

34. Liabilities held for sale

☐ Applicable ☒ Not applicable

35. Non-current liabilities due within one year

☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Projects	Closing balance	Opening balance
Long-term loans due within 1 year	995,971,200.00	490,000,000.00
Bonds payable due within 1 year		

Other

Description:

None

36. Other current liabilities

Other current liabilities

☐ Applicable ☒ Not applicable

Increase or decrease in short-term bonds payable:

☐Applicable ☒Not applicable

Other notes:

☐Applicable ☒Not applicable

37. Long-term borrowings**(1). Classification of long-term loans**√Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Projects	Closing balance	Opening balance
Pledged loans		
Collateralized Borrowing		
Guaranteed Borrowing	300,000,000.00	974,257,200.00
Credit Borrowing	467,235,456.00	301,647,274.00

Notes to the
classification of long-
term loans: None

Other notes, including interest rate bands:

√Applicable ☐ Not applicable

1. There were no overdue loans in long-term loans at the end of the period.
2. The guaranteed loans at the end of the period were guaranteed by China National Chemical Corporation and China National Chemical Rubber Corporation, as described in Note "XII. RELATED PARTIES AND RELATED TRANSACTIONS (4) RELATED GUARANTEES".

38. Bonds**payable (1).****Bonds****payable**☐Applicable √Not applicable**(2). Changes in bonds payable: (excluding other financial instruments such as preferred shares and perpetual bonds classified as financial liabilities)**☐Applicable √Not applicable**(3). Description of the conversion conditions and conversion time of convertible corporate bonds**☐Applicable √Not applicable**(4). Description of other financial instruments classified as financial liabilities**

Basic information of other financial instruments such as preferred shares and perpetual bonds issued and outstanding at the end of the period

☐Applicable √Not applicable

Statement of changes in financial instruments such as preferred shares and perpetual bonds issued and outstanding at the end of the period

☐Applicable √Not applicable

Description of the basis for classifying other financial instruments as financial liabilities:

☐Applicable ☒Not applicable

Other notes:

☐Applicable ☒Not applicable

**39. Status of
the summary
statement of
long-term
payables**

(1). Category Listing

☒Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Projects	Closing balance	Opening balance
Long-term payables	20,000,000.00	20,000,000.00
Specialized accounts payable		

Other notes:

☐Applicable ☒Not applicable

Long-term payables

(2). Presentation of long-term payables by nature of payment

☒Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Proj ects	Opening balance	Closing balance
Government supports 150,000	20,000,000.00	20,000,000.00

Other

Description:

None

Specialized accounts payable

(3). Presentation of special accounts payable by nature of payment

☐Applicable ☒Not applicable

40. Long-term employee compensation payable

☒Applicable ☐ Not applicable

(1). Schedule of long-term employee compensation payable

☒Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Projects	Closing balance	Opening balance
I. Post-employment benefits - net negative for defined benefit plans Debt		
II. Severance benefits	1,289,945.57	6,837,154.16

(2). Changes in defined

benefit plans Present

value of defined benefit

plan obligations:

☐Applicable ☒Not applicable

Plan assets:

☐Applicable ☒Not applicable

Net defined benefit plan liabilities (net assets)

☐Applicable ☒Not applicable

Description of the content of the defined benefit plan and the risks associated with it, the impact on the company's future cash flows, timing and uncertainty:

☐Applicable ☒Not applicable

Statement of significant actuarial assumptions and sensitivity analysis results for defined benefit plans

☐Applicable ☒Not applicable

Other notes:

☐Applicable ☒Not applicable

41. Projected liabilities

☐Applicable ☒Not applicable

42. Deferred

income

Deferred

income

Unit: Yuan Currency: RMB

<input checked="" type="checkbox"/> Applicable <input type="checkbox"/> Not applicable	Opening balance	Increase in the current period	Decrease for the period	Closing balance	Formation of the original Because

Projects involving government grants:

☒Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

applicable

Liability items	Opening balance	Amount of new grants for the period	Amount included in non-operating income during the period	Amount charged to other income during the period	Other changes	Closing balance	Asset-related / revenue-related Related
Industrial revitalization funds 150,000 sets of engineering	22,724,999.76			3,895,714.32		18,829,285.44	Asset-related

radial tires project Table of Contents [Note 1]							
Techn ology center innovat ion capacit y project constru ction funds [Note 2]	3,000,000.00					3,000,000.00	Asset- relate d
Enviro nment al subsidi es pollutio n remedi ation project Purpose [Note 3]	952,380.96	1,000,000.00		116,883.11		1,835,497.85	Asset- relate d
High Perfor mance Radial Tires Forming number		5,000,000.00		358,365.44		4,641,634.56	With asse ts Off

Characterization workshop construction and application [Note 4]							
Total	26,677,380.72	6,000,000.00		4,370,962.87		28,306,417.85	

Other notes:

☒ Applicable ☐ Not applicable

Note: 1. In 2010, the Company received from the Ministry of Finance the 2010 central budgetary infrastructure expenditure for the revitalization and technological transformation of key industries.

The budget allocation is RMB54.54 million. The approved government subsidy project is an annual production capacity of 150,000 sets of engineering radial tires, which has been in operation since the fixed assets reached The Company's assets and liabilities are recognized in profit or loss over their useful lives from the time they become available for use. Other income of \$3,895,714.32 was recorded in the current period.

2. The company's technology center innovation capacity building project has not yet been implemented, and the innovation capacity building fund received by it is amortized as deferred income pending the implementation of the project at a later stage.

3. 1 million yuan of special funds for environmental protection was received from the Development and Reform Commission of Jiaozuo City on October 31, 2017 for the Fengshen Tire VOCS treatment project, and a follow-up grant of 1 million yuan was received on June 22, 2018 for this project, which was amortized over the useful life of the assets, totaling \$116,883.11 for the period.

4. On February 13, 2018, we received strategic emerging industry development funds of RMB5.00 million from the Henan Provincial Department of Finance for the construction and application of the digital workshop for high performance radial tire forming, which is amortized according to the useful life of the asset. The amount of \$358,365.44 was included in other income during the period.

43. Other non-current liabilities

☐Applicable ☒Not applicable

44. Share Capital

☒Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

	Opening balance	Increase or decrease in this change (+, -)					Closing balance
		Distribution	Share	Provident	Other	Subtotal	

Other

Description:

None

45. Other equity instruments**(1). Basic information of other financial instruments such as preferred shares and perpetual bonds issued and outstanding at the end of the period**

☐Applicable ☒Not applicable

(2). Statement of changes in financial instruments such as preferred shares and perpetual bonds issued and outstanding at the end of the period

☐Applicable ☒Not applicable

Changes in other equity instruments during the period, the reasons for the changes, and the basis for the related accounting treatment:

☐Applicable ☒Not applicable

Other notes.

☐Applicable ☒Not applicable

46. Capital surplus

☒Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Projects	Opening balance	Increase in the current period	Decrease for the period	Closing balance
Capital premium	1,745,576,124.51	92,914,573.12		1,838,490,697.63

Other notes, including the changes in the current period, the reasons for the changes:

Note: The Company transferred its entire net investment in its subsidiary Qingdao Yellow Sea Rubber Co., Ltd. to a related party, Qingdao Yellow Sea Rubber Group Co. on June 30, 2018 as the base date (including 100% equity interest held in it and claims that substantially constitute net investment) and completed the asset delivery on December 4, 2018. The transaction is a

package equity transaction under the same control.

1. The carrying value of all the above net investments calculated on an ongoing basis at the date of disposal was \$14,206,356.23, and the disposal price received was 60,006,174.08, the difference between the disposal price received and the book value calculated on an ongoing basis of \$45,799,817.85 was recorded in capital surplus in the consolidated statements of income;
2. At the level of individual statements of the parent company, the investment loss on disposal of all the above net investment based on tax cost is included in the current taxable income

(a) The Parent Company's current income tax expense of \$47,114,755.27 was offset by the amount of income tax directly related to the above-mentioned equity transaction package; therefore, the income tax was adjusted to capital surplus at the consolidated statement of income level on the basis of the equity transaction;

3. The above-mentioned events increased the capital surplus of the Company's consolidated statements of income by \$92,914,573.12 in total.

47. Inventory Unit

☐ Applicable ☒ Not applicable

48. Other comprehensive income

☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Projects	Opening balance	Amount incurred during the period					Closing balance
		Incurring before income tax for the period	Less: Transfer from prior period to profit or loss in other comprehensive income	Less: Income tax expense	Attributable to the parent company after tax	Attributable to minority shareholders after tax	
I. Other comprehensive income that cannot be reclassified into profit or loss							
Benefit							
Of which: remeasurement of defined benefit plans			252 / 326				
Change amount							

Value Change Profit and loss							
Investments held-to-maturity reclassified as available-for-sale financial assets losses Benefit							
Effectiveness of cash flow hedge gains and losses Part							
Translation of foreign currency financial statements Difference							
Other comprehensive income Total	9,880,090.91	-2,590,000.00	12,463,636.36	-2,258,045.45	-12,795,590.91		-2,915,500.00

Other notes, including adjustments to the effective portion of the cash flow hedge gain or loss to the amount initially recognized for the hedged item: None

49. Special reserve

☐ Applicable ☒ Not applicable

50. Surplus reserves

☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Projects	Opening balance	Increase in the current period	Decrease for the period	Closing balance
Legal reserve	267,238,913.33			267,238,913.33
Discretionary surplus				

Description of surplus reserves, including changes in the current period and reasons for changes: None

51. Undistributed earnings

√Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Proj ects	This issu e	Previous period
Unallocated earnings at the end of the previous period before	-675,441,632.25	-144,207,134.22

Adjustment to unappropriated earnings at the beginning of the period	-675,441,632.25	-144,207,134.22
Add: Net profit attributable to owners of the parent company for the period	18,270,878.74	-474,993,175.83
Less: Withdrawal of legal reserve		
Withdrawal of arbitrary surplus		
Withdrawal of general risk allowance		
Dividends payable on common stock		56,241,322.20
Dividends on common stock transferred to equity		
Undistributed earnings at the end of the period	-657,170,753.51	-675,441,632.25

Adjustments to opening unappropriated earnings breakdown:

1. The retroactive adjustment due to the ASBE and its related new regulations affected the opening unappropriated earnings by \$0.
2. Due to the change in accounting policy, it affected the opening unappropriated earnings by \$0.
3. As a result of the correction of significant accounting errors, the opening unappropriated earnings of the period was affected by \$0.
4. The change in the scope of consolidation due to the same control affected the opening unappropriated earnings by \$0.
5. Other adjustments totaling \$0 affected the opening unappropriated earnings of the period.

52. Operating income and operating costs (1).

Operating income and operating costs

Unit: Yuan Currency: RMB

<input checked="" type="checkbox"/> Applicable <input type="checkbox"/> Not applicable Projects	Current Period Incurred		Prior Period Incurrence	
	Revenue	Cost	Revenue	Cost
Main	6 069 706 188.59	1 010 106 148.88	7 120 830 661.77	6 130 077 323.80

53. Taxes and surcharges

Unit: Yuan Currency: RMB

<input checked="" type="checkbox"/> Applicable <input type="checkbox"/> Not applicable Projects	Current Period Incurred	Prior Period Incurrence
Consumption tax		
Business tax		
City Maintenance and Construction Tax	22,429,741.91	11,918,456.80
Education Fee Surcharge	11,535,816.63	6,723,524.79
Resource Tax	6,665,706.80	496,010.00
Property Tax	10,705,384.92	10,400,992.27
Land use tax	15,367,159.00	15,385,359.98
Vehicle use tax	38,387.32	54,380.97
Stamp duty	2,986,728.96	3,789,681.34
Environmental Protection Tax	1,610,571.35	

Other
Description:
None

54. Cost of sales

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Projects	Current Period Incurred	Prior Period Incurrence
Shipping Fee	127,482,515.08	157,626,052.07
After-sales related fees	59,854,515.84	66,710,925.90
Export-related costs	28,191,202.32	52,164,555.15
Advertising and marketing promotion costs	28,097,543.03	32,362,858.89
Personnel-related costs	33,553,252.04	29,990,812.17
Other Fees	67,735,869.40	67,082,769.47

Other

Description:

None

55. Overhead

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Projects	Current Period Incurred	Prior Period Incurrence
Personnel costs	86,102,398.58	91,450,745.64
Repair Fee	42,943,279.07	47,082,022.28
Depreciation and amortization expense	26,228,709.71	25,082,337.13
Costs related to major asset restructuring		25,619,385.00
Lease Fee	6,586,458.22	13,775,913.02
Audit consulting type fees	4,631,823.45	1,777,312.59
Travel expenses	2,474,640.68	2,300,657.33
Summary of other incidental expenses	61,372,077.21	76,392,089.49

Other

Description:

None

56. R&D expenses

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Projects	Current Period Incurred	Prior Period Incurrence
Personnel-related costs	52,744,093.69	50,448,469.99
Depreciation and amortization	7,190,363.57	6,435,278.26
Material Fee	82,949,771.29	87,302,714.61
Technology Development Fee	116,605,528.80	51,511,911.74
Manufacturing Costs	9,124,946.32	9,550,303.87
Other related fees	23,441,464.76	33,123,885.27

Other

Description:

None

57. Finance costs

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Projects	Current Period Incurred	Prior Period Incurrence
Interest costs	127,168,457.93	111,753,927.89
Less: Interest income	-4,832,286.54	-5,693,573.03
Foreign exchange gains and losses	-8,393,448.04	24,671,721.04
Other	-8,420,693.71	-9,786,953.05

Other

Description:

None

58. Impairment loss on assets

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Projects	Current Period Incurred	Prior Period Incurrence
I. Bad debt losses	28,176,909.32	33,046,223.40
II. Loss on decline in value of inventories	23,270,722.35	31,383,171.01
III. Impairment loss on available-for-sale financial assets		
IV. Impairment loss on held-to-maturity investments		
V. Impairment loss on long-term equity investments		
VI. Impairment loss on investment properties		
VII. Impairment loss on fixed assets	272,928.22	
VIII. Impairment loss of engineering materials		
IX. Impairment loss on construction		

Other

Description:

None

59. Other gains

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Projects	Current Period Incurred	Prior Period Incurrence
Environmental subsidies for VOCS treatment projects	116,883.11	47,619.04
Industrial revitalization plan financial incentive funds	3,895,714.32	3,895,714.32
High-performance radial tire molding digital workshop Government Grant Program	358,365.44	
Jiaozuo City Social Insurance Administration stable	259 / 326 2,590,000.00	3,290,000.00

Technology Innovation Award		
Jiaozuo City Intellectual Property Office 2016 Patent Licensing Incentive Payment	127,100.00	
2018 Foreign Patent Application Capital in Henan Province Financial assistance	118,000.00	
Prevention and Emergency Special Fund	100,000.00	
Premium support subsidy	1,218,900.00	1,140,360.00
Construction support grants	740,000.00	
Jiaozuo City Finance Bureau 2016 second batch of municipal Level Science and Technology Funding		33,800.00
Jiaozuo City Science and Technology Bureau 16 years of Henan Province Science Technology incentive payments		20,000.00
2016 Special Funds for Foreign Trade Development Gold		493,700.00
Qing Xu Science and Education Bureau special awards		4,000.00
Export credit insurance premium subsidy funds		759,600.00
EU special tires project technology reform payment interest discount		2,200,000.00
Finance Bureau unit processing trade project subsidies Gold		4,000,000.00
Finance Bureau 2016 Export Credit Subsidy		423,600.00
Jiaozuo Finance Bureau Entrepreneurial and Innovative Leaders Rewards		1,000,000.00
Finance Bureau 2017 Industrial Transformation and Upgrading Funds Gold		3,871,000.00
Finance Bureau boiler ultra-low emission retrofit funds		780,000.00
Henan Provincial Intellectual Property Office Patent Funding	2,000.00	19,000.00
Jiaozuo City 2016 Annual Science and Technology Progress Award		50,000.00
Jiaozuo City Finance Bureau in 2017 the first batch of Section		650,000.00

Technology Innovation Award		
Finance Bureau energy-saving technology improvement project subsidy		2,160,800.00
Water Conservation Incentive Grant from Water Resources Bureau		200,000.00
The Bureau of Finance allocates the UNESCO mouth bonus		10,000.00
High-tech enterprise special subsidy		150,000.00
Short-term export letter of credit insurance support funds		440,937.00
International market development project support funds		131,947.00
Total	10,488,662.87	25,772,077.36

Other

Description:

None

60. Investment income√/Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Projects	Current Period Incurred	Prior Period Incurrence
Income from long-term equity investments accounted for by the equity method	-15,301,769.57	-25,682,969.66

Investments in financial assets held for profit or loss Earnings		
Investment income from disposal of financial assets at fair value through profit or loss Benefit		
Held-to-maturity investments during the holding period Earnings		
Investment income from disposal of held-to-maturity investments Benefit		
Investment income acquired from available-for-sale financial assets, etc. Benefit	1,086,000.00	588,000.00
Investments acquired on disposal of available-for-sale financial assets Earnings	11,253,723.04	
After the loss of control, the remaining equity interest is based on the fair value Gain from remeasurement of value		
Total	-2,962,046.53	-25,094,969.66

Other

Description:

None

61. Gain on changes in fair value☐Applicable ☒Not applicable**62. Gain on disposal of assets**☒Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Projects	Current Period Incurred	Prior Period Incurrence
Gain or loss on disposal of fixed assets	85,448.90	-3,226,912.36
Gain or loss on disposal of other		482,222.22

Other

Description:

None

63. Non-operating income
Non-operating

income

√/Applicable □/Not applicable

Unit: Yuan Currency: RMB

Proj ects	Current Period Incurred	Prior Period Incurrence	Included in non- recurring profit or loss for the period Amount of
Gain on disposal of non-current assets Total			
Of which: disposal of fixed assets Lidl			

have to			
Donation Acceptance			
Government Grants			
Other	1,163,089.54	986,294.11	1,163,089.54
Total	24,517,228.42	986,294.11	24,517,228.42

Note: The Company terminated cooperation with some suppliers during the period and recorded the difference between the book value of the restructured debt and the actual cash payment as non-operating income in accordance with the agreement reached with the suppliers.

Government grants recognized in current profit or loss

☐Applicable ☒Not applicable

Other notes:

☐Applicable ☒Not applicable

64. Non-operating expenses

☒Applicable ☐Not applicable

Unit: Yuan Currency: RMB

Proj ects	Current Period Incurred	Prior Period Incurrence	Included in non- recurring profit or loss for the period Amount of
Loss on disposal of non-current assets Total loss			
Of which: disposal of fixed assets Losses			
Intangible Assets Division Replacement loss			
Loss on debt restructuring		933,791.50	

Other

Description:

None

65. Income tax expense (1).

Income tax expense table

☒Applicable ☐Not applicable

Unit: Yuan Currency: RMB

Projects	Current Period Incurred	Prior Period Incurrence
Current income tax expense	47,664,048.00	
Deferred income tax expense	264 / 3265,677,209.58	-17,936,441.31

Note: The Company transferred its entire net investment in its subsidiary Qingdao Yellow Sea Rubber Co., Ltd. to a related party, Qingdao Yellow Sea Rubber Group Co., Ltd. during the period (including 100% equity interest in it and claims that substantially constitute net investment) and completed on December 4, 2018

Asset delivery. The transaction was a package of equity transactions under the same control. At the parent company's individual statement level, the investment loss calculated based on the tax cost of the disposal of all the above net investment was included in the current taxable income, thus offsetting the parent company's current income tax expense of \$47,114,755.27. The income tax was directly related to the above package of equity transactions and was therefore adjusted to capital surplus at the consolidated statement level on the same basis as equity transactions.

(2). Accounting profit and income tax expense adjustment process

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Proj ects	Current Period Incurred
Total profit	60,257,717.16
Income tax expense at statutory/applicable tax rates	9,038,657.57
Effect of different tax rates applied to subsidiaries	-9,985,899.08
Effect of adjustments to income taxes of prior periods	549,292.73
Impact of non-taxable income	-251,100.00
Effect of non-deductible costs, expenses and losses	18,220,487.75
Use of deductible losses on deferred tax	

Other notes:

□Applicable √Not applicable

66. Other comprehensive income

√Applicable

□Not applicable

See Note VII-48

for details

67. Cash flow statement items

(1). Other cash received in connection with operating activities

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Proj ects	Current Period Incurred	Prior Period Incurrence
Receive deposit and security deposit money	28,320,021.93	18,027,949.00
Interest income	4,832,286.54	31,189,026.20
Government Grants	12,117,700.00	27,184,344.00
Payments, fines	3,050,632.06	420,499.63
Other transactions	40,880,240.00	25,645,740.10

Description of other cash received in
connection with operating activities: None

(2). Other cash paid in connection with operating activities

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Proj ects	Current Period Incurred	Prior Period Incurrence
R&D expenses	136,837,407.11	157,334,885.92
Shipping Fee	63,176,744.96	86,481,472.17
Advertising and marketing promotion fees	2,905,241.37	1,205,649.26
Other Fees	65,006,198.69	79,332,970.91
Handling fee, account management fees	1,899,234.54	6,482,446.46

Description of other cash paid in relation
to operating activities: None

(3). Other cash received in connection with investing activities

□Applicable √Not applicable

(4). Other cash paid in connection with investing activities

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Projects	Current Period Incurred	Prior Period Incurrence
Payment of asset disposal fees		22,119,384.14

Description of other cash paid in relation
to investing activities: None

(5). Other cash received in connection with financing activities

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Proj ects	Current Period Incurred	Prior Period Incurrence
Associated Borrowings	1,250,000.00	1,750,000.00
Return of finance lease deposit		6,500,000.00

Description of other cash received in
connection with financing activities: None

(6). Other cash paid in connection with financing activities

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Projects	Current Period Incurred	Prior Period Incurrence
Borrowing Guarantee Fee		3,499,464.00
Finance lease rental		50,046,421.34

Description of other cash paid related to financing activities:

None

**68. Supplementary
Information to the
Statement of Cash
Flows (1).**

**Supplementary
information on the
statement of cash
flows**

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Additional Information	Amount for the period	Amount of previous period
1. Reconciliation of net income to cash flow from operating activities		
Quantity:		
Net Profit	18,270,878.74	-474,993,175.83
Add: Provision for asset impairment	51,720,559.89	64,429,394.41
Depreciation of fixed assets, depreciation of oil and gas assets, production Depreciation of sexual biological assets	333,696,372.30	338,290,995.37
Amortization of intangible assets	3,054,338.37	3,448,779.74
Amortization of long-term amortization	26,012,665.03	28,055,214.70
Disposal of fixed assets, intangible assets and other long-term Losses on assets (gains are shown with a "-" sign)	-85,448.90	3,709,136.28
Loss on scrapping of fixed assets (gain is filled with "-") (column)		
Loss on changes in fair value (gain is filled with a "-" sign) (column)		
Finance costs (income is shown with a "-" sign)	131,153,332.00	91,731,606.46
Investment losses (gains are presented with a "-" sign)	2,962,046.53	25,094,969.66
Decrease (increase by "-") in deferred income tax assets (No. filled in)	-5,677,209.58	-17,936,441.31
Increase (decrease by "-") in deferred income tax liabilities (No. filled in)		
Decrease in inventories (increase is shown with a "-" sign)	-148,555,170.00	222,865,789.34
Decrease in operating receivables (increase by "-")	170,850,692.48	-235,786,028.74

(2). Net cash paid during the period for acquisition of subsidiaries

□Applicable √Not applicable

(3). Net cash received during the period from disposal of subsidiaries

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Amount
Cash or cash equivalents received during the period from subsidiaries disposed of during the period	60,006,174.08
Less: Cash and cash equivalents held by the company on the date of loss of control	2,165,582.38
Other Description: None	

(4). Composition of cash and cash equivalents

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Projects	Closing balance	Opening balance
I. Cash	862,656,739.64	727,231,587.97
Of which: cash on hand	20,386.09	60,666.24
Bank deposits readily available for disbursement	862,636,353.55	727,170,921.73
Other monetary resources readily available for payment		
Gold		
Deposited central bank funds available for disbursement item		
Interbank deposits		
Interbank loans		
II. Cash equivalents		
Of which: Bond investments		

Other notes:

□Applicable √Not applicable

69. Notes to Items in the Statement of Changes in Owner's Equity

Description of "Other" items adjusted for prior year's ending balance and the amount of the adjustment, etc:

□Applicable √Not applicable

70. Assets subject to restrictions on ownership or use

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Projects	Carrying value at the end of the period	Restricted Reasons
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Total	1,488,446.64	/
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Other

Description:

None

**71. Foreign
currency
monetary items (1).
Foreign currency
monetary items**

√Applicable □ Not applicable

Unit: Yuan

Proj ects	Foreign currency balance at the end of the period	Converted exchange rate	Translated into RMB at the end of the period Balance
Monetary Funds			
Of which: USD	44,933,777.03	6.8632	308,389,498.51
Euro	2,351,211.10	7.8473	18,450,658.87
Ruble	1,375,918.84	10.1383	135,714.95
Accounts Receivable			
Of which: USD	43,257,071.97	6.8632	296,881,936.34
Euro	1,270,273.13	7.8473	9,968,214.33
Long-term borrowings			
Of which: USD	66,000,000.00	6.8632	452,971,200.00
Receipts in advance			
USD	7,992,979.57	6.8632	54,857,417.38
Euro	806,640.33	7.8473	6,329,948.66
Accounts Payable			
USD	13,737,688.68	6.8632	94,284,504.95
Euro	183,160.20	7.8473	1,437,313.04
Prepayments			
USD	1,421,850.19	6.8632	9,758,442.22
Euro	612,890.00	7.8473	4,809,531.70
Other receivables			
Euro	35,465.57	7.8473	278,308.97
Other payables			

Other

notes: to

be added

(2). Description of foreign operating entities, including, for significant foreign operating entities, disclosure of their principal place of business outside of the country, the base currency of account and the basis of selection, and the reasons for any change in the base currency of account

☐Applicable ✓/Not applicable

72. Hedging

☐Applicable ✓/Not applicable

73. Government grants**(1). Basic information of government subsidies**

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Category	Amount	Reported items	Amount charged to current profit or loss
Related to daily	28,306,417.85	Deferred	4,370,962.87

(2). Return of government grants

□Applicable

√Not applicable

Other

Description:

None

74. Other

□Applicable √Not applicable

VIII. Changes in the scope of consolidation**1. Business combinations not under common control**

□Applicable √Not applicable

2. Business combination under common control

□Applicable √Not applicable

3. Reverse purchase

□Applicable √Not applicable

4、Disposal of subsidiaries

Whether there is a loss of control upon a single disposal of investment in a subsidiary

☒ Applicable ☐ Not applicable

Unit:											Yuan	Transfer of other comprehensive income related to equity investment in Atomic to investme	
Subsidiary Name	Equity disposal price	Shareholding disposal ratio (%)	Disposal of shares	Point of loss of control	Basis for determining the point at which control is lost	The difference between the disposal price and the share of the net assets of the subsidiary at the consolidated financial	of the remaining equity interest at the date of loss of control (%)	Carrying value of remaining equity interest at the date of loss of control	Fair value of the remaining equity interest at the date of loss of control	Gain or loss on remeasurement of remaining equity interest at fair value	Methodology and key assumptions for determining the fair value of the remaining equity interest at the	Yuan	Transfer of other comprehensive income related to equity investment in Atomic to investme

Other notes:

☒ Applicable ☐ Not applicable

Note: The Company transferred all the net investment in its subsidiary Qingdao Yellow Sea Rubber Co.

The difference between the disposal price and the carrying value of this entire net investment on an ongoing basis was \$45,799,817.85, as the transaction was a blanket equity transaction under common control, the Company recorded the difference as As the transaction was a package of equity transactions under the same control, the Company included the difference in the consolidated statements of income as equity premium.

Whether there is any step-by-step disposal of investment in subsidiaries through multiple transactions and loss of control during the period

☐ Applicable ☒ Not applicable

5. Changes in the scope of consolidation for other reasons

Describe changes in the scope of consolidation due to other reasons (e.g., new subsidiaries, liquidation of subsidiaries, etc.) and the related circumstances:

☐Applicable

☒Not applicable

6. Other

☐Applicable ☒Not applicable

9. Interests in other entities
1. Interests in subsidiaries (1).
Composition of the enterprise group

☒ Applicable ☐ Not applicable

Subsidiary Name	Main business locations	Place of registration	Business Nature	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Fengshen Tire (Taiyuan) has	Shanxi	Taiyuan, Shanxi	Tire manufacturing, sales	100		Business Combination

Description of the shareholding ratio in subsidiaries different from the voting ratio: None

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

None

For significant structured entities included in the scope of consolidation, the basis of control: None

Basis for determining whether a company is an agent or a principal:

None

Other Description:
None

(2). Significant non-wholly owned subsidiaries

☐ Applicable ☒ Not applicable

(3). Key financial information of significant non-wholly owned subsidiaries

☐ Applicable ☒ Not applicable

(4). Significant restrictions on the use of enterprise group assets and the settlement of enterprise group debts

☐ Applicable ☒ Not applicable

(5). Financial or other support provided to structured subjects included in the scope of the

consolidated financial statements

☐Applicable ☒Not applicable

Other notes:

☐Applicable ☒Not applicable

2. Transactions in which the share of ownership interest in a subsidiary changes and the subsidiary is still controlled

☐Applicable ☒Not applicable

3. Interest in joint ventures or associates

☒Applicable ☐ Not applicable

(1). Significant joint ventures or associates

☒Applicable ☐Not applicable

Joint ventures or associates Industry	Main business locations	Place of registration	Business Nature	Shareholding ratio (%)		Investment in joint ventures or associates will Counting processing methods
				Direct	Indirect	

Unit: Yuan Currency: RMB

Description of the percentage of shareholding in joint ventures or associates different from the percentage of voting rights:
None

Basis for holding less than 20% of the voting rights but with significant influence, or holding 20% or more of the voting rights but without significant influence: None

(2). Key financial information of significant joint ventures

☐Applicable ☒Not applicable

(3). Key financial information of significant associates

☒Applicable ☐Not applicable

	Closing balance/ Current period		Opening balance/ Prior period	
	Pirelli Tyre (Jiaozuo) Ltd.	XX Company	Pirelli Tyre (Jiaozuo) Ltd.	XX Company
Current assets	379,313,726.84		377,303,385.97	
Non-current assets	1,038,417,852.95		1,058,917,638.30	
Total assets	1,417,731,579.79		1,436,221,024.27	
Current liabilities	480,125,586.09		370,483,617.85	
Non-current liabilities	560,000,000.00		620,000,000.00	
Total liabilities	1,040,125,586.09		990,483,617.85	
Minority interests				
Equity attributable to shareholders of the parent company	377,605,993.70		445,737,406.42	
Net assets based on percentage of shareholding Share	75,521,198.74		89,147,481.28	
Adjustment matters	-5,502,649.10	326	-3,827,162.94	
--Goodwill				

Unit: Yuan Currency: RMB

Presence of publicly quoted affiliates				
Fair value of equity investments				
Operating income	559,184,459.04		454,676,458.62	
Net Profit	-68,131,412.72		-117,223,332.38	
Net profit from discontinued operations				
Other comprehensive income				
Total comprehensive income	-68,131,412.72		-117,223,332.38	
Received from associates during the year				
Dividends from industry				

Other
descripti
ons None

(4). Aggregate financial information of immaterial joint ventures and associates

☐Applicable ☒Not applicable

(5). Description of significant limitations on the ability of a joint venture or associate to transfer funds to the Company

☐Applicable ☒Not applicable

(6). Excess losses incurred by joint ventures or associates

☐Applicable ☒Not applicable

(7). Unrecognized commitments related to investments in joint ventures

☐Applicable ☒Not applicable

(8). Contingent liabilities related to investments in joint ventures or associates

☐Applicable ☒Not applicable

4. Important co-management

☐Applicable ☒Not applicable

5. Interests in structured entities not included in the scope of the consolidated financial statements Notes relating to structured entities not included in the scope of the consolidated financial statements:

☐Applicable ☒Not applicable

6、 Others

☐Applicable ☒Not applicable

X. Risks associated with financial instruments

☒Applicable ☐ Not applicable

The Company is exposed to various financial risks in the course of its operations: credit risk, market risk and liquidity risk. The full Board of Directors of the Company

The Board of Directors has delegated to the Company the authority to determine risk management objectives and policies and to assume ultimate responsibility for risk management objectives and policies.

Each functional unit of the Division designs and implements procedures to ensure that risk management objectives and policies are effectively implemented. The Board of Directors reviews the effectiveness of the implemented procedures and the reasonableness of the risk management objectives and policies through reports submitted by the heads of each function. The Company's internal auditors also audit risk management policies and procedures and report findings to the Audit Committee.

The overall goal of our risk management is to develop risk management policies that minimize risk without unduly affecting our competitiveness and resilience.

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to meet its obligations, causing the other party to incur financial losses. The Company is primarily exposed to customer credit risk resulting from credit sales. Before entering into new contracts, the Company assesses the credit risk of new customers, including external credit ratings and, in some cases, bank credit references (when this information is available). The Company sets a credit limit for each customer, which is the maximum amount that does not require additional approval. The Company ensures that the Company's overall credit risk is within manageable limits through quarterly monitoring of existing customer credit ratings and monthly review of the aging analysis of accounts receivable. When monitoring the credit risk of customers, they are grouped according to their credit characteristics. Customers rated as "high risk" are placed on a restricted customer list and may only be sold on credit in future periods with additional approval, otherwise they must be required to pay in advance.

(ii) Market risk

Market risk of financial instruments is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices, including exchange rate risk, interest rate risk and other price risks.

(1) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from bank borrowings. The Company may use interest rate swaps to achieve the desired interest rate structure. Although this policy does not enable the Company to completely avoid the risk of paying interest rates in excess of prevailing market rates, nor does it completely eliminate the cash flow risk associated with fluctuations in interest payments, management believes that the policy achieves a reasonable balance between these risks.

(2) Exchange rate risk

Exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company matches foreign currency revenues with foreign currency expenses to reduce exchange rate risk whenever possible. In addition, the Company may enter into forward exchange contracts or currency swap contracts for the purpose of hedging exchange rate risk.

The Company's exposure to exchange rate risk arises mainly from financial assets and financial liabilities denominated in foreign currencies, and the amounts of foreign currency financial assets and foreign currency financial liabilities translated into RMB are shown below:

Projects	Closing balance			Balance at the beginning of the year		
	USD	Euro	Total	USD	Euro	Total
Accounts Receivable	296,881,936.34	9,968,214.33	306,850,150.67	257,200,471.30	23,716,221.64	280,916,692.94
Prepayments	9,758,442.22	4,809,531.70	14,567,973.92	175,849,984.48	9,848,964.85	185,698,949.33
Other receivables		278,308.97	278,308.97	4,310,457.01	20,602.52	4,331,059.53
Accounts Payable	94,284,504.95	1,437,313.04	95,721,817.99	1,458,291.78		1,458,291.78
Other payables	4,892,040.09	123,494,155.32	128,386,195.41	8,734,089.63	1,283,197.78	10,017,287.41
Prepayments	54,857,417.38	6,329,948.66	61,187,366.04	46,688,479.74	5,586,043.97	52,274,523.71
Total	460,674,340.98	146,317,472.02	606,991,813.00	494,241,773.94	40,455,030.76	534,696,804.70

(3) Other price risks

The Company holds equity investments in other listed companies and management believes that the market price risk to which these investment activities are exposed is acceptable. The

Projects	Closing balance	Balance at the beginning of the
Company's equity investments in listed companies are listed as follows:		

(iii) Liquidity risk

Liquidity risk, which refers to a shortage of funds in the event that a company meets its obligations settled by delivery of cash or other financial assets

risk. The Company's policy is to ensure that it has sufficient cash to meet its obligations as they fall due. Liquidity risk is centrally controlled by the Company's treasury department. The finance department ensures that the Company has sufficient funds to repay its debts under all reasonable projections by monitoring cash balances, readily realizable marketable securities and rolling forecasts of cash flows for the next 12 months.

The Company's financial liabilities are presented as undiscounted contractual cash flows by maturity date as follows:

Projects	Closing balance		
	Within 1 year (including 1 year)	More than 1 year	Total
Short-term borrowings	925,000,000.00		925,000,000.00
Accounts Payable	1,624,685,246.44	215,176,194.57	1,839,861,441.01
Other payables	318,823,512.36	77,576,499.83	396,400,012.19
Total	2,868,508,758.80	292,752,694.40	3,161,261,453.20

Projects	Opening balance		
	Within 1 year (including 1 year)	More than 1 year	Total
Short-term borrowings	1,021,780,000.00		1,021,780,000.00
Accounts Payable	1,708,137,177.55	294,552,632.61	2,002,689,810.16
Other payables	261,928,283.32	102,067,030.50	363,995,313.82

Total	2,991,845,460.87	396,619,663.11	3,388,465,123.98
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xi. fair value disclosures

1. Closing fair value of assets and liabilities measured at fair value

√Applicable □Not applicable

Unit: YuanCurrency:RMB

Proj ects	Fair value at end of period			
	Level 1 fair	Level 2 fair	Level 3 fair	Total

I. Ongoing fair value measurement				
(i) Financial instruments at fair value through profit or loss				
Assets				
1. Financial assets held for trading				
(1) Investment in debt instruments				
(2) Investments in equity instruments				
(3) Derivative financial assets				
2. designated at fair value through profit or loss				
Financial Assets				
(1) Investment in debt instruments				
(2) Investments in equity instruments				
(ii) Available-for-sale financial assets	2,990,000.00			2,990,000.00
(1) Investment in debt instruments				
(2) Investments in equity instruments	2,990,000.00			2,990,000.00
(3) Others				
(iii) Investment properties				
1. Land use rights for lease				
2. Buildings for lease				
3. Hold and prepare for transfer after appreciation of land use rights				
(iv) Biological assets				
1. Expendable biological assets				
2. Productive biological assets				
Assets measured at fair value on an ongoing basis	2,990,000.00			2,990,000.00
Total output				
(v) Financial liabilities held for trading				
Of which: Trading bonds issued				
Derivative financial				

liabilities				
Other				
(vi) Designated as at fair value through profit or loss of financial liabilities				
Continuously measured at fair value with negative Total debt				
ii. discontinued fair value measurement Quantity				
(i) Assets held for sale				
Not continuously measured at fair value Total Assets				

Not continuously measured at fair value Total liabilities				
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2. Basis for determining the market value of continuing and discontinuing level 1 fair value measurement items

☒Applicable ☐Not applicable

The publicly quoted price of the financial asset in an active market at the end of the period.

3. ongoing and discontinued Level 2 fair value measurement items, qualitative and quantitative information on the valuation techniques used and important parameters

☒Applicable ☐Not applicable

The Company has no ongoing and discontinued Level 2 fair value measurement items.

4. ongoing and discontinued Level 3 fair value measurement items, qualitative and quantitative information on the valuation techniques used and important parameters

☒Applicable ☐Not applicable

The Company has no ongoing and discontinued Level 3 fair value measurement items.

5. ongoing Level 3 fair value measurement items, reconciliation information between opening and closing book values and sensitivity analysis of unobservable parameters

☐Applicable ☒Not applicable

6. For ongoing fair value measurement items, if conversion between levels occurred during the period, the reasons for conversion and the policy for determining the point of conversion

☐Applicable ☒Not applicable

7. Changes in valuation techniques that occurred during the period and the reasons for the changes

☐Applicable ☒Not applicable

8. Fair value of financial assets and financial liabilities that are not measured at fair value

☐Applicable ☒Not applicable

9. Others

☐Applicable ☒Not applicable

**XII, RELATED
PARTIES AND RELATED
TRANSACTIONS 1.**

**Information on the
parent company of the
Company**

√Applicable □Not applicable

Unit: RMB million

Currency:

Parent Company Name	Place of registratio n	Business Nature	Registered Capital	Parent company's shareholding in the Company (%)	Parent company's share of voting rights in the Company (%)
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Description of the Company's parent company

China National Chemical Rubber Corporation, formerly known as China National Chemical New Materials Corporation, was established on March 19, 1988 by the State Science and Technology Commission under the name of (88) State

The establishment of the company was approved by the document No. 155 of Science and Technology Development and Synthesis, and the name was changed to China National Chemical and Rubber Corporation on December 24, 2008 and January 17, 2013.

Ltd. was restructured to China National Chemical Rubber Co. Registered capital: RMB 160,000.00 million; Legal representative: Bai Xinping; Note

Registered address: No. 62, North Fourth Ring Road West, Haidian District, Beijing; Industry: Basic chemical raw materials manufacturing; Enterprise legal person business license registration number: 91110000100008069M. Company's business scope: Permitted business items: None. General business items: research, production and sales of new chemical materials and related raw materials (except dangerous chemicals) tires, rubber products, latex products; development, design, production and sales of rubber and chemical equipment; import and export business; supervision of engineering construction; provision of technical advice and technical services related to the above business.

The ultimate controlling party of the Company: The controlling shareholder of the Company is China National Chemical Rubber Corporation, whose shareholder is China National Chemical Corporation, and the ultimate actual controller is the State-owned Assets Supervision and Administration Commission of the State Council.

Other

Description:

None

2. Information on the Company's subsidiaries

☒Applicable ☐Not applicable

For details of the Company's subsidiaries, see Note "IX. Interests in other entities".

3. Joint ventures and associates of the enterprise

☒Applicable ☐Not applicable

For details of the Company's significant joint ventures or associates, see Note "IX. Interests in other entities".

☐Applicable

☒Not applicable

Other

explanations

☐Applicable ☒Not applicable

4. Other related parties

√Applicable ☐ Not applicable

Name of other related parties	Relationship between other related parties and the enterprise
Henan Tire Group Co.	Company Shareholders
Jiaozuo City Jurong Rubber & Plastic Co.	Subsidiaries of the Company's shareholders
Beijing Rubber Industry Research and Design Institute Co.	Same ultimate controlling party
China National Chemical Finance Corporation	Same ultimate controlling party
Shenyang Radial Tire Mold Co.	Same ultimate controlling party
Beijing Blue Star Cleaning Co.	Same ultimate controlling party
Blue Star Engineering Co.	Same ultimate controlling party
Yiyang Rubber & Plastic Machinery Group Co.	Same ultimate controlling party

Pirelli International plc	Same ultimate controlling party
Pirelli Tyre S.p.A.	Same ultimate controlling party
Prometeon Tyre Group S.r.l.	Same ultimate controlling party
Zhonghao Heiyuan Chemical Research and Design Institute Co.	Same ultimate controlling party
Qingdao Yellow Sea Rubber Group Co.	Same ultimate controlling party
Qingdao Rubber Six Conveyor Belt Co.	Same parent company
China Auto Repair (Group) Corporation	Same ultimate controlling party
Beijing Xiangyun Engineering Management Co.	Same ultimate controlling party
Blue Star Silicon Material Co.	Same ultimate controlling party
China National Chemical Rubber Guilin Tire Co.	Same parent company
Guilin Beili Tire Co.	Same parent company
Huaxia Hanhua Chemical Equipment Company	Same ultimate controlling party
Pirelli Tyre Co.	Same ultimate controlling party
Tuopu Trading (Beijing) Co.	Same ultimate controlling party
China Blue Star (Group) Co.	Same ultimate controlling party
Qingdao Huanghai Rubber Co.	Same ultimate controlling party
Nanjing Lide Oriental Rubber & Plastic Co.	Other

Other notes

Note: 1. Haohua Engineering Co., Ltd. changed its name to Blue Star Engineering Co.

2. The Company transferred all the net investment in its subsidiary Qingdao Yellow Sea Rubber Co., Ltd. to a related party, Qingdao Yellow Sea Rubber Group Co. and completed the asset delivery procedures on December 4, 2018.

Ltd. and the Company were formerly controlled by the same parent company. In February 2018, the Company's parent company has disposed of its entire equity interest in Nanjing Lide Oriental Rubber & Plastic Technology Co.

5. Connected transactions

(1). Related transactions for the purchase and sale of goods, provision and receipt of services

Purchase of goods/acceptance of services table

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Related Parties	Content of connected transactions	Current Period Incurred	Prior Period Incurrence
China Chemical Rubber Co.	Material Procurement	1,669,416.66	43,507,335.89
China Blue International Chemical Co.	Material Procurement	112,182,335.79	136,193,829.80
Beijing Rubber Industry Research and Design Institute Ltd.	Material procurement, engineering equipment, the Equipment repair and testing	1,169,882.22	1,276,482.92
Beijing Blue Star Cleaning Co.	Cleaning agent	332,138.36	442,002.60

Pirelli Tyre S.p.A.	Technology Usage Fee	117,709,500.00	54,616,100.00
Pirelli Tyre (Jiaozuo) Co. Division	Tire procurement, material procurement, and Commissioned Processing	10,126,848.27	80,932,985.94
Beijing Xiang Yun Engineering Management Co. YAM Corporation	Construction Supervision	113,207.55	168,000.00
Double Happiness Tire Industry Co. Division	Material Procurement		160,597.68
Blue Star Engineering Co.	Material Procurement	2,487,849.31	
Zhonghao Heiyuan Chemical Research and Design Institute Ltd.	Material Procurement	3,000.00	
Pirelli Tyre Co.	Material and Mould	5,447,469.59	
Guilin Rubber Machinery Co.	Purchase of accessories	1,128,205.12	

Sale of goods/provision of services

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Related Parties	Content of connected transactions	Current Period Incurred	Prior Period Incurrence
Qingdao Rubber Six Conveyor Belt Co.	Electricity, steam, material sales	43,049,929.52	44,872,846.94
Pirelli Tyre (Jiaozuo) Co.	Comprehensive service fees, commissioning fees, transfer of power, energy facilities Leasing, material sales	38,075,166.43	54,280,580.36
Double Happiness Tire Industry Co. Division	Material Sales		170,188.04
China Blue International Chemical Co.	Material Sales	2,266,000.00	1,364,929.92
China Chemical Rubber Guilin Tire has Limited company	Material Sales		6,696,282.05
Nanjing Lide Oriental Rubber & Plastic	Material Sales		10,876,677.04

Description of related transactions for the purchase and sale of goods, provision and receipt of services

□Applicable √Not applicable

(2). Affiliated entrusted/contracted and

entrusted/contracted to the Company

Table of entrusted/contracted status:

√Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Name of the commissi oner/cont ractor	Name of the trustee/c ontractor	Type of assets entrusted /contract ed	Commiss ioning/C ontracti ng Start Date	Trustee/c ontracti ng terminat ion date	The pricing of escrow revenue/contr acting revenue is	Escrow income/contra cted revenue recognized during the
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Prometeon Tyre Group S.r.l.	Tuopu Trading (Beijing) Co.	Equity Escrow	2018.10.10		Agreement	20,880.50
Qingdao Yellow Sea Rubber Group Co. Company	Qingdao Huanghai Rubber Co.	Equity Escrow	2018.12.4	2019.10.31	Agreement	

Description of affiliated hosting/contracting

☐Applicable ☒Not applicable

Table of our entrusted management/contracting

☐Applicable ☒Not applicable

Affiliate management/out-sourcing description

☐Applicable ☒Not applicable

(3). Affiliated

leases The

Company as lessor:

Unit: Yuan Currency: RMB

<input checked="" type="checkbox"/> Applicable <input type="checkbox"/> Not applicable	Name of lessee	Types of leased assets	Lease income recognized during the period	Lease income recognized in the prior period
	Henan Tire Group Co.	House	45,432.00	45,432.00

The Company as

lessee:

Unit: Yuan Currency: RMB

<input checked="" type="checkbox"/> Applicable <input type="checkbox"/> Not applicable	Name of lessor	Types of leased assets	Leases recognized during the period Fee	Leases recognized in the prior period Fee
	Henan Tire Group Co.	Garage, auditorium, former fleet site, attached Genus	780,666.54	412,038.79
	Henan Tire Group Co.	Land	4,798,800.00	2,640,000.00
	Henan Tire Group Co.	Apartment Building	600,000.00	600,000.00

Description of affiliated leases

☐Applicable ☒Not applicable

(4). Related

party guarantee

The Company as

guarantor

☐Applicable ☒Not applicable

The Company as the guaranteed party

☒Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Guara	Guarantee	Guarantee	Guarantee	Has the
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				Fulfillment completed
China National Chemical Corporation	40,000,000.00	2011-3-4	2018-4-20	Yes
China National Chemical Corporation	40,000,000.00	2011-3-4	2018-10-19	Yes
China National Chemical Corporation	300,000,000.00	2016-6-23	2018-6-21	Yes
China Chemical Rubber Corporation / China National Chemical Group Co.	83,000,000.00	2009-4-22	2019-4-21	No
China National Chemical Corporation	40,000,000.00	2011-3-4	2019-4-19	No
China National Chemical Corporation	20,000,000.00	2011-3-4	2019-10-18	No
China National Chemical Corporation	100,000,000.00	2017-8-15	2019-8-14	No
China National Chemical Corporation	200,000,000.00	2017-9-21	2019-8-14	No
China National Chemical Corporation	100,000,000.00	2017-11-20	2019-8-14	No
China National Chemical Corporation	171,580,000.00	2017-8-15	2019-8-14	No
China National Chemical Corporation	137,264,000.00	2017-9-25	2019-8-14	No
China National Chemical Corporation	144,127,200.00	2017-10-27	2019-8-14	No
China National Chemical Corporation	100,000,000.00	2018-06-21	2020-06-20	No
China National Chemical Corporation	200,000,000.00	2018-06-21	2020-06-20	No

Description of related guarantees

√Applicable □ Not applicable

As shown in the table above, China National Chemical Corporation has three guarantees in US dollars, as follows: \$25 million, starting and ending from dated August 15, 2017 to August 14, 2019, equivalent to RMB171,580,000.00 at the end of the period; US\$20 million. The starting date of the guarantee is from September 25, 2017 to August 14, 2019, equivalent to RMB137,264,000.00 at the end of the period; 2100 US\$ million, with guarantee starting date from October 27, 2017 to August 14, 2019, equivalent to RMB 144,127,200.00 at the end of the period Yuan.

(5). Related party funds borrowing and lending

□Applicable √Not applicable

(6). Transfer of assets and debt restructuring by related parties

□Applicable √Not applicable

(7). Key Management Compensation

☐ Applicable

√Not applicable

(8). Other

connected

transactions

√Applicable ☐Not applicable

① As of December 31, 2018, the Company had a deposit balance of 411,195,512.43 in an account opened with a related party, China National Chemical Corporation Finance Co.

Ltd. and the interest income of \$1,684,913.08 from the deposits of money funds obtained from China National Chemical Corporation.

② As of December 31, 2018, the principal balance of the Company's loan with a related party, China National Chemical Finance Co.

The interest on the loan paid to China National Chemical Corporation was \$5,921,437.50; the related party, China National Auto Repair (Group) Co.

The head office provided operating working capital to its subsidiaries and accrued interest of \$46,907.13.

Ltd. provided guarantee for the Company's loan, and the guarantee fee of

\$4,036,931.96 was accrued during the period; China National Chemical

Rubber Corporation provided guarantee for the Company, and the guarantee

fee of \$214,386.79 was accrued during the period.

④ Henan Tire Group Co., Ltd. provides baths, single dormitories, staff canteens, and

The Company paid \$2,666,400.00 for comprehensive management services such as health care in the production area, which was charged to employee welfare expenses.

Support.

6. Receivables and payables from related parties (1).

Receivable items

Unit: Yuan Currency: RMB

√Applicable Project Name	□Not Related Parties	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts Receivable					
	Jiaozuo City Jurong Rubber & Plastic Co.	501,736.47	150,520.94	501,736.47	50,173.65
	China Blue International Chemical Co.	73,080.00	2,192.40		
	Prometeon Tyre Group S.r.l.	6,453,183.37	193,595.50		
	Pirelli Tyre Co.	303.00	9.09		
	Tuopu Trading (Beijing) Co.	10,828,405.22	324,852.16		
	Nanjing Lide Oriental Rubber & Plastic Co.			94,231.14	2,826.93
Notes receivable					
	Qingdao Rubber Six Conveyor Belt Co.	2,456,261.61		2,244,360.00	
	Pirelli Tyre Co.	2,297,855.00			
	Beijing Rubber Industry Research and Design Institute Co.			160,000.00	
	Qingdao Huanghai Rubber Co.	6,917,063.00			
	Tuopu Trading (Beijing) Co.	9,667,633.52			
	Nanjing Lide Oriental Rubber & Plastic Co.			461,121.00	
Prepayments					
	Pirelli International plc			3,336,629.88	
	Yiyang Rubber & Plastic Machinery Group Co.			141,220.00	
	China Chemical Rubber Co.	2,094,455.75			
	Beijing Rubber Industry Research and Design Institute Co.	578,019.80			
	Qingdao Yellow Sea Rubber Group Co.	50,000.00			
Other receivables	Qingdao Rubber Six Conveyor Belt Co.			155,246.58	4,657.40

(2). Payable items

Unit: Yuan Currency: RMB

√Applicable Project Name	Related Parties	Closing book balance	Opening book balance
Accounts Payable			
	China Blue International Chemical	7,866,507.16	4,491,241.22

	Beijing Blue Star Cleaning Co.	147,150.16	133,234.40
	Pirelli Tyre (Jiaozuo) Co.		19,052,137.81
	Guilin Rubber Machinery Co.		662,529.60
	Zhonghao Heiyuan Chemical Research and Design Institute Co.		458,218.52
	Blue Star Silicon Material Co.	109,239.36	109,239.36
	Fujian Huarong Automatic Control Technology Co.	2,221,743.64	9,321,430.91
	Huaxia Hanhua Chemical Equipment Co.	430,000.00	430,000.00
	Beijing Blue Star Energy Saving Investment Management Co.	92,568.21	92,568.21
	Double Happiness Tire Industry Co.	46,145,468.45	56,399,386.63
	China Chemical Information Center Co.	12,800.00	
	Pirelli International plc	1,785,973.08	
	Blue Star Engineering Co.	1,819,054.00	
	Yiyang Rubber & Plastic Machinery Group Co.	106,280.00	
Other payables			
	Pirelli Tyre S.p.A.	117,709,500.00	54,616,100.00
	Beijing Blue Star Energy Saving Investment Management Co.	10,949.22	10,949.22
	Beijing Rubber Industry Research and Design Institute Co.	880,744.98	3,289,872.75
	Fujian Huarong Automatic Control Technology Co.	4,316,675.86	2,844,949.99
	Guilin Rubber Machinery Co.		2,168,283.16
	Blue Star Engineering Co.	1,649,572.81	2,171,879.00
	Shenyang Radial Tire Mold Co.	412.55	412.55
	Beijing Xiangyun Engineering Management Co.	7,193.00	175,300.00
	Double Happiness Tire Industry Co.		55,449.90
	Yiyang Rubber & Plastic Machinery Group Co.	6,843,178.47	3,308,178.47
	China Auto Repair (Group) Corporation		1,750,000.00
	China National Chemical Corporation	4,243,160.36	1,250,000.00
	Qingdao Yellow Sea Rubber Group Co.		4,695,719.07
	China National Chemical Rubber Guilin Tire Co.		90,150.00
	China Chemical Information Center Co.	15,000.00	170,000.00
	Guilin Beili Tire Co.		33,000.00
Prepayments			
	China Chemical Rubber Co.		13,753.00
	Blue Star Engineering Co.		26,949.24

	WAS Anti-Corrosion Engineering Co.		900.00
	China Blue International Chemical Co.		1,106,800.00
	Qingdao Rubber Six Conveyor Belt Co.	2,640,311.96	
	Beijing Rubber Industry Research and Design Institute Co.	16,500.30	
	China National Chemical Rubber Guilin Tire Co.	90,150.00	
	Guilin Beili Tire Co.	33,000.00	

7. Commitment of related parties

☐Applicable ☒Not applicable

8、 Others

☐Applicable ☒Not applicable

XIII. Share-based payment**1. General information on share-based payment**

☐Applicable ☒Not applicable

2. Equity-settled share-based payments

☐Applicable ☒Not applicable

3. Cash-settled share-based payments

☐Applicable ☒Not applicable

4. Modification and termination of share-based payment

☐Applicable ☒Not applicable

5. Others

☐Applicable ☒Not applicable

XIV,**Commitments and****Contingencies 1.****Material****Commitments**

Applicable ☒Not

applicable 2.

Contingencie

s

(1). Significant contingencies existing at the balance sheet date

☒Applicable ☐

Not applicable

Pending

litigation or

arbitration

Fengshen Co:

1) Ltd. and Jining PetroChina Petrochemical Company Limited (the subject of litigation)

(RMB 2 million), filed an application for retrial with the Shandong High

People's Court, and the case is being heard.

2) Ltd. filed a lawsuit with Dongsheng City Keng for RMB 3.82 million in connection with a contract dispute with
Fengshen Co.

A lawsuit was filed in the People's Court of Li District and was opened on

December 18, 2018, and the case is being heard. Fengshen Taiyuan:

1) Ltd. (the subject matter of the lawsuit is RMB 2,790,900,000), filed a lawsuit with Taiyuan

Yingze District People's Court, which has been accepted by the court and the case is being heard.

(2). There are no material contingencies that the company is required to disclose, which should also be stated:

☐Applicable ☒Not applicable

3、 Others

☐Applicable ☒Not applicable

XV. Events after the balance sheet date**1. Significant non-adjusting events**

√Applicable □ Not applicable

Unit: Yuan Currency: Euro

Proj ects	Cont ent	Financial position and operating results The number of effects of the results	Unable to estimate the impact number of Reason
Technology royalty contract amendment	Based on the actual operating results for 2018, it was calculated that the 2018 technology	9,000,000	

On January 17, 2019, the Company held the fourteenth meeting of the seventh session of the Board of Directors and considered and approved the "Agreement on the Signing of <Patents and Patents Proposal for the First Amendment to the Technology License and Technical Assistance Agreement and the Technical Assistance Agreement and Related Transactions. The proposal was approved in 2019 Approved by the Company's First Extraordinary General Meeting of 2019 on January 29, 2019. The Company has duly signed with Pirelli Tyre S.p.A First Amendment to the Patent and Know-How License and Technical

Assistance Agreement, which became effective. The original rates

Ann ual	Charges of the Company's technology royalties are listed below:	Upper limit
2018	the higher of 2% of annual net sales or EUR 15 million;	20 million euros
2019-2020	A. If Fengshen shares already own more than 50% of PTG, the higher of 2% of annual net sales or €38 million, less PTG License fee paid	49 million euros
	B. the higher of 2% of annual net sales or EUR 17 million, if Fengshen shares are not owned by more than 50% of PTG;	22 million euros
	A. If Fengshen shares are already owned by more than 50% of PTG the higher of 2% of annual net	54 million

The company's technology usage fee rates are adjusted as follows:

Annual	Charges 186 / 326	Upper limit
2018	The higher of 1% of annual net sales or €6 million	14 million euros
2019-2023	A. The higher of 1% of annual net sales or €7 million	22 million euros

Annual	Charges	Upper limit
	The higher of 1% of sales or €17 million, less PTG License fee paid	
2024 and beyond	A. the higher of 2% of annual net sales or Euro 17 million;	22 million euros
	B. If Fengshen shares already own more than 50% of PTG, the higher of 2% of annual net sales or €38 million, less PTG License fee paid	54 million euros

2、Profit distribution

☒Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Profit or dividends to be distributed	11,109,497.92
Profit or dividends declared after	11,109,497.92

According to the resolution of the seventeenth meeting of the seventh board of directors of Fengshen on April 12, 2019, the profit distribution plan for 2018 is as follows

The total share capital at the end of 2018 is 562,413,222 shares less 6,938,326 repurchased shares not participating in profit distribution, i.e. 555,474,896 shares.

A cash dividend of NT\$0.2 (including tax) per 10 shares was paid, totaling NT\$11,109,497.92. No bonus shares were issued and no capital reserve was transferred to capital for the year.

3、Sales return

☐Applicable ☒Not applicable

4. Description of other post-balance sheet events

☒Applicable ☐Not applicable

As considered and approved at the 15th meeting of the 7th Board of Directors, the Company intends to repurchase shares through centralized bidding transactions. This repurchase

The shares will all be used for the Company's employee stock ownership plan or equity incentive. For details, please refer to the Company's

announcement. **XVI, Other Important Matters**

1. Correction of prior-period accounting errors

(1). Retrospective Restatement Method

☐Applicable

☒Not

applicable (2).

Future

**application
method**

Applicable ☒ Not
applicable ☐ 2.

**Debt
restructuring**

☒ Applicable ☐ Not applicable

The company reached an agreement with the non-cooperative supplier after friendly negotiation during the period, and the difference between the book value of the restructured debt and the actual cash payment was recorded as non-operating income.

3、 Asset swap**(1). Non-monetary asset exchange**

☐ Applicable ☒ Not applicable

(2). Other asset swaps

□ Applicable

√ Not applicable 4.

Annuity Plan

√ Applicable □ Not applicable

In order to establish a sound multi-level pension insurance system and further improve the welfare structure of employees, the company has set up a

The company has a corporate annuity plan, which is part of the corporate employee benefit system.

5、Termination of business

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Projec ts	Rev enue	Fees	Total profit	Inco me tax exp ens e Use	Net Profit	Discontinued operations attributable to owners of the parent company Profits

Other notes:

Net income from continuing operations and net income from

Projects	discontinued operations attributable to owners of the parent company Incurred	Net income from continuing operations attributable to owners of the parent company Incurrence
Net income from continuing operations attributable to owners of the parent company	98,780,745.41	-303,921,984.61

Net profit from discontinued operations

Projects	Current Period Incurred	Prior Period Incurrence
Gain or loss from discontinued operations:		
Revenue	206,760,262.96	376,486,132.22
Costs	304,625,613.49	544,888,178.40
Total profit	-80,509,866.67	-171,071,191.22
Income tax expense (benefit)		
Net Profit	-80,509,866.67	-171,071,191.22
Gain or loss on disposal of discontinued operations:		
Total gains and losses on disposals		
Income tax expense (benefit)		

Impairment loss of \$12,067,523.36 was recognized for assets or disposal groups discontinued from operations in the current period (impairment loss recognized in the previous period) (\$29,049,986.41) and no impairment loss was reversed in the current period (no impairment loss was reversed in the previous period)

Cash flows from discontinued operations

Projects	Current Period Incurred	Prior Period Incurrence
Net cash flow from operating activities	-67,530,969.28	-143,478,180.86
Net cash flows from investing activities	-1,297,450.00	-10,464,835.91

6. Segment information**(1). Basis of determination of reportable segments and accounting policies**

☐Applicable ☒Not applicable

(2). Financial information for reportable segments

☐Applicable ☒Not applicable

(3). If the company has no reportable segments or cannot disclose the total assets and total liabilities of each reportable segment, it should state the reasons

☐Applicable ☒Not applicable

(4). Other notes

☐Applicable ☒Not applicable

7. Other important transactions and events that have an impact on investors' decisions

☐Applicable ☒Not applicable

8、Others

□Applicable √Not applicable

**XVII, NOTES TO MAJOR ITEMS
IN THE FINANCIAL STATEMENTS
OF THE PARENT 1. Notes and
accounts receivable**
Summary table situation**(1). Category Listing**

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Projects	Closing balance	Opening balance
Notes receivable	412,966,050.12	576,104,374.71
Accounts Receivable	710,234,659.20	523,885,408.27

Other notes:

□Applicable √Not applicable

Notes receivable
**(2). Presentation of
notes receivable**

by category

Unit: Yuan Currency: RMB

Projects √Applicable □ Not	Closing balance	Opening balance
Bankers' Acceptances	408,306,050.12	576,104,374.71
Commercial Acceptances	4,660,000.00	

Decrease in sales for the period

**(3). Notes receivable pledged by the Company at the end of
the period**

□Applicable √Not applicable

(4). Notes receivable that have been endorsed or discounted
 by the Company and are outstanding at the balance
sheet date at the end of the period

Unit: Yuan Currency: RMB

Projects √Applicable □ Not applicable	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bankers' Acceptances	1,135,197,702.30	
Commercial Acceptances		

(5). Notes that the Company transferred to**accounts receivable at the**

**end of the period due to the non-performance
of the drawer**

Unit: Yuan Currency: RMB

<input checked="" type="checkbox"/> Applicable <input type="checkbox"/> Not applicable Projects	Amount of accounts receivable transferred at the end of the period
Commercial Acceptances	
Bankers' Acceptances	5,766,931.05

Other notes:

☐Applicable ☒Not applicable

Accounts Receivable

(1). Accounts

receivable

classification

disclosure

Unit: Yuan Currency: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Carrying value	Book balance		Provision for bad debts		Carrying value
	<input checked="" type="checkbox"/> Applicable applicable Amount	<input type="checkbox"/> Not applicable Proportion (%)	Amount	Accrual rate (%)		Amount	Proportion (%)	Amount	Accrual rate (%)	
Receivables that are individually significant and for which a separate provision for bad debts has been made										

Accounts receivable with significant individual amounts and a separate provision for bad debts at the end of the period:

☐Applicable ☒Not applicable

Accounts receivable in the portfolio for which

Unit: Yuan Currency: RMB

Age analysis method: <input checked="" type="checkbox"/> Applicable <input type="checkbox"/> Not applicable units	Closing balance		
	Accounts Receivable	Provision for bad debts	Accrual ratio (%)
Within 1 year			
Of which: within 1 year subdivision	701,364,925.96	21,040,947.78	3.00
Subtotal within 1 year	701,364,925.96	21,040,947.78	3.00
1 to 2 years	13,726,644.85	686,332.24	5.00
2 to 3 years	5,068,120.69	506,812.07	10.00

Description of the basis
for determining the
portfolio: None

In the portfolio, accounts receivable for which bad debt provision is made using the percentage balance method:

☐Applicable ☒Not applicable

In the portfolio, accounts receivable for which provision for bad debts is made using other methods:

☐Applicable ☒Not applicable

(2). Provision for bad debts charged, recovered or reversed during the period

Provision for bad debts amounted to \$8,759,503.51; provision for bad debts recovered or reversed amounted to \$0 during the period.

Of which the amount of provision for bad debts recovered or reversed during the period is significant:

☐Applicable ☒Not applicable

(3). Actual write-off of accounts receivable during the period

☐Applicable ☒Not applicable

Of which significant write-offs of accounts receivable

☐Applicable ☒Not applicable

(4). Top five accounts receivable with closing balances grouped by party in arrears

☒Applicable ☐Not applicable

Unit Name	Closing balance		
	Accounts Receivable	Percentage of total accounts receivable (%)	Provision for bad debts
First Place	66,411,711.64	8.87	1,992,351.35
Second Place	51,446,733.42	6.87	1,543,402.00
Third Place	49,644,581.29	6.63	1,489,337.44
Fourth Place	41,747,922.08	5.57	1,252,437.66
Fifth Place	33,270,404.08	4.44	998,112.12
Total	242,521,352.51	32.38	7,275,640.57

(5). Derecognition of receivables due to transfer of financial assets

☐Applicable ☒Not applicable

(6). Transfer of accounts receivable and continued involvement in the amount of assets and

liabilities formed

☐Applicable ☒Not applicable

Other notes:

☐Applicable ☒Not applicable

2. Summary information of other receivables

(1). Category Listing

☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Projects	Closing balance	Opening balance
Other receivables	1,153,883,153.40	944,525,769.55

Other notes:

☐ Applicable ☒ Not applicable

Interest receivable

(2). Classification of interest receivable

☐ Applicable

☒ Not applicable

(3). Significant overdue interest

☐ Applicable ☒ Not applicable

Other

Description:

☐ Applicable ☒ Not applicable

Dividend receivable

(4).

Dividends receivable

☐ Applicable ☒ Not applicable

(5). Significant dividends receivable aged over 1 year

☐ Applicable ☒ Not applicable

Other

Description:

☐ Applicable ☒ Not applicable

Other receivables

(1). Other receivables classification disclosure

☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Car- rying valu e	Book balance		Provision for bad debts		Car- rying valu e
	Amo unt	Prop ortion (%)	Amo unt	Accr ual rate (%)		Amo unt	Proportio n (%)	Amount	Accr ual rate (%)	
Other with significant individual					198 / 326					

Other receivables that are not individually significant but for which a separate provision for bad debts is made										
Total	1,161,784,044.22	100	7,900,890.82	0.68	1,153,883,153.40	951,190,252.33	100	6,664,482.78	0.70	944,525,769.55

Other receivables with significant individual amounts and a separate provision for bad debts at the end of the period:

☐Applicable ☒Not applicable

Other receivables in the portfolio for which provision for bad debts is made on the basis of the ageing analysis:

☒Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Age of accounts	Closing balance		
	Other receivables	Provision for bad debts	Accrual ratio (%)
Within 1 year			
Of which: within 1 year subdivision	68,075,352.47	2,042,260.58	3
Subtotal within 1 year	68,075,352.47	2,042,260.58	3
1 to 2 years	956,228.41	47,811.42	5
2 to 3 years	297,288.35	29,728.84	10
3 to 4 years	100,000.00	30,000.00	30

Description of the basis for determining the portfolio: None

In the portfolio, other receivables for which bad debt provision is made using the percentage balance method:

☐Applicable ☒Not applicable

Other receivables in the portfolio for which provision for bad debts is made using other methods:

☒Applicable ☐Not applicable

Combination name	Closing balance		
	Book balance	Provision for bad debts	Accrual ratio (%)

Fengshen Tire (Taiyuan) Co.	1,086,448,291.11		
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(2). Breakdown by nature of payments√Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Nature of payment	Closing book balance	Opening book balance
Security Deposit and Deposit	2,324,164.47	902,691.57
Current payments	1,155,843,290.12	913,387,351.95
Employee reserve fund	1,377,544.97	1,015,606.13
Other	2,239,044.66	35,884,602.68
Total	1,161,784,044.22	951,190,252.33

(3). Provision for bad debts charged, recovered or reversed during the period

The provision for bad debts for the period was \$1,236,408.04; the amount of provision for bad debts recovered or reversed for the period was \$0. Of which, the amount of provision for bad debts reversed or recovered during the period was significant:

☐Applicable ☒Not applicable

(4). Actual write-off of other receivables during the period

☐Applicable ☒Not applicable

(5). Top five other receivables with closing balances, grouped by party in arrears

☒Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Unit Name	Nature of the payment	Closing balance	Age of accounts	of the total ending balance of other receivables Proportion (%)	Closing balance of provision for bad debts
First Place	Current payments	1,086,448,291.11	Within 1 year	93.52	
Second	Current	46,429,313.97	Within 1	4.00	1,392,879.42

(6). Receivables involving government grants

☐Applicable ☒Not applicable

(7). Other receivables derecognized due to transfer of financial assets

☐Applicable ☒Not applicable

(8). Transfer of other receivables and continued involvement in the amount of assets and liabilities formed

☐Applicable ☒Not applicable

Other notes:

☐Applicable ☒Not applicable

3. Long-term equity

Unit: Yuan Currency: RMB

investments √Applicable □ Not applicable	Closing balance			Opening balance		
	Book balance	Impairment Allowance Preparation	Carrying value	Book balance	Impairment Allowance Preparation	Carrying value

(1). Investment in subsidiaries

Unit: Yuan Currency: RMB

investments √Applicable □ Not applicable	Opening balance	Increase in the current period	Decrease for the period	Closing balance	Impairment charged during the period Preparation	Provision for impairment at end of period Balance
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(2). Investment in associates and joint ventures

Unit: Yuan Currency: RMB

Investment unit	Opening balance	Change in the period							Closing balance	Closing balance of provision for impairment
		Addition in investment	Reduction in investment	Gains or losses recognized on investments under the equity method	Adjustments to other equity	Other changes in equity	Declaration of cash dividends or profits to investors	Provision for impairment		

(work) limited Company											
Subtotal	85,320,318.34			-15,301,769.57						70,018,548.77	
Total	85,320,318.34			-15,301,769.57						70,018,548.77	

Other
Description:
None

4. Operating income and operating costs

(1). Operating income and operating costs

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Projects	Current Period Incurred		Prior Period Incurrence	
	Revenue	Cost	Revenue	Cost
Main Business	5,535,915,747.08	4,454,191,332.02	6,148,336,044.55	5,443,605,379.06
Other Business	550,543,000.00	404,054,000.50	600,040,000.00	477,400,440.70

Other
Description:
None

5. Investment income

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Projects	Current Period Incurred	Prior Period Incurrence
Gain on long-term equity investments accounted for under the cost method		
Income from long-term equity investments accounted for by the equity method	-15,301,769.57	-25,682,969.66
Investment income from disposal of long-term equity investments	-258,472,221.18	
at fair value through profit or loss		
Investment income on financial assets during the holding period		
Disposals at fair value through profit or loss		
Investment income from financial assets acquired in equity		
Investment income from held-to-maturity investments during the holding period		

Mainly attributable to the loss on disposal of subsidiary Qingdao Yellow Sea Rubber Co.

☐Applicable ☒Not applicable

XVIII. Additional information**1. Breakdown of non-recurring gains and losses for the current period**

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Proj ects	Amo unt	Des cripti on
Gain or loss on disposal of non-current assets	85,448.90	
Tax rebates that are approved beyond authority or without official approval documents, the Reduction		
Government subsidies recognized in profit or loss (closely related to the business of the enterprise, in accordance with the national uniform standard fixed or quantitative enjoyment) (except for government grants received)	10,488,662.87	
Funds received from non-financial enterprises included in current profit or loss Occupancy Fee		
The cost of investment in subsidiaries, associates and joint ventures is less than the cost of investment in the investee at the time of acquisition. Gain arising from fair value of identifiable net assets		
Gain or loss on exchange of non-monetary assets		
Gains or losses from entrusting others to invest or manage assets		
Accrual due to force majeure factors, such as natural disasters Provision for impairment of various assets		
Gain or loss on debt restructuring	23,354,138.88	
Business restructuring costs, such as expenses to relocate employees, integration Fees, etc.		
Transactions where the transaction price is not clearly fair generate more than fair Gains or losses on value components		
Subsidiaries arising from business combinations under common control Opening to Net profit or loss for the period at the date of consolidation		
Contingencies unrelated to the Company's normal business operations gain or loss of		

For non-recurring gains and losses defined by the Company in accordance with the definition of "Interpretive Bulletin No. 1 on Disclosure of Information by Companies Issuing Public Securities - Non-recurring Gains and Losses

Recurring items of profit or loss, and items that define non-recurring items of profit or loss listed in "Explanatory Bulletin No. 1 on Disclosure of Information by Companies Issuing Public Securities - Non-recurring Profit or Loss" as recurring items of profit or loss, should explain the reasons.

☐Applicable ☒Not applicable

2. Return on net assets and earnings per share

☒Applicable ☐Not applicable

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net attributable to common shareholders of the Company	0.95	0.03	0.03

3. Differences in accounting data under domestic and foreign accounting standards

☐Applicable ☒Not applicable

4. Others

☐Applicable ☒Not applicable

Section XI Corporate bonds related information

☐Applicable ☒Not applicable

Section XII of the catalog of documents available for inspection

Catalog of available documents	Contains the signature and seal of the person in charge of the company, the person in charge of accounting work, and the person in charge of the accounting institution The financial statements.
Catalog of available documents	The original audit report containing the seal of the accounting firm and the signature and seal of the certified public accountant.
Catalog of available documents	The original and all company documents that have been publicly disclosed on the website designated by the CSRC during the reporting period The original draft of the announcement.

Chairman:

Wang Feng Board of Directors Approval

Date of Filing: April 12, 2019

Revision Information

☐Applicable ☒Not applicable