

Ticker: 002085

Stock Abbr.: Wanfeng Auto Wheel

Announcement Code: 2021-020

Zhejiang Wanfeng Auto Wheel Co., Ltd. Annual Report 2020 (Abstract)

I. Important Notes

This Abstract is based on the full text of the 2020 Annual Report of Zhejiang Wanfeng Auto Wheel Co., Ltd. (together with its consolidated subsidiaries, the “Group” or “Company”, except the context otherwise requires). In order to have a full understanding of the Company’s operating results, financial positions and future planning of the Company, investors are suggested to read the aforesaid full report carefully on the media designated by the China Securities Regulatory Commission (the “CSRC”).

All the directors of the Company attended in person the board meeting for reviewing and approval of 2020 annual report.

Name of director not present in person	Title of director not present in person	Reason for not attending the meeting in person	Proxy Name
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Indicate by check mark if independent auditor issues non-standard unqualified opinion

☐Applicable ☒ Not applicable

Indicate by check mark if there is a pre-arranged plan of profit distribution to common stockholders or converting capital reserve into common stock for the report period which has been reviewed and approved by the Board of Directors

☒ Applicable ☐ Not applicable

Indicate by check mark if transferring capital reserve into common stock

☐Applicable ☒ Not applicable

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

Indicate by check mark if there is pre-arranged plan for profit distribution to preferred stockholders for the report period which has been reviewed and approved by the Board of Directors

☐Applicable ☒ Not applicable

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

II. Company Introduction

1. Company Profile

Stock Abbr.	Wanfeng Auto Wheel	Ticker	002085
Listed Security Exchange		Shenzhen Stock Exchange	
Contact Information		Board Secretary	Securities Representative
Name	Zhang Yinfeng	Li Ya	
Office Address	Industrial Zone, Xinchang County, Zhejiang, China.	Industrial Zone, Xinchang County, Zhejiang, China.	
Telephone	0575-86298339	0575-86298339	
Email	yinfeng.zhang@wfjt.com	ya.li@wfjt.com	

2. Principal activities or products for the reporting period

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

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

(1) Lightweight metal auto parts business

The Company's lightweight metal parts business mainly serves the automobile market. Lightweight has become an inevitable trend during the advancement of the automobile industry and an important means of automobile energy saving and emission reduction. In October 2020, the Ministry of Industry and Information Technology released the *Energy-saving and New Energy Vehicle Technology Roadmap 2.0*, further confirming the "low-carbon, informatization, and intelligent" direction of global automotive technology. It also proposed the development goal for China's automotive industry to reduce total carbon emissions by more than 20% from the peak by 2035, with new energy vehicles gradually becoming mainstream products. Automotive lightweighting is the primary vehicle to meet national emission standards and reduce energy consumption and pollutant emissions. Aluminum and magnesium alloys are currently the most ideal materials for automotive lightweighting. The Company has fully entered the supply chain of core customers and established an addressable market that is based on traditional ICE automobiles, with new energy automobiles as a fulcrum, focusing on both foreign and domestic and coordinating OEMs and aftermarket. The Company gives full play to the advantages of lightweight applications of metal materials "magnesium alloy-aluminum alloy-high-strength steel" and is committed to becoming a global promoter and leader of lightweight automotive metal parts.

- **Magnesium Alloy**

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

- **Aluminum Alloy Wheels**

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

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

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

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

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

- **Environmentally Friendly Dacromet Coating**

The Company's environmentally friendly Dacromet coating business includes metal bolt manufacturing and processing, mechanical parts coating treatment, coating equipment manufacturing, etc. With production and technical application capabilities of Chromium-free Dacromet coating processing, solution manufacturing and coating equipment production throughout the industrial chain, the Company has 3 production bases in Shanghai, Ningbo and Jiaxing of Zhejiang Province and an annual capacity over 70,000 tons, taking a leading position in China and synergizing well with other business segments. The Company has taken the lead in the application of digitalization and Chromium-free coating technology and has the world's advanced chromium-free coating production line to ensure that the product quality meets the "EU ROHS Directive" standards. The multifunctional composite coating developed by the Company has been awarded the honor of "National Key New Product", "Shanghai Key New Product" and "Quality Trusted Key Brand of China's Environmentally Friendly Product" several times. The Company has established strategic partnerships with globally recognized brands such as Delta, Geomet, and Zintech. Customers widely spread in industries such as automobile, rail transit, wind power, mechanical engineering, and construction. The Company has completed the order delivery of the core components of the Shenzhou spacecraft for many times.

(2) General aviation aircraft manufacturing business

In April 2020, the Company acquired 55% equity of Wanfeng Aircraft Industry which thereby became a Company's controlling subsidiary. Wanfeng Aircraft Industry is a specialized general aviation aircraft manufacturer integrating independent R&D, top-level design, advanced

manufacturing, and sales services. Its main revenue sources from aircraft sales, after-sales services, aircraft licensing and other revenues. Its subsidiary Diamond Aircraft has the leading-edge R&D, new material technology and advanced manufacturing, with three design and R&D centers (Austria, Canada, Czech Republic), one provincial engineering center (China) and three manufacturing bases (China, Austria, Canada). Customers include flight academies, airlines, aviation clubs and private pilots, and they are supported by 192 service centers in 90+ countries.

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

3. Selected Financial Data

(1) Key accounting data and financial ratios for the past three years

Indicate by check mark if there is any retrospectively restated accounting data of previous years.

√ Yes ☐ No

Retrospective adjustment or restatement reason:

Business combination under the same control

Unit: Million Yuan unless otherwise stated

	2020	2019		Yoy change %	2018	
		Before retrospective adjustment	After retrospective adjustment	After retrospective adjustment	Before retrospective adjustment	After retrospective adjustment
Operating Revenue	10,699	10,788	12,635	-15.32%	11,005	12,558
Net Income Attributable to Shareholders of the Listed Company	566	769	896	-36.83%	959	1,086
Net Income Attributable to Shareholders of the Listed Company after Deducting Non-recurring Gains and Losses	416	578	578	-28.08%	734	734
Net Cash Flow Generated by Operating Activities	1,736	1,362	1,420	22.21%	1,316	1,549
Basic EPS (Yuan/ share)	0.27	0.36	0.41	-34.15%	0.44	0.5
Diluted EPS (Yuan/ share)	0.27	0.36	0.41	-34.15%	0.44	0.5
Weighted Average ROE	10.27%	12.58%	9.19%	1.08%	13.93%	14.11%
	2020 Year End	2019 Year End		Yoy change %	2018 Year End	
		Before retrospective adjustment	After retrospective adjustment	After retrospective adjustment	Before retrospective adjustment	Before retrospective adjustment
Total Assets	15,973	13,989	18,487	-13.60%	13,393	17,560
Net assets attributable to shareholders of the Listed Company	5,354	6,151	7,992	-33.02%	6,331	7,964

(2) Key accounting data by quarter

Unit: Million Yuan

	Q1	Q2	Q3	Q4
Operating Revenue	2,384	2,039	2,935	3,341
Net Income Attributable to Shareholders of the Listed Company	123	130	158	155
Net Income Attributable to Shareholders of the Listed Company after Deducting Non-recurring Gains and Losses	78	58	137	143
Net Cash Flow Generated by Operating Activities	346	243	208	938

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

√ Yes ☐ No

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

4. Equity Capital and Shareholders**(1) Top 10 shareholders of common stock and preferred stock with resumed voting rights**

Unit: Share

Total number of shareholders of common stocks at the end of the reporting period	53,208	Total number of shareholders of common stocks at previous month-end of this report's disclosure	48,790	Total number of shareholders of preferred stock with resumed voting right at the end of the reporting period	0	Total number of shareholders of preferred stock with resumed voting rights at previous month-end of this report's disclosure	0
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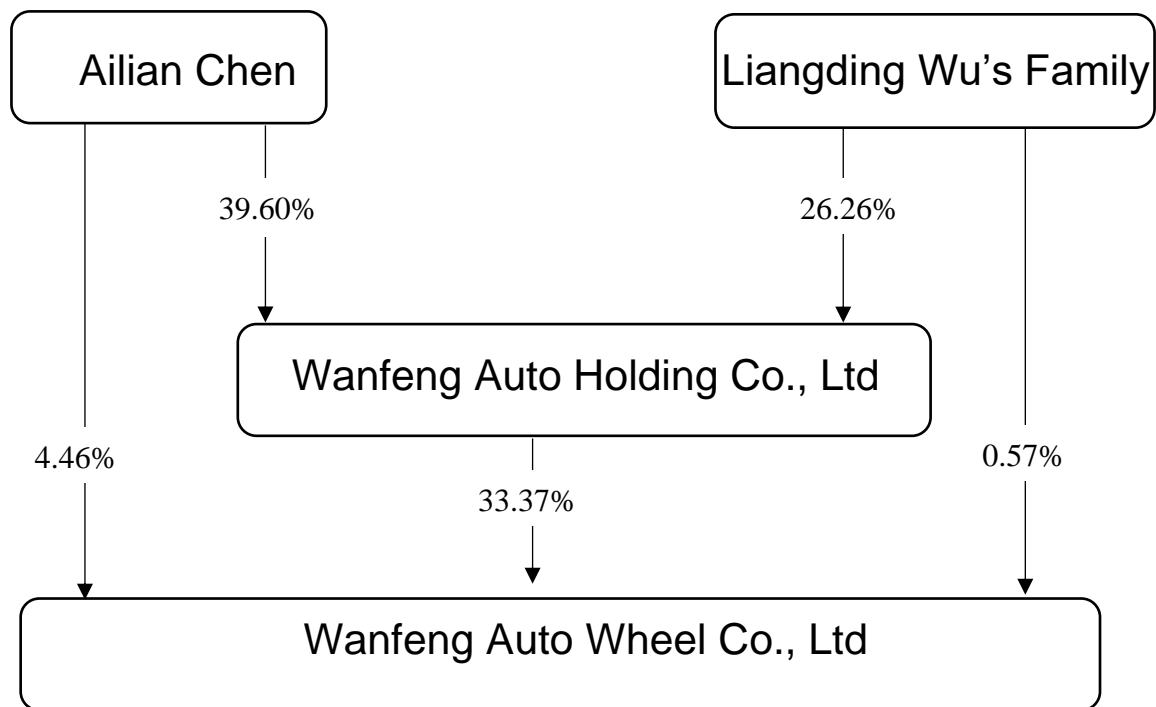
Name	Nature	Ownership	Quantity of stocks at the reporting period end	Quantity of restricted stocks held	Pledged or frozen stocks	
					Status	Quantity
Wanfeng Auto Holding Group	Domestic non-state-owned corporate	33.37%	729,697,747		pledged	575,419,088
Aeon Life Insurance Company Limited – traditional insurance products	Other	6.28%	137,414,138			
Chen Ailian	Domestic natural person	4.46%	97,525,560	97,525,560	pledged	79,380,000
Zhejiang Wanfeng Auto Wheel Co., Ltd - Dedicated Securities Account for Repurchase	Other	3.70%	80,814,058			
Shanghai Perseverance Asset Management L.L.P - Gaoyi Linshan No. 1 Yuanwang Fund	Other	2.03%	44,500,000			
Aeon Life Insurance Company Limited – participating insurance products		1.94%	42,329,493			
Shanghai Raas Blood Products Co. Ltd	Domestic non-state-owned corporate	1.83%	39,960,800			
Shaanxi Intl Trust-Shan Guo Tou- Jixiang Ruyi No.2 Targeted trust plan of assembled funds	Other	1.68%	36,700,000			
CCB Principal Asset Management- Industrial Bank- China Fortune Trust- China Fortune Trust-Huizhi Investments No.54 Structural trust plan of assembled funds	Other	1.67%	36,523,687			
Chang'An International Trust Co., Ltd. – Chang'An Trust-Chang'An Investment No.633 Securities Investments trust plan of assembled funds	Other	1.67%	36,420,000			
Explanation on the above-mentioned shareholders' affiliated relationship or concerted action	Among the above-mentioned top ten shareholders, Wanfeng Auto Holding Group holds 33.37% of the Company's shares and is the controlling shareholder. Ms. Ailian Chen holds 4.46% of the Company's shares and owns 39.6% of Wanfeng Auto Holding Group, therefore the actual controller of the Company. Among other shareholders, CCB Principal Asset Management- Industrial Bank- China Fortune Trust- China Fortune Trust · Huizhi Investments No.54 Structural Pooled Funds Trust Plan became a shareholder through private placement in 2015. Aeon Life Insurance Company Limited – traditional insurance products and Aeon Life Insurance Company Limited – participating insurance products are persons acting in concert. The Company is not made aware whether there is any affiliated relationship between the other shareholders or whether they are persons acting in concert.					
Explanation on the above-mentioned top ten shareholders that are engaged in margin trading business (if any)	Not applicable					

(2) Total number of and top 10 shareholders of preferred stocks

☐Applicable ☒Not applicable

No shareholders holding preferred stocks noted in the reporting period

(3) The ownership and controlling relationship between the Company and its actual controller in form of diagram



5. Bonds

Does the Company have any corporate bonds that are publicly issued and listed on the securities exchange and that are not due or not fully redeemed when due as of the approved issuance date of the Annual Report?

None

III. Management Discussion and Analysis

1. Business review for the reporting period

In 2020, the Company booked total revenue of 10.699 billion yuan, a decrease of 0.82% and 15.32% from before and after retrospective adjustment, respectively. The Company realized total

net profit of 566 million yuan attributable to shareholders of listed company, a decrease of 26.45% and 36.83% from before and after retrospective adjustment, respectively.

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

(1) Enhance internal control system

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

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

From January 2020, the Covid-19 started to spread in China and other countries. Governments across the globe have introduced a series of restrictive quarantine measures to prevent the spread of COVID 19 pandemic. The Company took swift action in response to these restrictions by ensuring the healthy and safety of our employees and our domestic factories resumed production in mid-February 2020. Due to the evolving pandemic and government policies, the resumption of overseas factories was delayed to May 2020. Based on the current global economic and industry situation, the Company actively made efforts to acquire new energy vehicles (NEVs) customers in the domestic market and accelerate the development of new products. The Company's magnesium alloy and stamping business units have been awarded designated projects by Faurecia China (Tesla Tier one supplier) and Yanfeng Adient, Evergrande New Energy Vehicle. The aluminum alloy wheel business obtained new projects from Toyota in Japan and FAW Toyota, FAW Hongqi, and BMW Brilliance. The motorcycle aluminum alloy

wheel business has developed steadily as a whole. As the demand for large-displacement personalized motorcycles increases, the Company optimized product structure and production network, upgraded technologies, and successfully increased supplies to Qianjiang, Suzuki, Indian Honda, Yamaha, and Baijiajie. In terms of the coating business, the Company increased the incremental orders from existing customers, advanced the localization of the supplier systems of Mercedes-Benz, BMW and Geely, and expanded wind power and 5G markets.

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

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

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

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

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

With advanced manufacturing as its core, the Company has become a global leader in aluminum alloy wheels and lightweight magnesium alloy parts, and a domestic leader in environmentally friendly Dacormet coating and high-strength steel die stamping parts. To diversify and expand in the “broad transportation” sector, the Company acquired a controlling stake in general aviation aircraft

manufacturing business, leaping from auto parts to aircraft and aero parts manufacturing field. This strategic move will widen our market access, profit avenues and improve the asset quality and risk tolerance ability of the company, ensuring the long-term sustainable growth. The establishment of “dual-engine” growth strategy, i.e., automotive lightweight parts, and general aviation aircraft, sets a clear direction for the Company to grow in the long run.

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

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

2. Significant changes in main business in the reporting period

√ Applicable □ Not applicable

3. Products contributing to over 10% of the Company’s main business revenue or profit

√ Applicable □ Not applicable

Unit: Million Yuan unless otherwise stated

Product	Revenue	Operating Profit	Gross profit margin (%)	Revenue: +/-% over last year	Operating Profit: +/-% over last year	Gross profit margin +/-% over last year
Automotive metal lightweight parts	9,069	502	18.48%	-15.93%	-38.84%	-1.75%
General aviation aircraft manufacturing	1,630	294	29.67%	-11.75%	27.95%	-0.35%

4. Seasonal or cyclical characteristics in operating performance that need special attention

☐Applicable ☒Not applicable

5. Significant changes in revenues, costs and net profit attributable to common shareholders or their composition comparing to prior reporting period

☒Applicable ☐Not applicable

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

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

6. Listing suspension or termination

☐Applicable ☒Not applicable

7. Matters related to financial statements

(1) Explanation on changes in accounting policy, accounting estimations and accounting methods comparing to prior year financial statement

☒Applicable ☐Not applicable

New policy on revenue

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

The new revenue standard establishes a new revenue recognition model for regulating revenue generated from contracts with customers. According to the new revenue standards, the method of revenue recognition should reflect the entity's transfer of goods or services to customers, and the amount of revenue should reflect the amount of consideration that the entity expects to be entitled to because of the transfer of these goods or services to customers. At the same time, the new revenue standard also regulates the judgments and estimates required for each step of revenue recognition. The Company only adjusts the cumulative impact of contracts that have not yet been completed on January 1, 2020.

For contract changes that occurred before January 1, 2020, the Company adopts a simplified method to deal with the final results of all contracts based on contract changes, identify fulfilled and unfulfilled performance obligations, determine transaction prices, and apportion transaction prices between fulfilled and unfulfilled performance obligations.

(2) Explanation on retrospective restatement due to significant accounting error correction in the reporting period

☐Applicable ☒ Not applicable

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

(3) Explanation on changes of consolidation scope comparing to prior year's financial statement

☒Applicable ☐Not applicable

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

Zhejiang Wanfeng Auto Wheel Co., Ltd

Legal Representative: Chen Bin

April 30, 2021