



# **CHANGCHAI COMPANY, LIMITED**

## **ANNUAL REPORT 2023**

**April 2024**

## **Part I Important Notes, Table of Contents and Definitions**

**The Board of Directors (or the “Board”), the Supervisory Committee as well as the directors, supervisors and senior management of Changchai Company, Limited (hereinafter referred to as the “Company”) hereby guarantee the factuality, accuracy and completeness of the contents of this Report and its summary, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions therein.**

**Xie Guozhong, the Company’s legal representative and General Manager, and Jiang He, head of the Company’s financial department (equivalent to financial manager) hereby guarantee that the Financial Statements carried in this Report are factual, accurate and complete.**

**All the Company’s directors have attended the Board meeting for the review of this Report and its summary.**

**Any plans for the future and other forward-looking statements mentioned in this Report shall NOT be considered as absolute promises of the Company to investors. Therefore, investors are kindly reminded to pay attention to possible investment risks.**

**The Company has described in detail the risks it might face in “XI Prospects” in “Part III Management Discussion and Analysis” herein.**

**The Board has approved a final dividend plan as follows: based on the 705,692,507 shares, a cash dividend of RMB0.47 (tax inclusive) per 10 shares is to be distributed to the shareholders, with no bonus issue from either profit or capital reserves.**

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## Documents Available for Reference

1. The financial statements signed and sealed by the Company's legal representative, General Manager and head of the financial department.
2. The original copy of the Independent Auditor's Report signed and sealed by the CPAs, as well as sealed by the CPA firm.
3. The originals of all the Company's documents and announcements which were disclosed on Securities Time and Ta Kung Pao (HK) (newspapers designated by the CSRC for information disclosure) during the Reporting Period.
4. The Annual Report disclosed in other securities markets.

The above-mentioned documents available for reference are all kept in the Secretariat of the Board of Directors of the Company.

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

## Definitions

| Term                                       | Definition  |
|--|---|
| “Changchai”, the “Company” or “we”         | Changchai Company, Limited and its consolidated subsidiaries, except where the context otherwise requires |
| Changchai Benniu                           | Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.   |
| Changchai Wanzhou                          | Changchai Wanzhou Diesel Engine Co., Ltd.   |
| Horizon Investment                         | Changzhou Horizon Investment Co., Ltd.  |
| Horizon Agricultural Equipment             | Changzhou Changchai Horizon Agricultural Equipment Co., Ltd.  |
| Changchai Robin                            | Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.  |
| Xingsheng Real Estate Management           | Changzhou Xingsheng Real Estate Management Co., Ltd.  |
| Changchai Machinery                        | Jiangsu Changchai Machinery Co., Ltd.   |
| Zhenjiang Siyang                           | Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.  |
| RMB, RMB’0,000                             | Expressed in the Chinese currency of Renminbi, expressed in tens of thousands of Renminbi                 |
| The “Reporting Period” or “Current Period” | The period from 1 January 2023 to 31 December 2023  |

## Part II Corporate Information and Key Financial Information

### I Corporate Information

|                                      |   |            |                |
|--------------------------------------|---|------------|----------------|
| Stock name                           | Changchai, Changchai-B  | Stock code | 000570, 200570 |
| Stock exchange for stock listing     | Shenzhen Stock Exchange   |            |                |
| Company name in Chinese              | 常柴股份有限公司  |            |                |
| Abbr.                                | 苏常柴   |            |                |
| Company name in English (if any)     | CHANGCHAI COMPANY,LIMITED   |            |                |
| Abbr. (if any)                       | CHANGCAHI CO.,LTD.  |            |                |
| Legal representative                 | Xie Guozhong  |            |                |
| Registered address                   | 123 Huaide Middle Road, Changzhou, Jiangsu, China                     |            |                |
| Registered addresses previously used | N/A   |            |                |
| Zip code                             | 213002  |            |                |
| Office address                       | 123 Huaide Middle Road, Changzhou, Jiangsu, China                     |            |                |
| Zip code                             | 213002  |            |                |
| Company website                      | <a href="http://www.changchai.com.cn">http://www.changchai.com.cn</a> |            |                |
| Email address                        | cctqm@public.cz.js.cn   |            |                |

### II Contact Information

|               | Board Secretary                                      | Securities Representative |
|---------------|--|---------------------------|
| Name          | He Jianjiang   |                           |
| Address       | 123 Huaide Middle Road,<br>Changzhou, Jiangsu, China |                           |
| Tel.          | (86) 519-68683155                                    |                           |
| Fax           | (86) 519-86630954                                    |                           |
| Email address | cchjj@changchai.com                                  |                           |

### III Media for Information Disclosure and Place where this Report Is Lodged

|   |   |
|---|---|
| Stock exchange website where this Report is disclosed | Securities Times, Ta Kung Pao (HK)                              |
| Media and website where this Report is disclosed      | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| Place where this Report is lodged                     | Board Secretariat of the Company                                |

### IV Change to Company Registered Information

|  |                    |
|--|--------------------|
| Unified social credit code                                     | 91320400134792410W |
| Change to principal activity of the Company since going public | No change          |

|   |  |
|---|--|
| Every change of controlling shareholder since incorporation | On 22 November 2018, the State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government transferred its entire holdings of 170,845,236 shares in the Company (a stake of 30.43%) to Changzhou Investment Group Co., Ltd. for no compensation, which has thus become the controlling shareholder of the Company. |
|---|--|

## V Other Information

The independent audit firm hired by the Company:

|                                |   |
|--------------------------------|---|
| Name                           | Gongzheng Tianye Certified Public Accountants LLP     |
| Office address                 | Yingtong Commerce Building, Changzhou, Jiangsu, China |
| Accountants writing signatures | Wang Wenkai, Qin Zhijun                               |

The independent sponsor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

Applicable  Not applicable

| Name                                  | Office address   | Representatives       | Supervision period   |
|---------------------------------------|--|-----------------------|--|
| China Industrial Securities Co., Ltd. | 10/F, China Industrial Securities Plaza, 36 Changliu Road, Pudong New District, Shanghai | Liu Yi, Li Lihong     | 5 July 2021-31 December 2022<br>(continuous supervision over matters associated with unused raised funds since 1 January 2023) |
| Donghai Securities Co., Ltd.          | 6/F, Donghai Securities Plaza, 1928 Dongfang Road, Pudong New District, Shanghai         | Wang Jiangqin, Xu Qin | 5 July 2021-31 December 2022<br>(continuous supervision over matters associated with unused raised funds since 1 January 2023) |

The independent financial advisor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

Applicable  Not applicable

## VI Key Financial Information

Indicate by tick mark whether there is any retrospectively restated datum in the table below.

Yes  No

|  | 2023             | 2022             | 2023-over-2022 change (%) | 2021             |
|--|------------------|------------------|---------------------------|------------------|
| Operating revenue (RMB)  | 2,155,698,787.49 | 2,182,043,095.61 | -1.21%                    | 2,452,430,515.60 |
| Net profit attributable to the listed company's shareholders (RMB) | 108,495,607.05   | 76,684,796.91    | 41.48%                    | 103,006,232.54   |

|  |                  |                  |  |                  |
|--|------------------|------------------|--|------------------|
| Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB) | -47,466,184.54   | -73,636,511.02   | —  | 5,329,092.87     |
| Net cash generated from/used in operating activities (RMB)   | 137,189,827.35   | 364,930,277.84   | -62.41%  | -266,323,779.30  |
| Basic earnings per share (RMB/share)   | 0.1537           | 0.1087           | 41.40%   | 0.1657           |
| Diluted earnings per share (RMB/share)   | 0.1537           | 0.1087           | 41.40%   | 0.1657           |
| Weighted average return on equity (%)  | 3.19%            | 2.51%            | 0.68%  | 3.86%            |
|  | 31 December 2023 | 31 December 2022 | Change of 31 December 2023 over 31 December 2022 (%) | 31 December 2021 |
| Total assets (RMB)   | 5,159,394,958.92 | 5,219,359,853.42 | -1.15%   | 4,860,382,961.26 |
| Equity attributable to the listed company's shareholders (RMB)   | 3,398,946,911.23 | 3,284,710,665.90 | 3.48%  | 3,077,550,018.33 |

Indicate by tick mark whether the lower of the net profit attributable to the listed company's shareholders before and after exceptional gains and losses was negative for the last three accounting years, and the latest independent auditor's report indicated that there was uncertainty about the Company's ability to continue as a going concern.

Yes  No

Indicate by tick mark whether the lower of the net profit attributable to the listed company's shareholders before and after exceptional gains and losses was negative.

Yes  No

| Item  | 2023             | 2022             | Note   |
|---|------------------|------------------|--|
| Operating revenue (RMB)                         | 2,155,698,787.49 | 2,182,043,095.61 | Production and sales of the Company's primary products of diesel engines, gasoline engines, etc. |
| Deductions from operating revenue (RMB)         | 45,321,867.06    | 36,475,111.66    | Other business revenue than the main operations  |
| Operating revenue exclusive of deductions (RMB) | 2,110,376,920.43 | 2,145,567,983.95 | Sale of diesel engines, gasoline engines, and accessories  |



## VII Accounting Data Differences under China's Accounting Standards for Business Enterprises (CAS) and International Financial Reporting Standards (IFRS) and Foreign Accounting Standards

### 1. Net Profit and Equity under CAS and IFRS

Applicable  Not applicable

No difference for the Reporting Period.

### 2. Net Profit and Equity under CAS and Foreign Accounting Standards

Applicable  Not applicable

No difference for the Reporting Period.

## VIII Key Financial Information by Quarter

Unit: RMB

|  | Q1             | Q2             | Q3              | Q4             |
|--|----------------|----------------|-----------------|----------------|
| Operating revenue  | 703,102,297.70 | 647,415,342.15 | 458,557,165.00  | 346,623,982.64 |
| Net profit attributable to the listed company's shareholders                                     | 23,934,592.54  | 108,002,732.12 | 24,931,699.23   | -48,373,416.84 |
| Net profit attributable to the listed company's shareholders before exceptional gains and losses | 1,107,543.07   | 4,718,000.91   | -16,029,859.81  | -37,261,868.71 |
| Net cash generated from/used in operating activities   | -71,086,048.66 | -33,710,768.09 | -109,331,432.55 | 351,318,076.65 |

Indicate by tick mark whether any of the quarterly financial data in the table above or their summations differs materially from what have been disclosed in the Company's quarterly or interim reports.

Yes  No

## IX Exceptional Gains and Losses

Applicable  Not applicable

Unit: RMB

| Item  | 2023           | 2022         | 2021         | Note  |
|---|----------------|--------------|--------------|---|
| Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs) | 105,702,551.01 | 393,161.73   | 155,515.49   | Expropriation of the constructions on the state-owned land of the Changzhou Wuxing branch company in the Reporting Period |
| Government grants recognised in current profit or loss (exclusive                             | 3,009,573.87   | 3,774,298.59 | 4,268,950.18 | Government grants recognised in current profit or loss were RMB6,419,303.33, and the amount recognised in                 |

|  |                |                |                |  |
|--|----------------|----------------|----------------|--|
| of those that are closely related to the Company's normal business operations and given in accordance with defined criteria and in compliance with government policies, and have a continuing impact on the Company's profit or loss)  |                |                |                | current profit or loss that was exclusive of deferred income was RMB3,409,729.46.  |
| Gain or loss on fair-value changes in financial assets and liabilities held by a non-financial enterprise, as well as on disposal of financial assets and liabilities (exclusive of the effective portion of hedges that arise in the Company's ordinary course of business) | 74,628,323.54  | 162,319,373.53 | 114,738,153.54 | Increase in the fair value of the Company's interest in Jiangsu Horizon New Energy Technology Co., Ltd., the sale of shares held by wholly-owned subsidiary Horizon Investment in Guilin Stars Science and Technology Co., Ltd., as well as increased prices of the shares held by wholly-owned subsidiary Horizon Investment in Jiangsu Liance Electromechanical Technology Co., Ltd. and Kailong High Technology Co., Ltd. |
| Reversed portions of impairment allowances for receivables which are tested individually for impairment  | 21,618.24      | 30,000.00      | 147,611.25     |  |
| Non-operating income and expense other than the above  | -254,543.89    | 1,735,346.51   | 2,400,863.71   |  |
| Negative goodwill due to business combination not under common control   |                | 1,904,132.58   |                |  |
| Less: Income tax effects   | 27,193,473.11  | 19,859,063.58  | 24,027,164.56  |  |
| Non-controlling interests effects (net of tax)   | -47,741.93     | -24,058.57     | 6,789.94       |  |
| Total  | 155,961,791.59 | 150,321,307.93 | 97,677,139.67  | --   |

Particulars about other items that meet the definition of exceptional gain/loss:

Applicable  Not applicable

No such cases for the Reporting Period.

Explanation of why the Company reclassifies as recurrent an exceptional gain/loss item listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Gain/Loss Items:

Applicable  Not applicable

No such cases for the Reporting Period.

## Part III Management Discussion and Analysis

### I Industry Overview for the Reporting Period

We are a manufacturer of internal combustion engines and fittings in general equipment manufacturing. According to the classification of fuel used, internal combustion engines are mainly divided into diesel engines and gasoline engines. Our diesel engines and gasoline engines are mainly used in non-road mobile machinery fields such as harvesters, tractors, plant protection machinery, small engineering machinery, and shipborne machinery.

#### (1) Basic information on the industry

The internal combustion engine is an important support for China's manufacturing industry security, energy security and national defense security, and an important basic industry of national economy and national defense construction. The internal combustion engine is the most power-dense, thermally efficient and widely used heat engine power unit.

In order to implement the national overall development strategy of energy conservation, emission reduction, transformation, and upgrading, the internal combustion engine industry and agricultural machinery industry will strengthen independent innovation and research and development, accelerate the construction of a common basic technology platform, optimize the construction of the upstream and downstream industry chain, implement intelligent manufacturing, and actively carry out international exchange and cooperation to accelerate the realization of industrial technology upgrading.

#### (2) Development pattern and trend of the industry

In terms of policies, national regulations pertaining to internal combustion engine technology have considerably tightened, with a notable emphasis on energy conservation, emissions reduction, and reliability, thereby making them focal points of industrial development. The rigorous enforcement of national emission standards will expedite the development and deployment of core technologies and crucial components within internal combustion engines. The exploration and dissemination of efficient and clean internal combustion engine products will drive the widespread adoption of independent-brand electronic fuel injection systems, high-efficiency superchargers, and advanced after-treatment solutions.

In recent years, the issuance of the No. 1 Document by the central government has underscored its commitment to elevating the importance of agriculture and bolstering agricultural development. In 2024, the No. 1 Document outlined a "road map" to vigorously and effectively propel comprehensive rural revitalization. To stimulate demand through industrial policies, it is imperative to enhance the research and application proficiency of agricultural machinery and equipment, promote the innovation framework for cutting-edge agricultural machinery, vigorously address the deficiencies in agricultural machinery and equipment, bolster the information-based capabilities and service provision of agricultural machinery and equipment, advance the intelligence and automation levels of agricultural machinery, reinforce the synergy between technology and reform, and intensify efforts in core technology research and development, all of which will delineate the trajectory for agricultural modernization.

As a result of the national policy of subsidies for the purchase of machinery, industrial development policies and the impact of environmental regulations and requirements, overall market demand for single-cylinder diesel engines for small agricultural machinery remained low, causing intense competition. Despite the gradual increase in the use of single-cylinder engines in the non-agricultural sector, overall sales remained on a downward path. The year 2023 is the first year of upgrading the National Emission Standard III to IV, and the agricultural

machinery industry has entered a drastic “reshuffle” period. From the point of view of the development of the industry as a whole, the sales of low-quality products continued to weaken, and high-quality products continued to take over more market share, which promoted the sustainable development of the industry as a whole. With the full-scale implementation of National Emission Standard IV for Non-road Vehicles and the evolving market dynamics, the pace of development for high-end agricultural machinery products in China has accelerated. High-end and intelligent trends of agricultural machinery catalyzed a fresh wave of structural transformation within the agricultural machinery industry. The sector has entered a phase of profound adjustments propelled by optimization and upgrading, with agricultural machinery enterprises concurrently embarking on a trajectory of high-quality development, hastening the integration and advancement of advanced technologies encompassing energy conservation and emissions reduction, intelligent manufacturing, and the enhancement of product quality and efficiency. As new opportunities for development arise in the national strategic deployment and the accelerated transformation and upgrading process, the agricultural machinery market has a broad space for growth.

## II Principal Activity of the Company in the Reporting Period

### 1. Principal Operations of the Company

We mainly specialize in the R&D, manufacture and sales of diesel engines under the brand "Changchai" and gasoline engines under the brand "Robin". Our products are mainly used in agricultural machinery, small engineering machinery, generator sets and shipborne machinery and other fields closely related to people's livelihood.

In the Reporting Period, there were no major changes in the Company's core business and main products.

### 2. Main Products of the Company

Our main products are divided into two categories: diesel engines and gasoline engines. The details are as follows:

| Main products   | Graphic display   | Product description   | Product features  | Application fields  |
|-----------------|---|---|---|---|
| Diesel engine   |  | Our diesel engine products include single-cylinder diesel engines and multi-cylinder engines, covering power range from 3kW to 129kW, and cylinder diameters from 65mm to 135mm. Besides sale in domestic market, our diesel engines are sold to Southeast Asia, South America, the Middle East and Africa. | High power, low oil consumption, low noise, compact structure, low emission, good reliability | Agricultural machinery, construction machinery, generator sets, shipborne machinery |
| Gasoline engine |  | Our gasoline engines are mainly general-purpose small gasoline engines, covering the power range from 1.5kW to 9.0kW. Besides sale in domestic market, our gasoline engines are sold to Southeast Asia, the Middle East, Europe and   | Simple structure, good reliability, easy maintenance  | Agricultural machinery, small construction machinery                                |

|  |  |   |  |  |
|--|--|---|--|--|
|  |  | America, Africa, Japan and other countries and regions. |  |  |
|--|--|---|--|--|

### 3. Major Business Models

#### (1) R&D model

We have established an innovative technology management system for internal combustion engine based on market demand and forward-looking technologies. Prior to the new products or new technologies development, the marketing department first conducts market assessment and customer research, and then initiates a project according to the forecasted market demand; the technology center conducts development according to the project materials, and collects feedback information from the market and customers in real time during the development process to ensure technology leadership and product suitability.

#### (2) Purchasing model

We adopt the "purchase-to-order" purchasing model. The ERP system converts the sales orders, the sales plan developed by the sales department and the production plan drawn up by the production department into the demand of parts needed, and the purchasing department organizes the purchase according to such demand. Meanwhile, the purchasing department makes a plan to guide parts procurement according to the sales department's sales plan, and provide it to the supplier, and urge the supplier to prepare for the goods.

#### (3) Production model

We adopt the "make-to-order" production management model. The sales department makes sales plans for different stages according to the orders in hand, sales data in previous years, market demand judgment and feedback of existing customers' purchasing intentions. The Company's production department makes the production plan according to the sales orders displayed in the ERP system, the sales plan made by the sales department and the reserve inventory demand, and organizes the production task in strict accordance with the plan. During the production process, the quality assurance department arranges regular inspection to ensure the product quality.

#### (4) Sale model

We adopt the sales model of "direct selling + distribution", i.e. the direct selling model for the main engine factory, and the distribution model for the individual circulation market represented by farmers and overseas market.

### 4. The Company's position in the market

We mainly specialize in the R&D, manufacture and sales of diesel engines under the brand "Changchai" and gasoline engines under the brand "Robin". Up to now, we have successfully developed a number of advanced core technologies with independent intellectual property rights. In terms of diesel engine, according to the statistics of China Internal Combustion Engine Industry Association (CICEIA), as the largest small- and medium-sized single-cylinder diesel engine manufacturer in the agricultural machinery industry of China, we have maintained a high market share of single-cylinder engines, and our market share of single-cylinder diesel engines of some power ranges has ranked first in China. For many years, in the process of achieving steady economic development of the enterprise, we developed in a sound manner and cultivated the "Changchai" brand, a famous small diesel engine brand of China with independent intellectual property rights.

### 5. Key Performance Drivers

#### (1) National policy driver

In recent years, the No. 1 Document issued by the central government has demonstrated the government's intention to attach greater importance to agriculture and strengthen agricultural development, so as to promote the

development of agriculture and rural economy and society, and strengthen the support of agricultural technology and equipment. China's agricultural machinery and equipment industry layout has always been based on the main line of innovation, focused on core technology, strengthened the construction of innovation capacity, and strove to make up for the shortcomings and weaknesses. The full implementation of National Emission Standard IV and the high-end and intelligent trends of agricultural machinery have let the agricultural machinery industry towards a new stage of development. The Action Plan for Promoting Large-scale Equipment Renewals and Consumer Goods Trade-ins in 2024 clarifies that old agricultural and industrial machinery will be renewed, subsidy policies will be continuously implemented for agricultural machinery scrapping and renewal, the scrapping and renewal of old agricultural machinery will be promoted, and the structural adjustment of agricultural machinery will be accelerated. The acceleration of the replacement process of old equipment of engineering machinery has created a favourable policy environment for the application of internal combustion engines.

#### (2) Industrial chain synergy empowers the sustainable development of the Company

We have built our own casting manufacturing and processing plants to meet the use requirements of some diesel engine parts. In terms of production and quality, we have formed a significant synergy with its own internal combustion engine assembly team. Our casting manufacturing team and internal combustion engine assembly team work together to form a mutually reinforcing positive feedback loop to assist the Company in integrating the internal combustion engine industry chain and building differentiated industry barriers. In terms of collaborative production, the reduction of external purchase is of great significance for the Company to reduce process flow, reduce intermediate loss, improve production efficiency, shorten delivery time and increase purchasing bargaining power. In terms of quality coordination, the self-built foundry can improve our quality control of parts to improve the yield and reliability of internal combustion engines.

#### (3) Stable and efficient R&D team

We have experienced technical management team and perfect technical support team. Our key technical personnel and R&D management personnel have been engaged in internal combustion engine R&D design, production and manufacturing for a long time. With profound professional knowledge and rich practical experience, they can make strong forward-looking and scientific judgment in the market direction and technical route. Also, we have established an effective training mechanism to foster talented persons for the follow-up R&D.

#### (4) Well-known brand with many well-known customers

The Company, formerly known as Changzhou Diesel Engine Factory, is a national industrial enterprise with a history of a hundred years and one of the earliest professional internal combustion engine manufacturers in China. Our diesel and gasoline engines, as power sources of agricultural machinery and commercial vehicles, show excellent performance in power range, reliability, power per litre, noise control and emission standards, and have been recognized by customers. We maintained a long-term partnership with major customers, with cumulative partnership time exceeding 15 years. Many main engine plant customers of the Company are well-known enterprises in the agricultural machinery industry, with their market shares being at the forefront of the market.

### III Core Competitiveness Analysis

#### 1. Advantages in Brand

Changchai is a national industrial enterprise with a history of over one hundred years. It is one of the earliest professional manufacturers of internal combustion engines in China. The brand "Changchai" is the earliest domestic trademark of production goods known as China's well-known trademarks. The diesel engine of "Changchai" brand is China's brand-name product. The enterprise has been certified by ISO9001 and IATF16949 quality systems, ISO14001 environmental management system, IATF16949 automotive product quality

management system, and accessed to the national export-free enterprise qualification. Changchai was honorably ranked among “the Top One Hundred Chinese Enterprises in Engineering Industry” and “China Pacesetter Enterprise of Industrial Industry” for several times, and was awarded the honorary title of “State-level Enterprise of Observing Contracts and Keeping Promise”, “China's Agricultural Machinery Parts and Components Leading Enterprises”, “China's Agricultural Machinery AAA Credit Enterprise”, “Quality Management Excellence Award of Jiangsu Province” and “Mayor Quality Award of Changzhou City”. The Company has been among the 10 users' most satisfied leading brands in “Jing Geng” competition for many years. In 2023, the Company and its products garnered prestigious accolades. The Company was recognized as one of the Top 500 Machinery Industry Enterprises in China, a National Demonstration Enterprise of Product and Service Quality Integrity, a National Leading Enterprise in the Quality of the Internal Combustion Engine Industry, a National Leading Brand in the Quality of the Internal Combustion Engine Industry, and for maintaining Stable Qualified Products in National Quality Inspections. Additionally, the Company was honoured as one of the Top 50+ Agricultural Machinery Enterprises in China, a Large Key Outstanding Enterprise in the Mechanical Industry, and received the distinction of being an Internationally Renowned Brand Cultivated and Developed by Jiangsu Province from 2023 to 2025. Furthermore, the Company was recognized as an Industrial Four Star Enterprise in Changzhou. For many years, in the process of achieving steady economic development of the enterprise, we developed in a sound manner and cultivated the “Changchai” brand, a famous small diesel engine brand of China with independent intellectual property rights.

## 2. Advantages in Technology

The Company has a state-level technology center and post-doctoral research station, and a research center of small and medium-power internal combustion engine engineering and technology in Jiangsu Province. Currently, it is mainly engaged in production of small and medium-power single-cylinder and multi-cylinder diesel engine. It has a complete product range, a wide power level coverage, a high reputation and intellectual property rights for its main products. During the Reporting Period, the Company was rated as Excellent in the performance appraisal by the provincial engineering technology research centre in 2023, and it was awarded the first prize of the achievements in the National Excellent Quality Management Group Activity in the Machinery Industry in 2023. At the same time, multiple products were awarded the provincial certification of new products and new technology, and the municipal certification of high-tech products. During the Reporting Period, the Company obtained 19 patent authorizations. As at 2023, the Company had a total of 155 valid patents authorized domestically and internationally, including 13 invention patents.

## 3. Advantages in Marketing

Changchai has built up a sales service network covering the whole country, with five marketing entities, 24 sales service centers and 717 designated maintenance stations. In addition, in order to meet the National Emission Standard IV for Non-Road Vehicles and provide better after-sales service for customers, a service monitoring platform with Changchai characteristics has been put in place. With a perfect diesel sales service network system, the Company is able to provide high quality, efficient and timely services for customers.

# IV Core Business Analysis

## 1. Overview

In 2023, China's macroeconomic landscape demonstrated a steady recovery and exhibited a discernible upward trajectory, although overall volatility surpassed market expectations. The internal combustion engine market benefited from various policies, facilitating its recovery, while both upstream and downstream sectors of the



industry experienced improvement. With the comprehensive implementation of the National Emission Standard IV for Non-road Vehicles and the advancement of market demand, the entire agricultural machinery market entered a period of in-depth adjustments led by optimization and upgrading. Competition was intensifying, terminal-side sales were weak, and high-quality operation and deceleration operation remained the focus of development. The Company rallied its efforts from top to bottom to surmount challenges, concentrating on aligning product development, market expansion, and production quality with annual policies and objectives. By seizing opportunities, the Company attained commendable outcomes in market penetration, product innovation and enhancement, as well as corporate brand promotion, thus fostering the stable and robust development of the enterprise. During the Reporting Period, the Company sold approximately 630,000 diesel engines, gasoline engines and generator sets, generating total sales revenue of RMB2.156 billion, almost flat with last year.

In terms of product development and support, the Company completed the certification and application of multiple models for the National Emission Standard IV for Non-road Vehicles, and orderly promoted the development and application of products for the National Emission Standard IV for Non-road Vehicles in the field of engineering machinery; based on market validation and feedback, the Company strengthened the optimization of the full series of the products for the National Emission Standard IV for Non-road Vehicles, providing powerful support for product upgrades. The Company continuously promoted the special development of generator sets in unmanned aerial vehicle flight defence, parking and other fields, promoted the research and development of outboard engine projects and hybrid power products, completed performance debugging and reliability testing of diesel engines for outboard engines of more power ranges, and achieved progress in the research and development of hybrid power products as scheduled.

In terms of market services, the domestic market adjusted and optimized its distribution network, consolidated its advantages in application fields, continuously deepened its support for single-cylinder engines to multiple non-agricultural segments, and achieved the comprehensive installation and application of multi-cylinder engines for the National Emission Standard IV for Non-road Vehicles; the generator sets were gradually moving towards high-end and specialized development in the segmented field of the general machinery market, and light engines were applied into scenarios of micro and unmanned equipment, further optimizing product structure and distribution channels. At the same time, the Company strengthened the building of service resources and the control of service processes, implemented multiple rounds of service training and systematic case studies, and adjusted service policies during the busy farming period, effectively improving the service guarantee work of the products for the National Emission Standard IV for Non-road Vehicles.

In terms of quality management, the Company comprehensively improved the quality building of the products for the National Emission Standard IV for Non-road Vehicles, strengthened whole process management, promoted the work of stabilizing and strengthening supply chains, expanded and supplemented the supply chains of core component suppliers, and strictly controlled the quality of product spare parts. During the Reporting Period, the Company organized an annual management review, conducted an internal audit on the quality management system, and passed the external audits on ISO9001 and IATF16949 quality management systems.

In terms of internal management, the Company completed the election of the Board of Directors, the Board of Supervisors, and the Management, and improved its internal control procedures and policies, continuously improving the Company's management level. The Company effectively strengthened cost control and reduced costs and expenses. Additionally, the Company fully implemented various policies and emergency mechanisms such as public security and fire safety, carried out special actions on fire safety, and organized safety risk control and hidden danger inspection and treatment. These actions effectively prevented and resolved various safety risks, and created a safe and stable environment for enterprise production and operation. The Company carried out a series of activities to celebrate the 110th anniversary of the establishment of the plant, with a focus on production

and operation, corporate culture, and brand image promotion, and strengthened the development of corporate culture, achieving good results.

During the Reporting Period, the funds raised from the private placement investment project for relocating light engines were effectively deployed, and the innovation capacity building project of the technology centre was successfully concluded. Any surplus funds raised will be permanently allocated to working capital following the completion of relevant procedures. In December 2023, the Company acquired 7.5% equity held by three natural person shareholders of Zhenjiang Siyang. Currently the Company holds a total of 49% equity in Zhenjiang Siyang. The houses within the expropriation scope of the bus plant areas (Phases 1 and 2), including the Company's Wuxing Branch, and the houses within the expropriation scope of the Sanjing Branch's old city renovation project were subject to government expropriation. The Company has signed a compensation agreement for housing expropriation with relevant government departments. As at January 2024, the Company had received a total of RMB117 million in compensation for housing expropriation from Wuxing Branch and RMB30 million in the first phase of compensation for housing expropriation from Sanjing Branch.

## 2. Revenue and Cost Analysis

### (1) Breakdown of Operating Revenue

Unit: RMB

|                             | 2023              |                                     | 2022              |                                     | Change (%) |
|-----------------------------|-------------------|-------------------------------------|-------------------|-------------------------------------|------------|
|                             | Operating revenue | As % of total operating revenue (%) | Operating revenue | As % of total operating revenue (%) |            |
| Total                       | 2,155,698,787.49  | 100%                                | 2,182,043,095.61  | 100%                                | -1.21%     |
| By operating division       |                   |                                     |                   |                                     |            |
| Internal combustion engines | 2,110,376,920.43  | 97.90%                              | 2,145,567,983.95  | 98.33%                              | -1.64%     |
| Other                       | 45,321,867.06     | 2.10%                               | 36,475,111.66     | 1.67%                               | 24.25%     |
| By product category         |                   |                                     |                   |                                     |            |
| Diesel engines              | 1,908,040,669.16  | 88.51%                              | 1,971,005,207.88  | 90.33%                              | -3.19%     |
| Gasoline engines            | 153,677,944.53    | 7.13%                               | 148,144,749.68    | 6.79%                               | 3.73%      |
| Other                       | 93,980,173.80     | 4.36%                               | 62,893,138.05     | 2.88%                               | 49.43%     |
| By operating segment        |                   |                                     |                   |                                     |            |
| Domestic                    | 1,778,018,604.18  | 82.48%                              | 1,857,845,869.48  | 85.14%                              | -4.30%     |
| Overseas                    | 377,680,183.31    | 17.52%                              | 324,197,226.13    | 14.86%                              | 16.50%     |
| By marketing model          |                   |                                     |                   |                                     |            |
| Distribution                | 754,228,779.91    | 34.99%                              | 770,975,653.30    | 35.33%                              | -2.17%     |
| Direct sales                | 1,401,470,007.58  | 65.01%                              | 1,411,067,442.31  | 64.67%                              | -0.68%     |

### (2) Operating Division, Product Category, Operating Segment or Marketing Model Contributing over 10% of Operating Revenue or Operating Profit

√ Applicable □ Not applicable

Unit: RMB

|                              | Operating revenue | Cost of sales    | Gross profit margin | YoY change in operating revenue (%) | YoY change in cost of sales (%) | YoY change in gross profit margin (%) |
|------------------------------|-------------------|------------------|---------------------|-------------------------------------|---------------------------------|---------------------------------------|
| <b>By operating division</b> |                   |                  |                     |                                     |                                 |                                       |
| Internal combustion engines  | 2,110,376,920.43  | 1,813,233,693.78 | 14.08%              | -1.64%                              | -5.77%                          | 3.76%                                 |
| <b>By product category</b>   |                   |                  |                     |                                     |                                 |                                       |
| Diesel engines               | 1,908,040,669.16  | 1,662,842,571.43 | 12.85%              | -3.19%                              | -7.37%                          | 3.93%                                 |
| Gasoline engines             | 153,677,944.53    | 128,084,343.44   | 16.65%              | 3.73%                               | 1.96%                           | 1.45%                                 |
| <b>By operating segment</b>  |                   |                  |                     |                                     |                                 |                                       |
| Domestic                     | 1,778,018,604.18  | 1,475,842,943.27 | 17.00%              | -4.30%                              | -9.65%                          | 4.92%                                 |
| Overseas                     | 377,680,183.31    | 362,912,888.14   | 3.91%               | 16.50%                              | 15.13%                          | 1.14%                                 |
| <b>By marketing model</b>    |                   |                  |                     |                                     |                                 |                                       |
| Distribution                 | 754,228,779.91    | 629,617,071.82   | 16.52%              | -2.17%                              | -7.18%                          | 4.50%                                 |
| Direct sales                 | 1,401,470,007.58  | 1,209,138,759.59 | 13.72%              | -0.68%                              | -4.82%                          | 3.75%                                 |

Core business data of the prior year restated according to the changed statistical caliber for the Reporting Period:

Applicable  Not applicable

### (3) Whether Revenue from Physical Sales Is Higher than Service Revenue

Yes  No

| Operating division | Item       | Unit | 2023    | 2022    | Change (%) |
|--------------------|------------|------|---------|---------|------------|
| Diesel engines     | Unit sales | Unit | 478,280 | 458,300 | 4.36%      |
|                    | Output     | Unit | 513,177 | 439,604 | 16.74%     |
|                    | Inventory  | Unit | 99,764  | 64,867  | 53.80%     |

Any over 30% YoY movements in the data above and why:

Applicable  Not applicable

The inventory changed mainly because the Company adjusted its marketing strategy and increased the inventory of diesel engines.

### (4) Execution Progress of Major Signed Sales and Purchase Contracts in the Reporting Period

Applicable  Not applicable

### (5) Breakdown of Cost of Sales

Unit: RMB

| Product | Item | 2023 | 2022 | Change (%) |
|---------|------|------|------|------------|
|---------|------|------|------|------------|

| category       |               | Cost of sales    | As % of total cost of sales (%) | Cost of sales    | As % of total cost of sales (%) |        |
|----------------|---------------|------------------|---------------------------------|------------------|---------------------------------|--------|
| Diesel engines | Raw materials | 1,458,317,249.89 | 79.31%                          | 1,560,381,852.91 | 80.07%                          | -6.54% |
|                | Labor cost    | 225,056,024.38   | 12.24%                          | 229,434,494.85   | 11.77%                          | -1.91% |
|                | Depreciation  | 58,676,870.45    | 3.19%                           | 56,624,131.58    | 2.91%                           | 3.63%  |
|                | Energy        | 24,344,615.38    | 1.32%                           | 15,340,866.19    | 0.79%                           | 58.69% |

Energy cost changed mainly because the Company's foundry business was in normal operation in 2023, consuming more energy than it was in 2022 during a relocation.

#### (6) Changes in the Scope of Consolidated Financial Statements for the Reporting Period

Yes  No

#### (7) Major Changes to the Business Scope or Product or Service Range in the Reporting Period

Applicable  Not applicable

#### (8) Major Customers and Suppliers

Major customers:

|   |                |
|---|----------------|
| Total sales to top five customers (RMB)   | 890,387,045.58 |
| Total sales to top five customers as % of total sales of the Reporting Period (%)                       | 41.30%         |
| Total sales to related parties among top five customers as % of total sales of the Reporting Period (%) | 0.00%          |

Information about top five customers:

| No.   | Customer   | Sales revenue contributed for the Reporting Period (RMB) | As % of total sales revenue (%) |
|-------|------------|--|---------------------------------|
| 1     | Customer A | 376,215,480.62   | 17.45%                          |
| 2     | Customer B | 218,582,431.48   | 10.14%                          |
| 3     | Customer C | 118,884,227.95   | 5.51%                           |
| 4     | Customer D | 117,597,908.00   | 5.46%                           |
| 5     | Customer E | 59,106,997.53  | 2.74%                           |
| Total | --         | 890,387,045.58   | 41.30%                          |

Other information about major customers:

Applicable  Not applicable

Major suppliers:

|   |                |
|---|----------------|
| Total purchases from top five suppliers (RMB)   | 318,965,836.36 |
| Total purchases from top five suppliers as % of total purchases of the Reporting Period (%)                       | 17.35%         |
| Total purchases from related parties among top five suppliers as % of total purchases of the Reporting Period (%) | 0.00%          |

Information about top five suppliers:

| No.   | Supplier   | Purchase in the Reporting Period (RMB) | As % of total purchases (%) |
|-------|------------|--|-----------------------------|
| 1     | Supplier A | 110,589,895.80                         | 6.01%                       |
| 2     | Supplier B | 83,433,267.64                          | 4.54%                       |
| 3     | Supplier C | 60,956,732.67                          | 3.32%                       |
| 4     | Supplier D | 41,071,878.77                          | 2.23%                       |
| 5     | Supplier E | 22,914,061.49                          | 1.25%                       |
| Total | --         | 318,965,836.36                         | 17.35%                      |

Other information about major suppliers:

Applicable  Not applicable

### 3. Expense

Unit: RMB

|                        | 2023           | 2022           | Change (%) | Reason for any significant change            |
|------------------------|----------------|----------------|------------|--|
| Selling expense        | 99,603,282.16  | 102,630,223.71 | -2.95%     |  |
| Administrative expense | 123,981,333.99 | 119,511,189.72 | 3.74%      |  |
| Finance costs          | -11,284,676.92 | -21,589,704.63 | —          | Decreased exchange gains and interest income |
| R&D expenses           | 90,339,104.33  | 81,239,597.06  | 11.20%     |  |

### 4. R&D Investments

Applicable  Not applicable

| Major R&D project                              | Purpose   | Progress    | Specific objectives   | Expected impact on the Company  |
|--|---|-------------|---|---|
| Development of 390 supercharged diesel engines | Developing 390 supercharged diesel engines with high torque, lightweight, energy-saving and emission reduction for agricultural machinery | In progress | Significant optimization design has been carried out on the structure and performance of diesel engines, resulting in a significant leap in the reliability, fuel consumption, emissions and other indicators of the products, reaching the advanced level of similar foreign products, and meeting the emission requirements of the National Emission Standard IV for Non-road Vehicles. | After the implementation of the project, the engines will further meet the application requirements of various small and medium-sized agricultural machinery. The products have a clear target market positioning, with broad market prospects. |
| Development of 4L88 diesel engines             | Developing efficient and environmentally friendly diesel engines  | In progress | By developing technology, optimizing matching, and post-processing techniques, d  | After the implementation of the project, the product will meet the require  |

|  |  |             |  |   |
|--|--|-------------|--|---|
| with 37 KW and below for the National Emission Standard IV for Non-road Vehicles                           | l engines that meet emission requirements  |             | iesel engines will meet the emission requirements of the National Emission Standard IV for Non-road Vehicles.  | ments of the original application field and have a broad market application prospect.   |
| Development of engines for mining pickup trucks  | Developing engines for common rail mining pickup trucks that meet the power application requirements of pickups for underground operations and mining, and that are energy-saving, emission reducing, and environmentally friendly | In progress | Through technological research and development, the Company aims to create underground power systems with excellent performance indicators and characteristics such as high reliability, low vibration, low noise, and safety that meet the emission requirements of the National Emission Standard IV for Non-road Vehicles and related requirements. The economic and power performance indicators of the engines will reach the leading level in China. | After the implementation of the project, the Company will further expand its product line, explore the power market, and increase application fields. The products will have broad market prospects, adding new profit growth points for the Company. |
| Development of 178FA air-cooled diesel engines for the National Emission Standard IV for Non-road Vehicles | Developing efficient and energy-saving diesel engines that meet the emission requirements  | In progress | Significant optimization design has been carried out on the structure and performance of diesel engines, resulting in a significant leap in the reliability, fuel consumption, emissions and other indicators of the product, reaching the advanced level of similar foreign products and meeting the emission requirements of the National Emission Standard IV for Non-road Vehicles.  | After the implementation of the project, the product will meet the application requirements of various small-sized agricultural machinery, comply with energy-saving and environmental protection policies, and have broad market prospects.          |
| Development of L12 water-cooled diesel engines for the National Emission Standard IV for Non-road Vehicles | Developing efficient, environmentally friendly, and energy-saving single-cylinder diesel engines   | In progress | Improve product reliability, save energy consumption, and the emission indicators will meet the emission requirements of the National Emission Standard IV for Non-road Vehicles.  | After the implementation of the project, the Company will expand the product application fields, enrich product reserves, comply with national policies, and meet the machinery application requirements and market demand.                           |
| Development project of   | Developing single-cylinder diesel en   | In progress | Improving diesel engine's power performance, econo   | After the implementation of the project, the prod   |

|   |  |  |  |   |
|---|--|--|--|---|
| single-cylinder diesel engines with a mechanical pump that can meet the National Emission Standard IV for Non-road Vehicles | gines with a mechanical pump that have higher performance and meet the National Emission Standard IV for Non-road Vehicles                     | s  | mic efficiency of fuel, and other performance indicators, as well as service life and making the emission indicators meet the National Emission Standard IV for Non-road Vehicles  | uct will meet the requirements of the National Emission Standard IV for Non-road Vehicles in terms of the emission indicators and meet the supporting requirements of machinery, bringing about new growth points for the Company's benefits.         |
| Development project of 4G29 diesel engine   | Developing diesel engines that have higher performance and meet the emission requirements  | In progress  | Improve various performance indicators of diesel engines, meet domestically advanced level in terms of economic efficiency and power performance and meet the requirements of the National Emission Standard IV for Non-road Vehicles.   | After the implementation of the project, the upgraded diesel engine will meet the requirements of the National Emission Standard IV for Non-road Vehicles and drive the Company's non-road vehicle technologies to be more mature and well-developed. |
| Development project of the special diesel engine of the motorcycle  | Developing lightweight single-cylinder, water-cooled, high-speed diesel engines to meet the power requirements of motor-tricycle in the market | In progress  | Making major optimization of the diesel engine's structure and performance to meet the advanced level of similar products abroad as well as the requirements of the National Emission Standard IV for Three-wheelers.  | Diversifying the Company's products, further expanding the power market, and meeting non-emission regulatory requirements can bring about new growth points for the Company's benefits.   |
| Development of diesel engines for high-horsepower outboard engines  | Developing efficient, environmentally friendly and energy-saving outboard engines  | The development of high-horsepower outboard engine power platform has been completed | By applying high-performance technologies such as energy-saving, noise reduction, environmental protection, material saving, and longevity enhancement of diesel engines, energy savings has been achieved, meeting the emission requirements of the National Emission Standard IV for Non-road Vehicles, and meeting the application requirements of various small fishing machinery. | After the implementation of the project, the product has obvious advantages in power, safety, economy, and environmental protection, meeting the emission requirements of the National Emission Standard IV for Non-road Vehicles.                    |
| Development of D15 diesel outboard engine   | Developing more efficient, environmentally friendly and energy-saving diesel-powered prod  | Completed  | Conducting major design optimization of the engine structure and performance to improve the reliability, fuel consumption, emissions and other indicators of th  | After the implementation of the project, the product will meet the requirements of non-road China IV vehicle emission regulations and open up the   |

|  |   |           |  |   |
|--|---|-----------|--|---|
|  | ucts  |           | e product, so as to reach t<br>he advanced level of simil<br>ar foreign products.  | market of ship machiner<br>y.   |
| Development<br>of power a<br>nd assembly<br>for diesel<br>outboard en<br>gines       | Developing efficie<br>nt, environmentall<br>y-friendly and ene<br>rgy-saving power<br>and assembly for<br>diesel outboard en<br>gines   | Completed | Optimization design has be<br>en carried out on the struc<br>ture and performance of th<br>e engines, resulting in a si<br>gnificant leap in the reliabi<br>lity, fuel consumption, emi<br>ssions and other indicators<br>of the products, reaching<br>the advanced level of simil<br>ar foreign products, and m<br>eeting the emission require<br>ments of the National Emi<br>ssion Standard IV for Non<br>-road Vehicles. | After the implementation<br>of the project, the prod<br>ucts meet the emission r<br>equirements of National<br>Emission Standard IV for<br>Non-road Vehicles, and<br>have a wide range of ap<br>plication scenarios and br<br>oad market prospects.   |
| Development<br>of diesel-el<br>ectric hybrid<br>products                             | Developing efficie<br>nt and environmen<br>tally friendly dies<br>el-powered products   | Completed | Improving the emission ch<br>aracteristics and economic<br>characteristics of diesel-<br>electric hybrid diesel engines t<br>o enhance the energy effici<br>ency, endurance and reliabi<br>lity.   | After the implementation<br>of the project, the prod<br>uct meets the market de<br>mand and makes the goo<br>ds quality and logistics e<br>fficiency of the cold chai<br>n timely, safe and efficie<br>nt, providing a whole-pro<br>cedure temperature and q<br>uality management soluti<br>on. |
| Development<br>of V402 di<br>esel engines  | Developing light<br>multi-cylinder dies<br>el engines that ha<br>ve higher perform<br>ance and meet em<br>ission requirement<br>s   | Completed | The structure of diesel eng<br>ine components has been o<br>ptimized to improve produ<br>ct performance and reliabi<br>lity.   | After the implementation<br>of the project, the prod<br>ucts meet the emission r<br>equirements of the Natio<br>nal Emission Standard I<br>V for Non-road Vehicles,<br>and satisfy the machiner<br>y application requirement<br>s and market demand.  |
| Development<br>of light lo<br>w-emission<br>common-rail<br>series dies<br>el engines | Developing small-<br>bore and multi-cyl<br>inder diesels to m<br>eet the application<br>requirements of r<br>ice transplanters, p<br>lant protection spr<br>ay machines, tract<br>ors, small engine<br>ring machinery an<br>d gardening machi<br>nery | Completed | Optimize and upgrade the<br>product, increase engine po<br>wer, and meet the emission<br>requirements of the Natio<br>nal Emission Standard IV<br>for Non-road Vehicles.   | After the implementation<br>of the project, the upgr<br>aded diesel engines have<br>broad and good market<br>application prospects, as<br>well as a more competit<br>ive advantage in the mar<br>ket.   |

Details about R&D personnel:



|   | 2023  | 2022  | Change (%) |
|---|-------|-------|------------|
| Number of R&D personnel                 | 225   | 236   | -4.66%     |
| R&D personnel as % of total employees   | 8.74% | 8.89% | -0.15%     |
| Educational background of R&D personnel |       |       |            |
| Bachelor's degree                       | 96    | 101   | -4.95%     |
| Master's degree                         | 6     | 7     | -14.29%    |
| Age structure of R&D personnel          |       |       |            |
| Below 30                                | 31    | 25    | 24.00%     |
| 30~40                                   | 77    | 84    | -8.33%     |

Details about R&D investments:

|   | 2023          | 2022          | Change (%) |
|---|---------------|---------------|------------|
| R&D investments (RMB)                                     | 90,339,104.33 | 81,239,597.06 | 11.20%     |
| R&D investments as % of operating revenue                 | 4.19%         | 3.72%         | 0.47%      |
| Capitalized R&D investments (RMB)                         | 0.00          | 0.00          | —          |
| Capitalized R&D investments as % of total R&D investments | 0.00%         | 0.00%         | —          |

Reasons for any significant change in the composition of R&D personnel and the impact:

Applicable  Not applicable

Reasons for any significant YoY change in the percentage of R&D expense in operating revenue:

Applicable  Not applicable

Reasons for any sharp variation in the percentage of capitalized R&D expense and rationale:

Applicable  Not applicable

## 5. Cash Flows

Unit: RMB

| Item   | 2023             | 2022             | Change (%) |
|--|------------------|------------------|------------|
| Subtotal of cash generated from operating activities | 2,169,305,862.90 | 2,150,597,784.38 | 0.87%      |
| Subtotal of cash used in operating activities        | 2,032,116,035.55 | 1,785,667,506.54 | 13.80%     |
| Net cash generated from/used in operating activities | 137,189,827.35   | 364,930,277.84   | -62.41%    |
| Subtotal of cash generated from investing activities | 1,197,150,475.33 | 944,067,348.19   | 26.81%     |
| Subtotal of cash used in investing activities        | 1,044,165,754.31 | 1,082,020,854.62 | -3.50%     |
| Net cash generated from/used in investing activities | 152,984,721.02   | -137,953,506.43  | —          |
| Subtotal of cash generated from financing activities |                  | 135,437,700.65   | -100.00%   |
| Subtotal of cash used in financing activities        | 131,365,400.07   | 114,312,925.54   | 14.92%     |
| Net cash generated from/used in financing activities | -131,365,400.07  | 21,124,775.11    | —          |
| Net increase in cash and cash equivalents            | 161,278,557.41   | 247,948,744.46   | -34.95%    |

Explanation of why any of the data above varies significantly:

Applicable  Not applicable

The significant year-on-year change in net cash generated from/used in the company's increase in diesel engine reserve inventory and the increase in procurement funds paid to supplier during the reporting period.

The significant year-on-year change in net cash generated from/used in investing activities was primarily because the company compressed its wealth management scale, recovered some of its wealth management funds, and

received some land collection and storage funds from Changzhou Wuxing Branch.

The significant year-on-year change in net cash generated from/used in financing activities was primarily because bank acceptance notes with low credit levels were discounted in the prior period, with no comparable event in the current period.

Reason for any big difference between the net operating cash flow and the net profit for this Reporting Period

Applicable  Not applicable

The big difference between the net operating cash flow and the net profit for this Reporting Period was mainly because of the impact on the current income of the fair value changes of the financial assets held by the Company, the impact on the current profit or loss of the requisition of the state-owned land of the branch company in Wuxing, Changzhou, and the discounting of certain bank acceptance notes with high credit levels.

## V Analysis of Non-Core Businesses

Applicable  Not applicable

Unit: RMB

|                                       | Amount         | As % of gross profit | Source   | Recurrent or not |
|---------------------------------------|----------------|----------------------|--|------------------|
| Return on investment                  | 19,102,348.95  | 12.54%               | Dividends from stocks held, income from cash management, and the sale of shares held by wholly-owned subsidiary Horizon Investment in Guilin Stars Science and Technology Co., Ltd.,   | Yes              |
| Gains/losses on changes in fair value | 49,816,098.68  | 32.70%               | Increase in the fair value of the Company's interest in Jiangsu Horizon New Energy Technology Co., Ltd., as well as increased prices of the shares held by wholly-owned subsidiary Horizon Investment in Jiangsu Liance Electromechanical Technology Co., Ltd. and Kailong High Technology Co., Ltd. | No               |
| Asset impairment loss                 | -27,893,895.75 | -18.31%              | Inventory valuation loss   | No               |
| Non-operating income                  | 927,993.65     | 0.61%                | Compensation for trademark rights of subsidiary  | No               |
| Non-operating expense                 | 1,182,537.54   | 0.78%                | Loss on retirement of non-current assets   | No               |
| Asset disposal income                 | 105,702,551.01 | 69.39%               | Expropriation of the constructions on the state-owned land of the Changzhou Wuxing branch company in the Reporting Period  | No               |

## VI Analysis of Assets and Liabilities

### 1. Significant Changes in Asset Composition

Unit: RMB

|  | 31 December 2023 | 1 January 2023 | Change in | Reason for any |
|--|------------------|----------------|-----------|----------------|
|--|------------------|----------------|-----------|----------------|

|                          | Amount           | As % of total assets | Amount         | As % of total assets | percentage (%) | significant change   |
|--------------------------|------------------|----------------------|----------------|----------------------|----------------|--|
| Monetary assets          | 1,083,867,966.87 | 21.01%               | 930,013,350.97 | 17.82%               | 3.19%          | The strengthened collection of payments by customers, and the discounting of certain bank acceptance notes from customers in the Reporting Period.                                     |
| Accounts receivable      | 316,543,159.91   | 6.14%                | 370,322,179.77 | 7.10%                | -0.96%         |  |
| Inventories              | 789,220,185.68   | 15.30%               | 571,996,881.74 | 10.96%               | 4.34%          | During the Reporting Period, the Company adjusted its marketing strategy and increased the inventory of diesel engines.  |
| Investment property      | 39,837,558.11    | 0.77%                | 42,160,779.65  | 0.81%                | -0.04%         |  |
| Fixed assets             | 675,596,920.95   | 13.09%               | 720,061,387.76 | 13.80%               | -0.71%         |  |
| Construction in progress | 4,275,622.18     | 0.08%                | 30,281,547.56  | 0.58%                | -0.50%         | Wholly-owned subsidiary Changchai Machinery's lightweight engine and casting relocation project was transferred from construction in progress to fixed assets in the Reporting Period. |
| Short-term borrowings    | 0.00             | 0.00%                | 115,437,700.65 | 2.21%                | -2.21%         | Mainly due to the termination of recognition of all bank acceptance bills with lower credit ratings discounted in the early and reporting periods.                                     |
| Contract liabilities     | 33,352,877.66    | 0.65%                | 32,843,692.83  | 0.63%                | 0.02%          |  |

Indicate whether overseas assets take up a high percentage in total assets.

Applicable  Not applicable

## 2. Assets and Liabilities at Fair Value

Applicable  Not applicable

Unit: RMB

| Item   | Beginning amount | Gain/loss on fair-value changes in the Reporting Period | Cumulative fair-value changes charged to equity | Impairment allowance for the Reporting Period | Purchased in the Reporting Period | Sold in the Reporting Period | Other change | Ending amount    |
|--|------------------|---|---|---|-----------------------------------|------------------------------|--------------|------------------|
| Financial assets   |                  |   |   |   |                                   |                              |              |                  |
| 1. Held-for-trading financial assets (derivative financial assets exclusive) | 370,103,602.57   | 10,401,521.88   | 0.00  | 0.00  | 947,071,904.04                    | 1,109,608,816.74             | 0.00         | 225,641,429.94   |
| 4. Investment in other equity instruments                                    | 955,560,240.08   | 0.00  | 13,927,785.59                                   | 0.00  | 0.00                              | 0.00                         | 0.00         | 969,488,025.67   |
| Subtotal of financial assets   | 1,325,663,842.65 | 10,401,521.88   | 13,927,785.59                                   | 0.00  | 947,071,904.04                    | 1,109,608,816.74             | 0.00         | 1,195,129,455.61 |
| Other  | 412,809,587.93   | 39,414,576.80   | 0.00  | 0.00  | 0.00                              | 0.00                         | 0.00         | 453,688,086.55   |
| Total of above   | 1,738,473,430.58 | 49,816,098.68   | 13,927,785.59                                   | 0.00  | 947,071,904.04                    | 1,109,608,816.74             | 0.00         | 1,648,817,542.16 |
| Financial liabilities  | 0.00             |   |   |   |                                   |                              |              | 0.00             |

Contents of other change: N/A

Significant changes to the measurement attributes of the major assets in the Reporting Period:

Yes  No

## 3. Restricted Asset Rights as at the Period-End

Unit: RMB

| Item                                     | At the period-end |                 |   |  | At the period-begin |                 |   |  |
|--|-------------------|-----------------|---|--|---------------------|-----------------|---|--|
|  | Gross amount      | Carrying amount | Type of restriction                           | Reason for restriction   | Gross amount        | Carrying amount | Type of restriction                           | Reason for restriction   |
| Monetary assets-other monetary assets    | 76,238,443.41     | 76,238,443.41   | Security deposits                             | Security deposits associated with bank acceptance notes, environment, etc. | 95,662,384.92       | 95,662,384.92   | Security deposits                             | Security deposits associated with bank acceptance notes, environment, etc. |
| Fixed assets-buildings and constructions | 1,332,812.48      | 1,332,812.48    | As collateral                                 | As collateral for the issue of bank acceptance note                        | 1,530,890.90        | 1,530,890.90    | As collateral                                 | As collateral for bank loan  |
| Intangible assets-land use rights        | 847,162.28        | 847,162.28      | As collateral                                 | As collateral for the issue of bank acceptance note                        | 879,275.35          | 879,275.35      | As collateral                                 | As collateral for bank loan  |
| Fixed assets-plant and equipment         | 23,728,733.18     | 23,728,733.18   | As collateral                                 | As collateral for the issue of bank acceptance note                        | 31,222,420.22       | 31,222,420.22   | As collateral                                 | As collateral for bank loan  |
| Notes receivable-discounted undue notes  |                   |                 |   |  | 110,000,000.00      | 110,000,000.00  | Payment obligation of discounted undue notes  | Discounted at the period-end and undue at the balance sheet date           |
| Notes receivable-transferred undue notes | 55,979,832.64     | 55,979,832.64   | Payment obligation of transferred undue notes | Endorsed at the period-end and undue at the                                | 66,395,231.83       | 66,395,231.83   | Payment obligation of transferred undue notes | Endorsed at the period-end and undue at the                                |

|       |                |                |  |                       |                |                |  |                       |
|-------|----------------|----------------|--|-----------------------|----------------|----------------|--|-----------------------|
|       |                |                |  | balance<br>sheet date |                |                |  | balance<br>sheet date |
| Total | 158,126,983.99 | 158,126,983.99 |  |                       | 305,690,203.22 | 305,690,203.22 |  |                       |

## VII Investments Made

### 1. Total Investment Amount

Applicable  Not applicable

| Investments made in Reporting Period (RMB) | Investments made in same period of last year (RMB) | +/-%    |
|--|--|---------|
| 7,170,000.00                               | 108,520,800.00                                     | -93.39% |

### 2. Major Equity Investments Made in the Reporting Period

Applicable  Not applicable

### 3. Major Non-Equity Investments Ongoing in the Reporting Period

Applicable  Not applicable

### 4. Financial Investments

#### (1) Securities Investments

Applicable  Not applicable

Unit: RMB

| Variety of security    | Code of security | Name of security | Initial investment cost | Accounting measurement method | Beginning carrying amount | Gain/loss on fair value changes in the Reporting Period | Accumulated fair value changes recorded in equity | Purchased in the Reporting Period | Sold in the Reporting Period | Gain/loss in the Reporting Period | Ending carrying amount | Accounting title           | Funding source |
|------------------------|------------------|------------------|-------------------------|-------------------------------|---------------------------|---|---|-----------------------------------|------------------------------|-----------------------------------|------------------------|----------------------------|----------------|
| Domestic/foreign stock | 600166           | Foton Motor      | 41,784,000.00           | Fair value method             | 406,045,000.00            | 0.00  | 352,701,000.00                                    | 0.00                              | 0.00                         | 0.00                              | 394,485,000.00         | Investment in other equity | Self-funded    |

|                            |        |                              |                |                   |                |               |                |      |              |               |                |  |             |
|----------------------------|--------|------------------------------|----------------|-------------------|----------------|---------------|----------------|------|--------------|---------------|----------------|--|-------------|
|                            |        |                              |                |                   |                |               |                |      |              |               |                | ty in<br>stru<br>ment<br>s             |             |
| Domestic/<br>foreign stock | 600919 | Bank of Jiangsu              | 42,786,000.00  | Fair value method | 170,586,000.00 | 0.00          | 113,760,000.00 | 0.00 | 0.00         | 11,482,380.00 | 156,546,000.00 | Investment in other equity instruments | Self-funded |
| Domestic/<br>foreign stock | 300912 | Kailong High Technology      | 20,001,268.00  | Fair value method | 13,592,411.00  | 4,527,450.00  | 0.00           | 0.00 | 0.00         | 4,527,450.00  | 18,119,861.00  | Held-for-trading financial assets      | Self-funded |
| Domestic/<br>foreign stock | 688113 | Liance Technology            | 7,200,000.00   | Fair value method | 60,062,400.00  | 6,811,200.00  | 0.00           | 0.00 | 0.00         | 6,702,140.38  | 66,873,600.00  | Held-for-trading financial assets      | Self-funded |
| Domestic/<br>foreign stock | 605368 | Lantian Gas                  | 160,744.76     | Fair value method | 247,000.00     | 54,560.00     | 0.00           | 0.00 | 0.00         | 69,683.02     | 301,560.00     | Held-for-trading financial assets      | Self-funded |
| Domestic/<br>foreign stock | 832885 | Stars Science and Technology | 3,600,000.00   | Fair value method | 4,837,500.00   | -1,237,500.00 | 0.00           | 0.00 | 7,385,857.60 | 2,627,796.19  | 0.00           | Held-for-trading financial assets      | Self-funded |
| Total                      |        |                              | 115,532,012.76 | --                | 655,370,311.00 | 10,155,710.00 | 466,461,000.00 | 0.00 | 7,385,857.60 | 25,409,449.59 | 636,326,021.00 | --                                     | --          |

## (2) Investments in Derivative Financial Instruments

Applicable  Not applicable

No such cases in the Reporting Period.

## 5. Use of Raised Funds

√ Applicable □ Not applicable

### (1) Overall Use of Raised Funds

√ Applicable □ Not applicable

Unit: RMB'0,000

| Year for fund-raising | Method of fund-raising | Total raised funds | Net proceeds | Total raised funds that have been used in the current period | Total raised funds that have been used accumulatively | Total raised funds with altered purposes during the Reporting Period | Total accumulative raised funds with altered purposes | Proportion of total accumulative raised funds with altered purposes | Total raised funds that have not been used yet | Use and ownership change of unused raised funds | Raised funds that have been left unused for over two years |
|-----------------------|------------------------|--------------------|--------------|--|---|--|---|---|--|---|--|
| 2021                  | Non-public offering    | 63,500.00          | 62,066.57    | 23,960.95  | 57,138.48   | 0  | 0   | 0.00%   | 0  | N/A   | 0  |
| Total                 | --                     | 63,500.00          | 62,066.57    | 23,960.95  | 57,138.48   | 0  | 0   | 0.00%   | 0  | --  | 0  |

#### Explanation of the overall use of raised funds

On 17 December 2020, the Company received the Reply Concerning the Approval of the Non-public Offering of Shares of Changchai Co., Ltd. (CSRC Permit [2020] No. 3374) from the China Securities Regulatory Commission, which approved the non-public offering of up to 168,412,297 shares of the Company. On June 11, 2021, the subscribers of this non-public offering have fully remitted the subscription funds to the bank account designated by the sponsor institution, and the total amount of funds raised was RMB634,999,996.40. After the capital verification by Gongzheng Tianye Accounting Firm (Special General Partnership), the Capital Verification Report of the Funds Raised by the Non-public Issuance of Changchai Co., Ltd. (S.G.W [2021] B061) was issued. With the issuance expenses deducted, the actual net funds raised were RMB620,665,733.97. On June 15, 2021, the aforementioned raised funds were remitted to the special account set up by the Company for raised funds from the non-public offering of shares. After the capital verification by Gongzheng Tianye Accounting Firm (Special General Partnership), the Capital Verification Report of the Funds Raised by the Non-public Issuance of Changchai Co., Ltd. (S.G.W [2021] B062) was issued. The raised funds have all been deposited in the special account for the raised funds and a tripartite supervision agreement has been signed with the sponsor institution and the account opening bank for the funds raised. There is no material difference between the tripartite supervision agreement and the model tripartite supervision agreement of Shenzhen Stock



Exchange, and the Company strictly complies with it when using the raised funds.

As at 31 December 2023, the Company had used a total of RMB571,384,800 in raised funds. The proposed raised funds (including interest in the special account for raised funds and net income from wealth management) for the Private Placement Raised Funds Investment Project of Relocation of Light Engines and Casting were fully utilized as planned; the R&D projects for innovation capacity building realized the planned R&D goals and achieved corresponding R&D results. The Company completed the innovation capacity building project for the fundraising project and will permanently supplement the surplus raised funds of RMB60,242,000 to working capital for routine production and operation activities. This project was approved at the third extraordinary general meeting in 2023. The special account for raised funds was cancelled and will no longer be used. The relevant raised funds supervision agreements signed between the Company and the sponsors, as well as the commercial banks that deposit the raised funds, will be terminated accordingly. For details, please refer to the Announcement on the Use of Surplus Raised Funds and Cancellation of Special Account for Raised Funds for the Private Placement Raised Funds Investment Project of Relocation of Light Engines (Announcement No: 2023-060), the Announcement on the Completion of the Project of Innovation Capacity Building of the Technology Centre in Private Placement Raised Funds Investment Project and Permanent Supplement of Surplus Raised Funds to Working Capital (Announcement No.: 2023-068), and the Announcement on Resolutions of the Third Extraordinary General Meeting in 2023 (Announcement No.: 2023-072), which were disclosed on the <http://www.cninfo.com.cn>.

## (2) Committed Projects of Raised Funds

√ Applicable □ Not applicable

Unit: RMB'0,000

| Committed investment projects and investment of excessive raised funds | Whether projects have been altered (including partial alternation) | Total committed investment with raised funds | Adjusted total investment amount (1) | The investment amount during the Reporting Period | Accumulative investment amount as of the end of the Reporting Period (2) | Investment progress as of the end of the Reporting Period (3) = (2)/(1) | Date when the projects are ready for their intended use | Benefits recorded during the Reporting Period | Whether the estimated benefits are reached | Whether there are material changes in the project feasibility |
|--|--|--|--------------------------------------|---|--|---|---|---|--|---|
| Committed investment projects  |  |  |                                      |   |  |   |   |   |  |   |
| Relocation project of light engines and casting                        | No   | 54,766.71                                    | 54,766.71                            | 23,376.88   | 55,795.20  | 101.88%   | May 2022  | -6,000.61                                     | No   | No  |
| Innovation capacity building project of the                            | No   | 8,733.29                                     | 7,299.86                             | 584.08  | 1,343.28   | 18.40%  | December 2023   | 0.00  | Not applicable                             | No  |

|  |  |        |           |           |           |    |    |           |    |    |
|--|--|--------|-----------|-----------|-----------|----|----|-----------|----|----|
| technical center   |  |        |           |           |           |    |    |           |    |    |
| Subtotal of committed investment projects  | --   | 63,500 | 62,066.57 | 23,960.96 | 57,138.48 | -- | -- | -6,000.61 | -- | -- |
| Investment of excessive raised funds   |  |        |           |           |           |    |    |           |    |    |
| Not applicable   |  |        |           |           |           |    |    |           |    |    |
| Total  | --   | 63,500 | 62,066.57 | 23,960.96 | 57,138.48 | -- | -- | -6,000.61 | -- | -- |
| Explain project by project why a project failed to meet the schedule or expected returns (including reason for inputting “N/A” for “Whether the estimated benefits are reached”) | The reason why the project of relocation of light engines and casting failed to achieve benefits during this Reporting Period: The project consisted of multiple production lines such as casting and single-cylinder engine assembly, with the main customer being the parent company. Due to market conditions, there was a certain degree of reduction in internal and external orders for the casting business, and the project's main source of profit, the single-cylinder engine business, was not fully transferred from the parent company to the project until the end of 2023, resulting in the project falling short of its expected benefits. |        |           |           |           |    |    |           |    |    |
| Explanations of the material changes in the project feasibility  | Not applicable   |        |           |           |           |    |    |           |    |    |
| Amount, use, and use progress of excessive raised funds  | Not applicable   |        |           |           |           |    |    |           |    |    |
| Implementation of location changes in the investment projects with the raised funds  | Applicable   |        |           |           |           |    |    |           |    |    |
|  | Occurred in the prior year   |        |           |           |           |    |    |           |    |    |
|  | The Proposal on Adding Implementation Location to the Private Placement Raised Funds Investment Project of Innovation Capacity Building of the Technical Centre was approved at the 13th Meeting of the 9th Board of Directors and the 12th Meeting of the 9th Supervisory Committee of the Company on 22 August 2022. The Company decided to add the sites of certain branches of the Company as the parent and wholly-owned subsidiary Changchai Machinery as locations to place the R&D equipment and implement the R&D project. This change will not re-purpose the raised funds and will help carry forward the technical innovation project.         |        |           |           |           |    |    |           |    |    |
| Implementation of method adjustments to the investment projects with the raised funds  | Not applicable   |        |           |           |           |    |    |           |    |    |

|   |  |
|---|--|
| Early investment and placement concerning the investment projects with the raised funds | <p>Applicable</p> <p>Prior to the availability of the raised funds, in order to ensure the smooth implementation of the investment projects with raised funds, the Company used its own funds to invest in part of the investment projects with raised funds and paid part of the issuance expenses. As of 17 June 2021, the cumulative amount of the Company's self-financing funds pre-invested in the investment projects with raised funds was RMB181,803,327.94, the amount of issuance expenses advanced was RMB2,358,490.56, totaling RMB184,161,818.50, and the proposed replacement amount was RMB184,161,818.50. The capitals were verified by the Gongzheng Tianye Accounting Firm (Special General Partnership), and the Verification Report on the Pre-investment of Self-financing Funds into the Investment Project with Raised Funds and the Payment of Issuance Expenses by Self-financing Funds of Changchai Co., Ltd. (S.G.W [2021] E1347) was issued on 25 June 2021. On 28 June 2021, the Third Interim Meeting of the Board of Directors of the Company in 2021 deliberated and approved the Proposal on Replacing the Funds Pre-invested in the Project and Advanced Issuance Expenses with the Raised Funds, agreeing to use the raised funds from the non-public offering of shares to replace the self-financing funds totaling RMB184,161,818.50 that had been pre-invested in the project prior to the availability of the raised funds. In addition, Xingye Securities Co., Ltd. and Donghai Securities Co., Ltd. issued a verification opinion on the use of raised funds to replace self-financing funds that had been invested in advance in the projects with raised funds. For details, see the Announcement on the Use of Raised Funds to Replace Pre-invested Project Funds and Advanced Issue Expenses (Announcement No. 2021-036) published on Cninfo (<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>) on 30 June 2021.</p> |
| Temporary replenishment of working capital with the idle raised funds                   | Not applicable   |
| Surplus raised funds for project implementation and reasons for the surplus             | <p>Applicable</p> <p>On 14 November 2023, the Third Interim Meeting of the Board of Directors of the Company in 2023 deliberated and approved the Proposal on the Completion of the Project of Innovation Capacity Building of the Technology Centre in Private Placement Raised Funds Investment Project and Permanent Supplement of Surplus Raised Funds to Working Capital, agreeing to close the "Project of Innovation Capacity Building of the Technology Centre" in the Company's Private Placement Raised Funds Investment Project and permanently supplement the surplus raised funds with working capital of RMB60,236,300 (actual data is subject to bank settlement amount). As at 31 December 2023, the Company had transferred all the above-mentioned surplus funds to its own fund account, with an actual amount of RMB60,242,041.74 supplemented to working capital.</p> <p>The main reasons for the surplus of raised funds: 1. During the implementation of innovation capacity building project, the Company strictly followed the relevant regulations on the use of raised funds, scientifically and prudently used the raised funds, adhered to the principles of saving funds and improving asset utilization rate, and integrated existing equipment and other resources while ensuring project progress, and</p>  |

|  |  |
|--|--|
|  | used technological innovation to complete part of the research and development process, saving some financial expenses. 2. In order to improve the using efficiency of raised funds, the Company obtained certain investment returns by using some idle raised funds for cash management, while ensuring that it did not affect the building of fundraising projects and the safety of raised funds. Meanwhile, a certain amount of deposit interest income was generated during the deposit period of the raised funds.   |
| Use and ownership change of unused raised funds                    | As of December 31, 2023, all funds raised for the relocation project of the company's non-public offering fundraising project have been fully utilized, and the innovation capacity construction project of the non-public offering fundraising project has been completed. The quality assurance deposit and final payment to be paid after the completion of the innovation capacity construction project are 2.49 million yuan.   |
| Problems in the use of raised funds and disclosure, or other cases | <p>On 13 July 2021, the Fourth Interim Meeting of the Board of Directors of the Company in 2021 deliberated and approved the Proposal on Changing the Implementation Entity of Some Investment Projects with Raised Funds, agreeing to change the implementation entity of the Company's investment projects with funds raised through non-public offering of shares, the "relocation project of light engines and casting", from Changchai Machinery, a wholly-owned subsidiary of the Company, to the parent company of Changchai Co., Ltd. The matter did not change the use and implementation of the funds raised and was not a significant change in the investment projects with raised funds.</p> <p>The Proposal on Adding Implementation Entity to the Private Placement Raised Funds Investment Project of Relocation of Light Engines and Casting was approved at the 13<sup>th</sup> Meeting of the 9<sup>th</sup> Board of Directors and the 12<sup>th</sup> Meeting of the 9<sup>th</sup> Supervisory Committee of the Company on 22 August 2022. As such, the Company added Changchai Machinery as another operating entity with the Company as the parent to jointly operate the relocation project for better operational flexibility and stronger market competitiveness.</p> |

### (3) Altered Projects of Raised Funds

Applicable  Not applicable

No such cases in the Reporting Period.

## VIII Sale of Major Assets and Equity Interests

### 1. Sale of Major Assets

Applicable  Not applicable

No such cases in the Reporting Period.

### 2. Sale of Major Equity Interests

Applicable  Not applicable

## IX Major Subsidiaries

√ Applicable □ Not applicable

Major fully/majority-owned subsidiaries and those minority-owned subsidiaries with an over 10% effect on the Company's net profit:

Unit: RMB

| Name                             | Relationship with the Company | Principal activity                                       | Registered capital | Total assets   | Net assets     | Operating revenue | Operating profit | Net profit     |
|----------------------------------|-------------------------------|--|--------------------|----------------|----------------|-------------------|------------------|----------------|
| Changchai Benniu                 | Subsidiary                    | Production of diesel engine accessories                  | 55,063,000.00      | 147,378,887.22 | 76,927,100.64  | 220,119,687.04    | -2,783,191.08    | -3,123,281.26  |
| Changchai Wanzhou                | Subsidiary                    | Diesel engine assembly                                   | 85,000,000.00      | 63,531,353.62  | 49,947,198.85  | 43,364,246.66     | 1,258,490.11     | 261,794.64     |
| Horizon Investment               | Subsidiary                    | External investment and consulting                       | 40,000,000.00      | 108,778,481.44 | 91,623,437.75  | 0.00              | 14,145,897.62    | 10,692,336.36  |
| Horizon Agricultural Equipment   | Subsidiary                    | Agricultural machinery product of rice transplanter etc. | 10,000,000.00      | 2,946,402.96   | -16,003,077.63 | 5,762,363.85      | -1,022,929.03    | -948,611.03    |
| Changchai Robin                  | Subsidiary                    | Gasoline engines assembly                                | 37,250,000.00      | 118,648,070.60 | 98,943,419.34  | 153,677,944.53    | 13,465,568.83    | 12,559,610.52  |
| Changchai Machinery              | Subsidiary                    | Internal combustion engine and related accessories       | 300,000,000.00     | 710,909,795.88 | 217,446,076.75 | 135,924,117.06    | -57,540,287.98   | -60,006,143.72 |
| Xingsheng Real Estate Management | Subsidiary                    | Real estate management service                           | 1,000,000.00       | 3,263,927.91   | 1,459,102.03   | 4,721,964.91      | 891,596.10       | 899,883.99     |

|                  |            |   |              |                |               |               |               |               |
|------------------|------------|---|--------------|----------------|---------------|---------------|---------------|---------------|
| Zhenjiang Siyang | Subsidiary | Manufacturing and marketing of diesel engines for ships | 2,000,000.00 | 119,143,292.70 | 98,847,855.74 | 66,935,156.33 | 12,868,234.45 | 10,487,801.85 |
|------------------|------------|---|--------------|----------------|---------------|---------------|---------------|---------------|

Subsidiaries obtained or disposed of in the Reporting Period:

Applicable  Not applicable

Other information about principal subsidiaries and joint stock companies:

In December 2023, the Company acquired 7.5% equity interests in Zhenjiang Siyang held by three natural person shareholders, and now the Company holds a total of 49% equity interests in Zhenjiang Siyang, making it the largest shareholder. Other shareholders are dispersed. The Company appointed four out of the seven members of Zhenjiang Siyang's Board of Directors, including the Chairman. Therefore, the Company is the actual controller of Zhenjiang Siyang, which constitutes the conditions for the consolidation.

## X Structured Bodies Controlled by the Company

Applicable  Not applicable

## XI Prospects

### 1. Development strategy of the Company

The Company's development strategy is to base on farm machinery, become stronger in the engine business, explore more markets and develop in a scientific way.

The state's policies on comprehensively promoting rural revitalization and accelerating to build China into an agricultural power will bring about significant and positive impacts for the industry. The Company will make full use of the policy-based dividend of strong national support for agricultural production and development of agricultural machinery and continue to promote innovative development, talent recruitment, quality improvement, brand building, and capital boost to accelerate the technological upgrade of traditional power products, expand new markets in new fields, and also to achieve diversified development of the industry. The Company's main development directions are as follows:

#### (1) Accelerating technological upgrading and area expansion of existing advantageous products

First, the Company will prioritize the optimization and enhancement of its core products. It will further refine products to comply with the National Emission Standard IV for Non-road Vehicles based on market feedback, thereby bolstering competitiveness within existing application domains. Through production and manufacturing, supply chain management, and service capacity building, the Company will comprehensively improve the quality level and service skills for the products of the National Emission Standard IV for Non-road Vehicles, so as to meet the market demand for product efficiency, emission reduction, and reliability.

Second, the Company will focus on value extension and develop high-end products.

1) The Company will continuously promote the optimization of generator set products and network layout, move towards high-end and professional development in segmented fields, develop high-end industrial chains, and expand the application of generator sets in markets such as special vehicles, unmanned aerial vehicle defence,

parking, and communication.

2) Based on the electronic, networked and intelligent characteristics of the development of agricultural machinery products, the Company will promote the application of advanced technologies such as the Internet, big data, artificial intelligence and new materials to product development, further improve the diesel engines' functions of intelligent control, real-time monitoring and big data collection and analysis, accelerate the R&D of intelligent terminals and hybrid power, and raise the added value of products to better meet user demands.

Third, existing advantageous products will be developed in the terminal direction. The Company's main products are small and medium-power diesel engines and general gasoline engines. The market of supporting facilities is mainly distributed in non-road fields such as agricultural machinery, plant protection machinery, engineering machinery, and marine machinery. The Company is increasing its research and development efforts in terminal-side fields such as generator sets, outboard engines, cold chains, fishing boats, and iron towers, and increasing its market development efforts. Through its subsidiary Zhenjiang Siyang, the Company will continue to improve its business structure and strengthen cooperation in the field of marine machinery, to promote long-term development. At the same time, the research and development project of the outboard engines in the project of innovation capacity building of the technology centre in the private placement raised funds investment project has been successfully completed, and the development of the outboard engine power platform for the 10-20 horsepower, 30-60 horsepower, and 70-90 horsepower (80 horsepower) has been completed in steps. Some products have passed the CCS certification of China Classification Society, the EU RCD certification, and MED certification. For the low-power outboard engine, market validation has been completed and a sales system for domestic and international markets has been established. For the high-power diesel engines for outboard engines, the installation and performance debugging of the entire machine have been completed, and reliability tests have been conducted. The Company fully utilizes the capital platform of listed companies, and accelerates the extension of the industrial chain through joint ventures and mergers and acquisitions, to build new competitive advantages.

(2) Promoting industrial transformation and development in the direction of combination with new energy

With the rapid development of new energy technology, traditional power has been impacted in some fields, posing a threat of industrial substitution for the development of new energy. However, the development opportunities of traditional power still exist for a long time. The Company leverages its advantages in light power, expands new energy products, and promotes the research and development of hybrid power projects. The research and development project for the oil-electric hybrid platform in the project of innovation capacity building of technology centre in the private placement raised funds investment project has been completed. The product prototype of the project has been built, meeting the adaptive charging function with a maximum power of 15 kW, and achieving certain research and development results. Jiangsu Horizon New Energy Technology Co., Ltd., in which the Company invests, is mainly engaged in lithium battery wet-processed separator project products with a good development momentum. In the future, the Company will continue to increase its exploration efforts in new power and energy fields such as hydrogen fuel and hybrid power, and strengthen cooperation and penetration with relevant green industries, to promote the expansion of enterprises into new fields.

2. Operation plan for the year 2024

The Company will consolidate the traditional market of agricultural machinery, explore the emerging area of power, raise quality to create fine products with core technologies, highlight efficiency by integrating resources, stimulate vitality by deepening reform, and leverage capital to promote development. In 2024, sales revenue is expected to be RMB2.3 billion, with revenue of USD58 million through export.

The above operation plan does not represent the profit forecast of Y2024 by the listed company, and whether can be realized depends on various factors on the changes of market conditions and the effort level of the management

team. There is a lot of uncertainty, and investors should pay special attention on it.

### 3. Possible future risks and countermeasures of the Company

#### (1) Market risk

With the upgrading of emission standards in the non-road field and the advancement of market demand, competition in the existing market has intensified, and industry concentration has increased. Currently, the industry has entered a period of in-depth adjustments led by optimization and upgrading, and most enterprises have continuously strengthened product development and optimization, and increased market maintenance and development efforts in response to market demand. Meanwhile, the products for the National Emission Standard IV for Non-road Vehicles have fully entered the market, further intensifying industry competition.

Countermeasures: First, the Company will keep up with market trends, strengthen product performance optimization, quality improvement, and supply guarantee to meet market demand. Second, the Company will stabilize the traditional application field, further break through in advantageous fields, and extend product lines, expanding the application of products in the high-end industrial chain market. Third, the Company will enhance innovation awareness, actively promote the application of advanced technologies such as the Internet, big data, artificial intelligence and new materials, further improve the intelligence and specialization of products, and accelerate the research and development of intelligent terminals and hybrid power, to build new competitive advantages.

#### (2) Industrial risk

In recent years, influenced by the development of new energy application technology and relevant policy incentives, various enterprises have accelerated their research, application, and market application in the field of new energy power, so the market share of application fields related to diesel engines has been affected to a certain extent. At present, new energy power still faces challenges such as high costs and complex operating environments in the field of agricultural machinery. However, with the continuous breakthrough of new energy technology, some application scenarios of non-road diesel engines may be replaced by new energy power.

Countermeasures: First, the Company will accelerate the optimization and upgrading of product performance, develop efficient and environmentally-friendly products, and comply with national energy conservation and emission reduction policies, to enhance product competitiveness. Second, the Company will accelerate the research and analysis of new energy power and expand new energy hybrid products, to prepare for sustainable development.

#### (3) Foreign trade risk

In recent years, the international situation has become increasingly turbulent, and the global political and economic environment has become increasingly complex, causing varying degrees of impact on foreign trade policies of various countries. If there are significant changes in the political stability and foreign trade policies of foreign markets, it will have a significant impact on product export sales.

Countermeasures: First, the Company will promote close collaboration among relevant departments, and enhance overall foreign trade efficiency through complementary resources, information, and products. Second, the Company will innovate and transform the technological route in combination with overseas market demand, and promote more high-performance products to overseas markets. Third, the Company will accelerate the implementation in the training of overseas service personnel, service capacity building, overseas commissioned station construction, and the supporting enterprise overseas market channels, so as to establish a complete sales service network in the export market.

#### (4) Foreign exchange risk

In recent years, the challenges and uncertainties in the international political and economic environment have increased, leading to an increase in exchange rate fluctuation factors. The Company's products are exported



overseas, and exchange rate fluctuations may have adverse effects on the sales of the Company's products.

Countermeasures: First, the Company will closely monitor exchange rate fluctuations, choose appropriate currencies for pricing and settlement, and hedge against risks through hedging and other measures. Second, the Company will reduce risks by changing payment methods and purchasing export credit insurance. Third, the Company will adjust product prices and payment terms in a timely manner in response to fluctuations in exchange rates and material prices. Fourth, the Company will enhance the competitiveness of products and services to cope with exchange rate fluctuations, to reduce the impact of exchange rate fluctuations on the Company's product sales.

#### (5) Risk of fluctuations in raw material prices

The market prices of raw materials often fluctuate, influenced by factors such as macroeconomic environment, production capacity, and changes in demand. The price fluctuations of raw materials such as steel and pig iron will bring pressure to the Company's manufacturing costs and have a certain impact on the Company's profits.

Countermeasures: The Company will optimize the supply system and strengthen supply chain management through measures such as technological improvement and strengthening cost management; the Company will timely track market trends and strengthen inventory management, to alleviate the adverse effects of raw material price fluctuations on the Company.

#### (6) Talent risk

Talent is one of the key factors for the development of the Company. The Company needs talent to help improve operational efficiency and accelerate its development and building. If the Company's remuneration policies and talent incentive and constraint policies are inadequate, it will lead to a shortage of high-end leading management and technical talents, and a shortage of reserve talents, which will affect research and innovation capabilities and core competitiveness.

Countermeasures: First, based on the Company's development plan and actual needs of business management, the Company will continuously improve the talent introduction mechanism and talent cultivation system, optimize personnel structure, and comprehensively enhance the overall quality of the employee team. Second, the Company will continuously improve the professional abilities of employees through systematic training and other measures based on business development needs. Third, the Company will improve talent incentive methods and performance appraisal systems, to comprehensively enhance the contribution rate of human resources.

## XII Communications with the Investment Community such as Researches, Inquiries and Interviews during the Reporting Period

√ Applicable □ Not applicable

| Date of visit | Place of visit | Way of visit    | Type of visitor | Visitor                  | Contents and materials provided  | Index to main inquiry information   |
|---------------|----------------|-----------------|-----------------|--------------------------|--|---|
| 20 April 2023 | Online meeting | Online exchange | Other           | Investors and the public | The Company's production and operation, development and construction, investment and wealth management, etc. | Information on 000570 Changchai's Results Presentation and Roadshow on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> dated 20 April 2023 |

### **XIII Implementation of the “Quality and Earnings Dual Improvement” Action Plan**

Indicate whether the Company has disclosed the “Quality and Earnings Dual Improvement” Action Plan.

Yes  No

## Part IV Corporate Governance

### I General Information of Corporate Governance

In the Reporting Period, the Company was strictly in line with laws, statutes such as Company Law, Securities Laws, Code of Corporate Governance of Listed Companies, Guide Opinion on Establishment of Independent Director System by Listed Companies and Guidelines on Internal Controls of Listed Companies and so on, continuously perfected corporate governance, established and accomplished internal management and control system, consistently and deeply put forward corporate governance activities, so as to further normalized operation of the Company, raising corporate governance level, laying a guard for steady and healthy development of the Company, protect legal rights and interests of the Company and all shareholders.

The Company promulgated or revised a series of internal control system through all aspects of normal operation and management activities in accordance with each national laws and regulations, characteristics of the industry, operation and self-managing business, and improved it continuously, and finally formed a normative management system. And formulated a series of management system, process and standard covered each operation link and level of the financial assets control, human resources management, quality environment management and internal audit supervisor etc., which ensured all the work had rules to follow.

Indicate by tick mark whether there is any material incompliance with the applicable laws, administrative regulations and regulations issued by the CSRC governing the governance of listed companies.

Yes  No

No such cases in the Reporting Period.

### II The Company's Independence from Its Controlling Shareholder and Actual Controller in Asset, Personnel, Financial Affairs, Organization and Business

The Company was independent from the controlling shareholder Changzhou Investment Group Co., Ltd in terms of assets, business, personnel, organization and financing, with independent & complete business and capability to operate independently.

1. Assets: The property rights relationship between the Company and the controlling shareholder is clear, assets are clearly defined, and there are no funds, assets and other resources being occupied or used without compensation between them.

2. Personnel: The Company and the controlling shareholder are independent of each other in terms of labor, personnel and salary management, and each has an independent management organization, a sound management policy, and an independent personnel appraisal and assessment system.

3. Finance: The Company has set up a special finance department, established an independent accounting system and financial management policy, opened an independent bank account, and implemented independent accounting and independent tax payments. There is no interference in the financial activities of the Company by the controlling shareholder.

4. Institution: The Company has a complete and independent corporate governance structure and has established a sound organizational system that meets its own production and operation needs, which operates independently and well, and there is no subordinate relationship with the functional departments of the controlling shareholder.

5. Business: The Company has an independent and complete business system with independent and autonomous production and operational capability. The Company conducts related transactions reasonably on the principle of independence.

### III Horizontal Competition

Applicable  Not applicable

## IV Annual and Special General Meetings Convened during the Reporting Period

### 1. General Meeting Convened during the Reporting Period

| Meeting   | Type                          | Investor participation ratio | Date of the meeting | Disclosure date  | Resolution  |
|---|-------------------------------|------------------------------|---------------------|------------------|---|
| The 2022 Annual General Meeting                           | Annual General Meeting        | 32.52%                       | 18 May 2023         | 19 May 2023      | All proposals were approved. See Announcement No. 2023-020 on Resolutions of the 2022 Annual General Meeting.                           |
| The 1 <sup>st</sup> Extraordinary General Meeting of 2023 | Extraordinary General Meeting | 32.33%                       | 12 June 2023        | 13 June 2023     | All proposals were approved. See Announcement No. 2023-035 on Resolutions of the 1 <sup>st</sup> Extraordinary General Meeting of 2023. |
| The 2 <sup>nd</sup> Extraordinary General Meeting of 2023 | Extraordinary General Meeting | 32.33%                       | 10 August 2023      | 11 August 2023   | All proposals were approved. See Announcement No. 2023-054 on Resolutions of the 2 <sup>nd</sup> Extraordinary General Meeting of 2023. |
| The 3 <sup>rd</sup> Extraordinary General Meeting of 2023 | Extraordinary General Meeting | 32.29%                       | 14 November 2023    | 15 November 2023 | All proposals were approved. See Announcement No. 2023-072 on Resolutions of the 3 <sup>rd</sup> Extraordinary General Meeting of 2023. |

### 2. Special General Meetings Convened at the Request of Preferred Shareholders with Resumed Voting Rights

Applicable  Not applicable

## V Directors, Supervisors and Senior Management

### 1. General Information

| Name | Gender | Age | Office title | Incumbent/Former | Start of tenure | End of tenure | Ending shareholding (share) |
|------|--------|-----|--------------|------------------|-----------------|---------------|-----------------------------|
| Li   | Male   | 42  | Chairman of  | Incumbent        | 12 June 2023    | Ongoing       | 0                           |

|               |        |    |                                       |           |                  |         |   |
|---------------|--------|----|---------------------------------------|-----------|------------------|---------|---|
| Desen         |        |    | the Board                             |           |                  |         |   |
| Zhang Xin     | Male   | 57 | Vice Chairman of the Board            | Incumbent | 12 June 2023     | Ongoing | 0 |
| Xie Guozhong  | Male   | 54 | Director                              | Incumbent | 12 June 2023     | Ongoing | 0 |
|               |        |    | General Manager                       |           |                  |         |   |
| Tan Jie       | Female | 44 | Director                              | Incumbent | 12 June 2023     | Ongoing | 0 |
| Jiang He      | Male   | 51 | Director                              | Incumbent | 16 April 2020    | Ongoing | 0 |
|               |        |    | Chief Accountant                      |           |                  |         |   |
| Yang Feng     | Male   | 51 | Director                              | Incumbent | 16 April 2020    | Ongoing | 0 |
| Wang Mancong  | Male   | 60 | Independent director                  | Incumbent | 16 April 2020    | Ongoing | 0 |
| Zhang Yan     | Female | 53 | Independent director                  | Incumbent | 16 April 2020    | Ongoing | 0 |
| Jia Bin       | Male   | 45 | Independent director                  | Incumbent | 12 June 2023     | Ongoing | 0 |
| Ni Mingliang  | Male   | 56 | Chairman of the Supervisory Committee | Incumbent | 12 June 2023     | Ongoing | 0 |
| Shi Xingyu    | Female | 43 | Supervisor                            | Incumbent | 12 June 2023     | Ongoing | 0 |
| Lu Zhonggui   | Male   | 56 | Supervisor                            | Incumbent | 18 October 2016  | Ongoing | 0 |
| Liu Yi        | Male   | 54 | Supervisor                            | Incumbent | 18 October 2016  | Ongoing | 0 |
| Lin Wei       | Male   | 41 | Supervisor                            | Incumbent | 12 June 2023     | Ongoing | 0 |
| Sun Jianzhong | Male   | 51 | Vice-general Manager                  | Incumbent | 16 April 2020    | Ongoing | 0 |
| He Jianjiang  | Male   | 44 | Vice-general Manager                  | Incumbent | 13 December 2021 | Ongoing | 0 |
|               |        |    | Secretary of the Board                |           | 18 October 2016  |         |   |
| Wang Jing     | Male   | 36 | Vice-general Manager                  | Incumbent | 12 June 2023     | Ongoing | 0 |
| Wang Weifen   | Male   | 52 | Chief Engineer                        | Incumbent | 12 June 2023     | Ongoing | 0 |

|              |        |    |                                       |        |                  |              |   |
|--------------|--------|----|---------------------------------------|--------|------------------|--------------|---|
| g            |        |    |                                       |        |                  |              |   |
| Shi Xinkun   | Male   | 59 | Chairman of the Board                 | Former | 18 October 2016  | 12 June 2023 | 0 |
| Zhang Xin    | Male   | 56 | General Manager                       | Former | 18 October 2016  | 12 June 2023 | 0 |
| Lin Tian     | Male   | 60 | Director                              | Former | 17 December 2018 | 12 June 2023 | 0 |
| Xu Yi        | Male   | 59 | Director                              | Former | 16 April 2020    | 12 June 2023 | 0 |
|              |        |    | Vice-general Manager                  |        |                  |              |   |
| Xing Min     | Male   | 69 | Independent director                  | Former | 16 April 2020    | 12 June 2023 | 0 |
| Yin Lihou    | Male   | 59 | Vice-general Manager                  | Former | 18 October 2016  | 12 June 2023 | 0 |
| Xie Guozhong | Male   | 54 | Vice-general Manager                  | Former | 16 April 2020    | 12 June 2023 | 0 |
| He Jianguang | Male   | 59 | Chairman of the Supervisory Committee | Former | 17 December 2020 | 12 June 2023 | 0 |
| Chen Lijia   | Female | 40 | Supervisor                            | Former | 16 April 2020    | 12 June 2023 | 0 |
| Ge Jiangli   | Female | 53 | Supervisor                            | Former | 16 April 2020    | 12 June 2023 | 0 |
| Total        | --     | -- | --                                    | --     | --               | --           | 0 |

Indicate whether any director, supervisor or senior management resigned before the expiry of their tenure during the Reporting Period.

Yes  No

Change of directors, supervisors and senior management:

Applicable  Not applicable

| Name         | Office title                          | Type of change | Date of change | Reason for change      |
|--------------|---------------------------------------|----------------|----------------|------------------------|
| Li Desen     | Chairman of the Board                 | Elected        | 12 June 2023   | General election       |
| Zhang Xin    | Vice Chairman of the Board            | Elected        | 12 June 2023   | General election       |
| Xie Guozhong | Director                              | Elected        | 12 June 2023   | General election       |
|              | General Manager                       | Appointed      |                | Appointed by the Board |
| Tan Jie      | Director                              | Elected        | 12 June 2023   | General election       |
| Jia Bin      | Independent director                  | Elected        | 12 June 2023   | General election       |
| Ni Mingliang | Chairman of the Supervisory Committee | Elected        | 12 June 2023   | General election       |

|              |                                       |   |              |   |
|--------------|---------------------------------------|---|--------------|---|
| Shi Xingyu   | Supervisor                            | Elected                                   | 12 June 2023 | General election                          |
| Lin Wei      | Supervisor                            | Elected                                   | 12 June 2023 | General election                          |
| Wang Jing    | Vice-general Manager                  | Appointed                                 | 12 June 2023 | Appointed by the Board                    |
| Wang Weifeng | Chief Engineer                        | Appointed                                 | 12 June 2023 | Appointed by the Board                    |
| Shi Xinkun   | Chairman of the Board                 | Departure on expiration of term of office | 12 June 2023 | Departure on expiration of term of office |
| Lin Tian     | Director                              | Departure on expiration of term of office | 12 June 2023 | Departure on expiration of term of office |
| Xu Yi        | Director                              | Departure on expiration of term of office | 12 June 2023 | Departure on expiration of term of office |
|              | Vice-general Manager                  |   |              |   |
| Xing Min     | Independent director                  | Departure on expiration of term of office | 12 June 2023 | Departure on expiration of term of office |
| Zhang Xin    | General Manager                       | Departure on expiration of term of office | 12 June 2023 | Departure on expiration of term of office |
| Yin Lihou    | Vice-general Manager                  | Departure on expiration of term of office | 12 June 2023 | Departure on expiration of term of office |
| Xie Guozhong | Vice-general Manager                  | Departure on expiration of term of office | 12 June 2023 | Departure on expiration of term of office |
| He Jianguang | Chairman of the Supervisory Committee | Departure on expiration of term of office | 12 June 2023 | Departure on expiration of term of office |
| Chen Lijia   | Supervisor                            | Departure on expiration of term of office | 12 June 2023 | Departure on expiration of term of office |
| Ge Jiangli   | Supervisor                            | Departure on expiration of term of office | 12 June 2023 | Departure on expiration of term of office |

## 2. Biographical Information

Professional backgrounds, major work experience and current duties in the Company of the incumbent directors, supervisors and senior management:

Li Desen: He successively took the posts of Director of the Office of the Qishuyan Rail Transit Industrial Park Management Committee, Deputy Secretary of the Qishuyan Street Party Working Committee and its Office Director, Director of the Financial Development Bureau in the Changzhou Economic Development Zone, Vice

General Manager and Party Member of the Local Financial Supervision and Administration Bureau in Changzhou, Standing Committee Member, Minister of the United Front Work Department in Changzhou, Deputy District Mayor and Party Member of the Wujin District Committee in Changzhou, and Deputy Secretary of the District Political Consultative Conference Party Group in Changzhou. Now, he acts as Chairman and Party Committee Secretary of Changzhou Investment Group Co., Ltd., as well as Party Committee Secretary and Chairman of the Company.

Zhang Xin: He successively took the posts of Sales Manager, General Manager Assistant, Deputy General Manager, and General Manager in the Company. Now, he acts as Vice Chairman of the Company.

Xie Guozhong: He successively took the posts of Sales Manager, General Manager Assistant, and Deputy General Manager of the Company. Now, he acts as Deputy Party Committee Secretary, Director and General Manager of the Company, as well as Supervisor of Beiqi Foton Motor Co., Ltd.

Tan Jie: She successively took the posts of Deputy Director of the Accounting Department and Deputy Director of the Personnel and Education Department of the Changzhou Municipal Bureau of Finance, Deputy Secretary and Youth League Secretary of the Changzhou Institute of Certified Public Accountants, Director of the Comprehensive Department, Agriculture Department, Agriculture and Rural Department, and Administrative and Legal Department of the Changzhou Municipal Bureau of Finance, and President Assistant of Changzhou Investment Group Co., Ltd. Now, she acts as Member of the Party Committee and Vice President of Changzhou Investment Group Co., Ltd., as well as Director of the Company.

Jiang He: He successively took the posts of Accountant, Chief Assistant, and Deputy Chief of the Finance Department of the Company. Now, he acts as Director, Chief Accountant, and Chief of the Finance Department of the Company.

Yang Feng: He successively served as Business Manager of the Shanghai Investment Banking Department of China Economic Development Trust and Investment Co., Ltd., Business Director of the Investment Banking Department of Orient Securities Co., Ltd., General Manager of the Investment Banking Department and the Operation Management Headquarters, as well as Chairman Assistant of AJ Securities Co., Ltd., Executive General Manager of the Enterprise Development and Financing Department and the Investment Banking Department of CITIC Securities Co., Ltd., and Managing Director of Daiwa Securities China Co., Ltd. Now, he acts as Executive Director of De Xin Investment Manage Co., Limited, Independent Director of Shanghai Kindly Enterprise Development Group Co., Ltd., and Director of the Company.

Wang Mancang: He successively served as a teacher and lecturer in the Department of Management, as well as a financial lecturer and professor in the Department of Finance of the School of Economics and Management of Northwest University. Now, he acts as Director of the Department of Finance of the School of Economics and Management of Northwest University, Chairman of Shaanxi Securities Research Society, as well as Independent Director of Focuslight Technologies Inc., Ccoop Group Co., Ltd., and Xi'an Wonder Energy Chemical Co., Ltd., Director of Chang'an International Trust Co., Ltd., Xi'an Guolian Quality Testing Technology Co., Ltd. and the Company.

Zhang Yan: She successively served as Chief Accountant of Changzhou Zhengda Certified Public Accountants Co., Ltd., and Executive Deputy Chief Accountant of Jiangsu Gongzheng Certified Public Accountants Co., Ltd. Now, she acts as Associate Professor of Management School of Jiangsu University of Technology, Director of Changzhou Communications Industry Group Co., Ltd., Independent Director of Jiangsu Tianmu Lake Tourism Co., Ltd., Independent Non-executive Director of S-Enjoy Service Group Co., Limited, and Independent Director of the Company.

Jia Bin: He successively served as Deputy Director of the First Research Office of Tianjin Internal Combustion Engine Research Institute, Assistant Secretary General of China Internal Combustion Engine Industry Association



(CICEIA), and Secretary General of Small Gasoline Engine Branch of CICEIA. Now, he acts as Director of the First Research Office of Tianjin Internal Combustion Engine Research Institute, Deputy Secretary General of CICEIA, Independent Director of Lutian Machinery Co., Ltd. and Suzhou Parsun Power Machinery Co., Ltd., Director of Tianjin Tianbo Keda Technology Co., Ltd., and Independent Director of the Company.

Ni Mingliang: He successively served as Staff Member and Vice Chairman of the Labour Union of the Company. Now, he acts as Deputy Party Committee Secretary, Chairman of Board of Supervisors, Secretary of the Party Discipline Committee, Chairman of the Labour Union of the Company, Chairman of Xingsheng Real Estate Management, and Director of Horizon Investment.

Shi Xingyu: He successively served as Staff Member, Section Chief, and Deputy General Manager of the Finance Department of Changzhou Investment Group Co., Ltd. Now, he acts as General Manager of the Finance Department of Changzhou Investment Group Co., Ltd., Director of Donghai Securities Co., Ltd., and Supervisor of the Company.

Lu Zhonggui: He successively served as Staff Member of the Personnel Department, Full-time Disciplinary Inspector of the Party Discipline Committee, and Deputy Secretary of Organ Party General Branch. Now, he acts as Secretary of Organ Party General Branch, Chief of Political Department, Office Director, Employee Supervisor of the Company, and Director of Xingsheng Real Estate Management.

Liu Yi: He successively took the posts of Chief Assistant of Enterprise Management Department, Deputy Chief of the Finance Department and the Audit Department of the Company. Now, he acts as Chief of Audit Department and Employee Supervisor of the Company, Director of Zhenjiang Siyang, Supervisor of Changchai Wanzhou, Changchai Benniu, Horizon Investment, Horizon Agricultural Equipment, Changchai Robin, Changchai Machinery, and Xingsheng Real Estate Management.

Lin Wei: He successively took the posts of Staff Member, Deputy Chief, Chief of the Enterprise Management Department of the Company, and Deputy General Manager of Changchai Machinery. Now, he acts as Supervisor and Chief of the Human Resources Department of the Company.

Sun Jianzhong: He successively took the posts of Director of the Technology Centre and Assistant General Manager of the Company. Now, he acts as Deputy General Manager of the Company and General Manager of Changchai Machinery.

He Jianjiang: He successively took the posts of Staff Member, Chief Assistant, and Deputy Chief of the Investment and Development Department, and Securities Representative of the Company. Now, he acts as Deputy General Manager, Secretary of the Board, and Chief of the Investment and Development Department of the Company, as well as Chairman of the Board & GM of Horizon Investment, Director of Horizon Agricultural Equipment, Chairman of Zhenjiang Siyang, Director of Jiangsu Horizon New Energy Technology Co., Ltd., and Supervisor of Donghai Securities Co., Ltd.

Wang Jing: He successively took the posts of Foreign Trade Salesperson in the Overseas Business Department of the Company, Technician in the single-cylinder engine plant, Deputy Director of the workshop, Assistant to the Plant Director, Deputy Director of the Plant, Secretary of the Single-cylinder Engine Plant Party Branch, and Assistant General Manager of the Company. Now, he acts as Deputy General Manager of the Company.

Wang Weifeng: He successively took the posts of Designer in the Development Department, Designer in the technology centre, and Deputy Chief Engineer of the Company. Now, he acts as Chief Engineer of the Company.

Offices held concurrently in shareholding entities:

Applicable  Not applicable

| Name       | Shareholding entity                  | Office held in the shareholding entity                  | Start of tenure | End of tenure | Remuneration or allowance from the shareholding entity |
|------------|--------------------------------------|---|-----------------|---------------|--|
| Li Desen   | Changzhou Investment Group Co., Ltd. | Secretary of the Party Committee, Chairman of the Board | January 2024    |               | Yes  |
| Tan Jie    | Changzhou Investment Group Co., Ltd. | Member of the Party Committee, Director, Vice President | April 2023      |               | Yes  |
| Shi Xingyu | Changzhou Investment Group Co., Ltd. | General Manager of Finance Department                   | November 2021   |               | Yes  |
| Notes      | N/A                                  |   |                 |               |  |

Offices held concurrently in other entities:

Applicable  Not applicable

| Name         | Other entity  | Office held in the entity | Start of tenure  | End of tenure   | Remuneration or allowance from the entity |
|--------------|---|---------------------------|------------------|-----------------|---|
| Xie Guozhong | Beiqi Foton Motor Co., Ltd.   | Supervisor                | 15 November 2022 |                 | No  |
| He Jianjiang | Donghai Securities Co., Ltd.  | Supervisor                | 18 January 2023  | 17 January 2026 | No  |
|              | Jiangsu Horizon New Energy Technology Co., Ltd.   | Director                  | 28 July 2023     |                 |   |
| Yang Feng    | De Xin Investment Manage Co., Limited   | Executive Director        | 1 June 2022      |                 | No  |
|              | Shanghai Kindly Enterprise Development Group Co., Ltd.                                  | Independent Director      | 17 April 2023    |                 |   |
| Shi Xingyu   | Donghai Securities Co., Ltd.  | Director                  | 20 May 2021      | 17 January 2026 | No  |
| Wang Mancang | Department of Finance of the School of Economics and Management of Northwest University | Head of Department,       | 1 September 2006 |                 | Yes                                       |

|           |   |                                       |                   |                   |     |
|-----------|---|---------------------------------------|-------------------|-------------------|-----|
|           |   | Professor                             |                   |                   |     |
|           | Shaanxi Securities Research Society                   | Chairman                              | 1 October 2017    |                   |     |
|           | Focuslight Technologies Inc.                          | Independent Director                  | 2 May 2019        |                   | Yes |
|           | Ccoop Group Co., Ltd.                                 | Independent Director                  | 18 September 2020 |                   | Yes |
|           | Shaanxi Construction Machinery Co., Ltd.              | Independent Director                  | 16 November 2018  | 5 February 2024   | Yes |
|           | Xi'an Wonder Energy Chemical Co., Ltd.                | Independent Director                  | 24 June 2020      | 13 September 2025 | Yes |
|           | Chang'an International Trust Co., Ltd.                | Director                              | 1 September 2018  |                   |     |
|           | Xi'an Guolian Quality Testing Technology Co., Ltd.    | Director                              | 1 June 2020       |                   |     |
| Jia Bin   | China Internal Combustion Engine Industry Association | Vice-Secretary-General                | 1 January 2018    |                   | No  |
|           | Tianjin Internal Combustion Engine Research Institute | Director of the First Research Office | 1 March 2009      |                   | Yes |
|           | Lutian Machinery Co., Ltd.                            | Independent Director                  | 31 December 2019  | 5 January 2026    | Yes |
|           | Suzhou Parsun Power Machinery Co., Ltd.               | Independent Director                  | 31 July 2021      |                   | Yes |
|           | Tianjin Tianbo Keda Technology Co., Ltd.              | Director                              | 1 August 2020     |                   | No  |
| Zhang Yan | Jiangsu University of Technology                      | Associate professor                   | 1 August 2008     |                   | Yes |
|           | Jiangsu Tianmu Lake Tourism Co., Ltd.                 | Independent Director                  | 8 February 2021   | 6 November 2026   | Yes |
|           | Wuxi SAHAT Electric Technology Co., Ltd.              | Independent Director                  | 2 November 2020   | 25 December 2023  | Yes |
|           | S-Enjoy Service Group Co., Limited                    | Independent non-execu                 | 20 October 2018   |                   | Yes |

|       |  |                 |               |               |     |
|-------|--|-----------------|---------------|---------------|-----|
|       |  | ive<br>Director |               |               |     |
|       | Changzhou Communications Industry<br>Group Co., Ltd. | Director        | 14 April 2022 | 13 April 2025 | Yes |
| Notes | None   |                 |               |               |     |

Punishments imposed in the recent three years by the securities regulator on the incumbent directors, supervisors and senior management as well as those who left in the Reporting Period:

Applicable  Not applicable

### 3. Remuneration of Directors, Supervisors and Senior Management

Decision-making procedure, determination basis and actual payments of remuneration for directors, supervisors and senior management:

In 2023, the monthly salaries of directors, supervisors and senior executives in the Company were in line with the stipulations of relevant salary management and grade standards, and the benefits of the Company and assessment results. The incumbent director Li Desen, Tan Jie, the incumbent supervisor Shi Xingyu and the former director Lin Tian, the former supervisor He Jianguang obtained salaries in shareholders' entities. The former supervisor Chen Lijia obtained salaries in both shareholders' entities and other entities.

Remuneration of directors, supervisors and senior management for the Reporting Period

Unit: RMB'0,000

| Name         | Gender | Age | Office title                 | Incumbent/Former | Total before-tax remuneration from the Company | Any remuneration from related party |
|--------------|--------|-----|------------------------------|------------------|--|-------------------------------------|
| Li Desen     | Male   | 42  | Chairman of the Board        | Incumbent        | 0.00   | Yes                                 |
| Zhang Xin    | Male   | 57  | Vice Chairman of the Board   | Incumbent        | 85.47  | No                                  |
| Xie Guozhong | Male   | 54  | Director<br>General Manager  | Incumbent        | 81.91  | No                                  |
| Tan Jie      | Female | 44  | Director                     | Incumbent        | 0.00   | Yes                                 |
| Jiang He     | Male   | 51  | Director<br>Chief Accountant | Incumbent        | 74.62  | No                                  |
| Yang Feng    | Male   | 51  | Director                     | Incumbent        | 0.00   | No                                  |
| Wang Mancang | Male   | 60  | Independent director         | Incumbent        | 10.00  | No                                  |
| Zhang Yan    | Female | 53  | Independent director         | Incumbent        | 10.00  | No                                  |
| Jia Bin      | male   | 45  | Independent director         | Incumbent        | 5.00   | No                                  |

|               |        |    |                                       |           |        |     |
|---------------|--------|----|---------------------------------------|-----------|--------|-----|
| Ni Mingliang  | Male   | 56 | Chairman of the Supervisory Committee | Incumbent | 76.15  | No  |
| Shi Xingyu    | Female | 43 | Supervisor                            | Incumbent | 0.00   | Yes |
| Lu Zhonggui   | Male   | 56 | Supervisor                            | Incumbent | 23.18  | No  |
| Liu Yi        | Male   | 54 | Supervisor                            | Incumbent | 25.15  | No  |
| Lin Wei       | Male   | 41 | Supervisor                            | Incumbent | 20.69  | No  |
| Sun Jianzhong | male   | 51 | Vice-general Manager                  | Incumbent | 75.38  | No  |
| He Jianjiang  | Male   | 44 | Vice-general Manager                  | Incumbent | 74.62  | No  |
|               |        |    | Secretary of the Board                |           |        |     |
| Wang Jing     | Male   | 36 | Vice-general Manager                  | Incumbent | 65.61  | No  |
| Wang Weifeng  | Male   | 52 | Chief Engineer                        | Incumbent | 61.69  | No  |
| Shi Xinkun    | Male   | 60 | Chairman of the Board                 | Former    | 42.74  | No  |
| Lin Tian      | Male   | 61 | Director                              | Former    | 0.00   | Yes |
| Xu Yi         | Male   | 60 | Director                              | Former    | 71.94  | No  |
|               |        |    | Vice-general Manager                  |           |        |     |
| Xing Min      | Male   | 70 | Independent director                  | Former    | 5.00   | No  |
| He Jianguang  | Male   | 60 | Chairman of the Supervisory Committee | Former    | 0.00   | Yes |
| Chen Lijia    | Female | 41 | Supervisor                            | Former    | 0.00   | Yes |
| Ge Jiangli    | Female | 54 | Supervisor                            | Former    | 22.87  | No  |
| Yin Lihou     | Male   | 60 | Vice-general Manager                  | Former    | 71.94  | No  |
| Total         | --     | -- | --                                    | --        | 903.96 | --  |

## VI Performance of Duty by Directors in the Reporting Period

### 1. Board Meetings Convened in the Reporting Period

| Meeting   | Date of meeting | Disclosure date | Resolution  |
|---|-----------------|-----------------|---|
| The 15 <sup>th</sup> Meeting of the 9 <sup>th</sup> Board of Directors      | 13 January 2023 | /               | The meeting deliberated on and approved the <i>Report on the Work of the General Manager for the Year 2022</i> , the <i>Business Policy Objectives of the Company for the Year 2023</i> , the <i>Results of the Performance Appraisal of the Senior Management of the Company for the Year 2022</i> , the <i>Proposal on the Performance Appraisal of the Senior Management of the Company for the Year 2023</i> , and the <i>Proposal on Application for Bank Credit Line for the Year 2023</i>  |
| The 16 <sup>th</sup> Meeting of the 9 <sup>th</sup> Board of Directors      | 10 April 2023   | 12 April 2023   | The meeting deliberated on and approved the <i>Annual Report for 2022 and Its Summary</i> , the <i>Annual Work Report of the Board of Directors for 2022</i> , <i>Plan of the Profit Distribution and Conversion of Surplus Reserves into Share Capital for 2022</i> , <i>Rewards Plan for Shareholders in Next Three Years (2023-2025)</i> , <i>Proposal on Provision of Reserves for Credit Impairment and Asset Impairment</i> , <i>Proposal on Subsidiaries' Planning to Sell Part of the Trading Financial Assets</i> , <i>Special Report on the Deposit and Use of Raised Funds for 2022</i> , <i>Annual Self-Evaluation Report on Internal Control for 2022</i> , and <i>2022 Social Responsibility Report</i> |
| The 1 <sup>st</sup> Extraordinary Meeting of the Board of Directors in 2023 | 26 April 2023   | 28 April 2023   | The meeting deliberated on and approved the <i>Report for the First Quarter of 2023</i> and the <i>Proposal on Convening the Annual General Meeting of the Company for 2022</i>   |
| The 17 <sup>th</sup> Meeting of the 9 <sup>th</sup> Board of Directors      | 25 May 2023     | 26 May 2023     | The meeting deliberated on and approved the <i>Proposal on Signing the Wuxing Branch's Agreement on Housing Expropriation on Changzhou State-owned Land and Compensation</i> , <i>Proposal on Amending the Articles of Association and its Appendix</i> , <i>Proposal on the Election of the Board of Directors and Nomination of Non-independent Directors for the Tenth Board of Directors</i> , <i>Proposal on the Election of the Board of Directors and Nomination of Independent Directors for the Tenth Board of Directors</i> , and <i>Proposal on Convening the First Extraordinary General Meeting in 2023</i>  |
| The 1 <sup>st</sup> Meeting of the 10 <sup>th</sup> Board of Directors      | 12 June 2023    | 13 June 2023    | The meeting deliberated on and approved the <i>Proposal on Electing the Chairman of the Company</i> , <i>Proposal on Election of Vice Chairman of the Company</i> , <i>Proposal on Appointing the General Manager of the Company</i> , <i>Proposal on Appointing the Deputy General Manager of the Company</i> , <i>Proposal on Appointing the Chief Accountant of the Company</i> , <i>Proposal on Appointing the Chief Engineer of the Company</i> , <i>Proposal on Appointing</i>  |

|   |                 |                 |  |
|---|-----------------|-----------------|--|
|   |                 |                 | <i>Board Secretary of the Company, Proposal on Election of Members of the Remuneration and Evaluation Committee of the Board of Directors of the Company, Proposal on Election of Members of the Audit Committee of the Board of Directors of the Company, and Proposal on Election of Members of the Strategy Committee of the Board of Directors of the Company</i>  |
| The 2 <sup>nd</sup> Extraordinary Meeting of the Board of Directors in 2023 | 10 July 2023    | 11 July 2023    | The meeting deliberated on and approved the <i>Proposal on Using Idle Funds to Purchase Wealth Management Products</i>   |
| The 3 <sup>rd</sup> Extraordinary Meeting of the Board of Directors in 2023 | 25 July 2023    | 26 July 2023    | The meeting deliberated on and approved the <i>Proposal on Changing the Legal Representative of the Company and Amending the Articles of Association and Rules of Procedure of the Board of Directors, Proposal on the Re-appointment of the Financial Audit Institution for 2023 and Its Audit Expenses, Proposal on the Re-appointment of the Internal Control Audit Institution for 2023 and Its Audit Expenses, and Proposal on Convening the Second Extraordinary General Meeting in 2023</i>   |
| The 2 <sup>nd</sup> Meeting of the 10 <sup>th</sup> Board of Directors      | 22 August 2023  | 24 August 2023  | The meeting deliberated on and approved the <i>Semi-annual Report for 2023, Proposal on Provision of Reserves for Credit Impairment and Asset Impairment, and Special Report on the Deposit and Use of Raised Funds for the Half Year of 2023</i>  |
| The 3 <sup>rd</sup> Meeting of the 10 <sup>th</sup> Board of Directors      | 27 October 2023 | 28 October 2023 | The meeting deliberated on and approved the <i>Report of the Third Quarter of 2023, Proposal on the Completion of the Project of Innovation Capacity Building of the Technology Centre in Private Placement Raised Funds Investment Project and Permanent Supplement of Surplus Raised Funds to Working Capital, Proposal on Amending the Articles of Association of the Company, Proposal on Amending the Rules of Procedure of the Board of Directors, Proposal on Amending the Independent Director System, Proposal on Amending the Implementation Rules of the Audit Committee of the Board of Directors, Proposal on Amending the Implementation Rules of the Remuneration and Evaluation Committee of the Board of Directors, Proposal on Amending the Rules of Procedure of the Strategic Development Committee of the Board of Directors, Proposal on Amending the Work System for Annual Reports of Independent Directors, Proposal on Amending the Shareholding Management System for Directors, Supervisors, and Senior Management Members, Proposal on Amending the Financial Accounting System, Proposal on Signing the Sanjing Branch's Agreement on Non-residential Housing Expropriation and Compensation in Xinbei District, Changzhou City, and Proposal on Convening the Third Extraordinary</i> |

|   |                  |                  |  |
|---|------------------|------------------|--|
|   |                  |                  | <i>General Meeting in 2023</i>   |
| The 4 <sup>th</sup> Extraordinary Meeting of the Board of Directors in 2023 | 15 December 2023 | 16 December 2023 | The meeting deliberated on and approved the <i>Proposal on Using Idle Funds to Purchase Wealth Management Products</i> |

## 2. Attendance of Directors at Board Meetings and General Meetings

| Attendance of directors at board meetings and general meetings |  |                                 |   |   |  |   |                           |
|--|--|---------------------------------|---|---|--|---|---------------------------|
| Director   | Total number of board meetings the director was eligible to attend | Board meetings attended on site | Board meetings attended by way of telecommunication | Board meetings attended through a proxy | Board meetings the director failed to attend | The director failed to attend two consecutive board meetings (yes/no) | General meetings attended |
| Li Desen   | 6  | 1                               | 5   | 0                                       | 0  | No  | 2                         |
| Zhang Xin  | 10   | 3                               | 7   | 0                                       | 0  | No  | 4                         |
| Xie Guozhong   | 6  | 1                               | 5   | 0                                       | 0  | No  | 3                         |
| Tan Jie  | 6  | 1                               | 5   | 0                                       | 0  | No  | 3                         |
| Jiang He   | 10   | 3                               | 7   | 0                                       | 0  | No  | 4                         |
| Yang Feng  | 10   | 1                               | 9   | 0                                       | 0  | No  | 4                         |
| Wang Mancang   | 10   | 1                               | 9   | 0                                       | 0  | No  | 4                         |
| Zhang Yan  | 10   | 2                               | 8   | 0                                       | 0  | No  | 4                         |
| Jia Bin  | 6  | 1                               | 5   | 0                                       | 0  | No  | 3                         |
| Shi Xinkun   | 4  | 2                               | 2   | 0                                       | 0  | No  | 2                         |
| Lin Tian   | 4  | 0                               | 4   | 0                                       | 0  | No  | 2                         |
| Xu Yi  | 4  | 2                               | 2   | 0                                       | 0  | No  | 2                         |



|          |   |   |   |   |   |    |   |
|----------|---|---|---|---|---|----|---|
| Xing Min | 4 | 0 | 4 | 0 | 0 | No | 2 |
|----------|---|---|---|---|---|----|---|

Explanation of why any director failed to attend two consecutive board meetings:

N/A

### 3. Objections Raised by Directors on Matters of the Company

Indicate by tick mark whether any directors raised any objections on any matter of the Company.

Yes  No

No such cases in the Reporting Period.

### 4. Other Information about the Performance of Duty by Directors

Indicate by tick mark whether any suggestions from directors were adopted by the Company.

Yes  No

Suggestions from directors adopted or not adopted by the Company:

All directors of the Company in line with the law, rules, normative documents and obligations given by the Company of the Company law, Article of Associations, Rules of Procedure of the Board and Independent Directors System, comprehensively focused on the development and operation of the Company, actively attended the general meeting of shareholder and meeting of board of directors. Independent directors given independent opinions for the significant events of the Company, and effectively maintained the profits of the Company and all the shareholders. The Company actively listened to the suggestions from directors upon the significant events and adopted them. For more details, please refer to the Report on the Work of the Board of Directors for 2023 disclosed by the Company on <http://www.cninfo.com.cn> dated 12 April 2024.

## VII Special Committees under the Board of Directors during the Reporting Period

| Name of committee | Members                                 | Number of meetings convened | Date of meeting  | Contents  | Important comments and suggestions   | Other performance of duties |
|-------------------|---|-----------------------------|------------------|---|--|-----------------------------|
| Audit Committee   | Zhang Yan,<br>Wang Mancang,<br>Lin Tian | 3                           | 28 February 2023 | The meeting deliberated on and approved the <i>Preliminary Review of 2022 Annual Report</i> , <i>Audit Plan for 2022 Annual Report</i> , <i>Report on Internal Audit Work for 2022 and Internal Audit Plan for 2023</i> , and <i>Report on the Use of Raised Funds for 2022</i> | The audit plan for the Company's 2022 annual report was relatively reasonable, and the key communication matters were in line with the actual situation of the Company. The management and the accounting firm are expected to continue to closely cooperate to ensure the smooth completion of the disclosure of the Company's 2022 annual report | None                        |

|  |  |   |   |   |  |
|--|--|---|---|---|--|
|  |  |   | 6<br>April<br>2023  | The meeting deliberated on and approved the <i>2022 Financial Statements, Proposal on Provision of Reserves for Credit Impairment and Asset Impairment, Special Report on the Deposit and Use of Raised Funds for 2022, and Annual Self-Evaluation Report on Internal Control for 2022</i>  | The Company's financial statements fairly reflect the financial condition of the Company as at 31 December 2022 in all material respects, and its operating results and cash flows in 2022. It was consented that both the proposals shall be submitted to the Board of Directors for discussion |
|  |  |   | 25<br>April<br>2023   | The meeting deliberated on the <i>Work Summary of the Audit Department for the First Quarter of 2023</i> , and approved the <i>Report of the First Quarter of 2023</i> and the <i>Special Report on the Deposit and Use of Raised Funds in the First Quarter of 2023</i>  | It was consented that both the proposals shall be submitted to the 1 <sup>st</sup> Extraordinary Meeting of the Board of Directors in 2023   |
|  | Zhang Yan,<br>Wang Mancang,<br>Tan Jie   | 3 | 24<br>July<br>2023  | The meeting deliberated on and approved the <i>Proposal on the Re-appointment of the Financial Audit Institution for 2023 and Its Audit Expenses</i> , and <i>Proposal on the Re-appointment of the Internal Control Audit Institution for 2023 and Its Audit Expenses</i>  | It was consented that both the proposals shall be submitted to the 3 <sup>rd</sup> Extraordinary Meeting of the Board of Directors in 2023   |
| 18<br>August<br>2023                     |  |   | The meeting deliberated on the <i>Work Report of Audit Department for the Half Year of 2023</i> , and approved the <i>Semi-annual Report for 2023, Proposal on Provision of Reserves for Credit Impairment and Asset Impairment</i> , and <i>Special Report on the Deposit and Use of Raised Funds for the Half Year of 2023</i>  | It was consented that both the proposals shall be submitted to the 2 <sup>nd</sup> Meeting of the 10 <sup>th</sup> Board of Directors   |  |
| 25<br>October<br>2023                    |  |   | The meeting deliberated on and approved the <i>Work Summary of Audit Department for the Third Quarter of 2023, Report of the Third Quarter of 2023, Special Report on the Deposit and Use of Raised Funds in the Third Quarter of 2023</i> , and <i>Proposal on the Completion of the Project of Innovation Capacity Building of the Technology Centre in Private Placement Raised Funds Investment Project and Permanent Supplement of Surplus Raised Funds to Working Capital</i> | Agree to submit the Report of the Third Quarter of 2023 and Proposal on the Completion of the Project of Innovation Capacity Building of the Technology Centre in Private Placement Raised Funds Investment Project and Permanent Supplement of Surplus Raised Funds to Working Capital to the Third Meeting of the Tenth Board of Directors for deliberation |  |
| Remuneration and Evaluation on Committee | Xing Min,<br>Wang Mancang,<br>Shi Xinkun | 1 | 12<br>January<br>2023   | The meeting deliberated on and approved the Results on the Performance Appraisal of the Senior Management of the Company for the Year 2022 and the Contract on the Performance Appraisal of the Senior Management of the Company for the Year 2023  | It was consented that both the proposals shall be submitted to the Board of Directors for discussion   |

## VIII Performance of Duty by the Supervisory Committee

Indicate by tick mark whether the Supervisory Committee found any risk to the Company during its supervision in the Reporting Period.

Yes  No

The Supervisory Committee raised no objections in the Reporting Period.

## IX Employees

### 1. Number, Functions and Educational Backgrounds of Employees

|  |           |
|--|-----------|
| Number of in-service employees of the Company as the parent at the period-end                                  | 2,002     |
| Number of in-service employees of major subsidiaries at the period-end   | 571       |
| Total number of in-service employees at the period-end   | 2,573     |
| Total number of paid employees in the Reporting Period   | 2,573     |
| Number of retirees to whom the Company as the parent or its major subsidiaries need to pay retirement pensions | 0         |
| <b>Functions</b>   |           |
| Function   | Employees |
| Production   | 1,677     |
| Sales  | 187       |
| Technical  | 348       |
| Financial  | 41        |
| Administrative   | 280       |
| Other  | 40        |
| Total  | 2,573     |
| <b>Educational backgrounds</b>   |           |
| Educational background   | Employees |
| Junior high school graduates and below   | 1,094     |
| High school graduates  | 679       |
| College graduates and technical secondary school graduates   | 497       |
| Bachelors  | 285       |
| Masters and above  | 18        |
| Total  | 2,573     |

### 2. Employee Remuneration Policy

The Company always adhered to the principle of tilting the remuneration incentive mechanism towards excellent talents, so as to display the roles of various professional technicians, management staffs and skilled backbones. Besides, it adhered to the principle of increasing the employee's income integrated with increasing labor production efficiency and production & operation efficiency, so as to perfect the salary structure and further

increase employees' income steadily.

### 3. Employee Training Plans

The Company established the Management Rules on the Education & Training for Employees, aiming to enhance employees' quality and try its best to cultivate a team of faithful and highly professional talents. Besides, it innovated the training mechanism, optimized the training environment, and reinforced to encourage employees to attend various training, so as to inspire the employees' potential to the maximum extent and further promote the sustainable development of the Company.

### 4. Labor Outsourcing

Applicable  Not applicable

### X Profit Distributions (in the Form of Cash and/or Stock)

How the profit distribution policy, especially the cash dividend policy, was formulated, executed or revised in the Reporting Period:

Applicable  Not applicable

In Articles of Association, which had confirmed the specific profits distribution and cleared out the conditions, standards and proportion of the cash bonus, stipulated the decision-making progress of the formulation and alternation of the profits distribution policies and the chapters as well as the regulations fully ensure the opportunities for the medium and small shareholders to exert the functions and to provide advices as well as appeals. The cash bonus of recent 3 years of the Company met with the regulations of the Articles of Association and during the decision-making process of the profits distribution proposal, fully respected the advices from the medium and small shareholders. The profits distribution preplan and the turning capital reserve into share capital preplan of the Company were both met with the relevant regulations of the Articles of Association and so on.

| Special statement about the cash dividend policy  |     |
|---|-----|
| In compliance with the Company's Articles of Association and resolution of general meeting  | Yes |
| Specific and clear dividend standard and ratio  | Yes |
| Complete decision-making procedure and mechanism  | Yes |
| Independent directors faithfully performed their duties and played their due role   | Yes |
| Specific reasons and the next steps it intends to take to enhance the investor return level if the Company did not pay cash dividend:                           | N/A |
| Non-controlling interests are able to fully express their opinion and desire and their legal rights and interests are fully protected                           | Yes |
| In case of adjusting or changing the cash dividend policy, the conditions and procedures involved are in compliance with applicable regulations and transparent | N/A |

Indicate by tick mark whether the Company fails to put forward a cash dividend proposal despite the facts that the Company has made profits in the Reporting Period and the profits of the Company as the parent distributable to shareholders are positive.

Applicable  Not applicable

Final dividend plan for the Reporting Period:

Applicable  Not applicable

|  |   |
|--|---|
| Bonus shares for every 10 shares (share) | 0 |
|--|---|

|  |                  |
|--|------------------|
| Dividend for every 10 shares (RMB) (tax inclusive)   | 0.47             |
| Additional shares to be converted from capital reserve for every 10 shares (share)   | 0                |
| Total shares as the basis for the profit distribution proposal (share)   | 705,692,507      |
| Cash dividends (RMB) (tax inclusive)   | 33,167,547.83    |
| Cash dividends in other forms (such as share repurchase) (RMB)   | 0                |
| Total cash dividends (including those in other forms) (RMB)  | 33,167,547.83    |
| Distributable profit (RMB)   | 1,002,436,724.71 |
| Total cash dividends (including those in other forms) as % of total profit distribution  | 100%             |
| <b>Cash dividend policy</b>  |                  |
| Other  |                  |
| <b>Particulars about the dividend plan</b>   |                  |
| The Board has approved a final dividend plan as follows: based on the total share capital of the Company at 31 December 2023, a cash dividend of RMB0.47 (tax inclusive) per 10 shares is to be distributed to the shareholders, with no bonus issue from either profit or capital reserves. |                  |

## **XI Equity Incentive Plans, Employee Stock Ownership Plans or Other Incentive Measures for Employees**

Applicable  Not applicable

No such cases in the Reporting Period.

## **XII Formulation and Implementation of Internal Control System during the Reporting Period**

### **1. Internal Control Formulation and Implementation**

During the Reporting Period, the Company strictly complied with national laws and regulations and relevant regulations such as the Basic Code for Internal Control of Enterprises and the Guidelines for Application of Enterprise Internal Control, as well as the provisions and requirements of the Company's internal control standards, and optimized important business processes and improved and perfected the internal control system through continuous supervision and effective evaluation of the operation of the Company's internal control, so as to adapt to the changing external environment and internal management requirements and improve the efficiency of the Company's operation and management. By doing so, the Company effectively prevented risks in operation and management, and promoted the achievement of internal control objectives. The Company's internal control system can cover the major aspects of the Company's operation and management, and the internal control design is sound and reasonable, with no material omissions.

### **2. Material Internal Control Weaknesses Identified for the Reporting Period**

Yes  No

### XIII Management of Subsidiaries by the Company during the Reporting Period

| Subsidiary | Integration plan | Progress on integration | Problems found in integration | Solutions taken | Solution progress | Subsequent solution |
|------------|------------------|-------------------------|-------------------------------|-----------------|-------------------|---------------------|
| N/A        | N/A              | N/A                     | N/A                           | N/A             | N/A               | N/A                 |

### XIV Self-Evaluation Report or Independent Auditor's Report on Internal Control

#### 1. Internal Control Self-Evaluation Report

|   |   |   |
|---|---|---|
| Disclosure date of the internal control self-evaluation report                        | 12 April 2024   |   |
| Index to the disclosed internal control self-evaluation report                        | 2024-012  |   |
| Evaluated entities' combined assets as % of consolidated total assets                 | 100.00%   |   |
| Evaluated entities' combined operating revenue as % of consolidated operating revenue | 100.00%   |   |
| Identification standards for internal control weaknesses                              |   |   |
| Type  | Weaknesses in internal control over financial reporting   | Weaknesses in internal control not related to financial reporting   |
| Nature standard   | <p>The Company classified the defects as serious defect, important defect and general defect according to the influence degree from the internal control:</p> <p>(1) Serious defect: refers to one or multiple groups with control defect which may lead the enterprise seriously deviates the control target;</p> <p>(2) Important defect: refers to one or multiple groups with control defect with the severity and the economic results lower than the great defect but may still lead the enterprise seriously deviates the control target;</p> <p>(3) General defect: refers to other defect except for the great defect and significant defect.</p> <p>Nature standards: defects with the following random characteristics should be recognized as serious defect:</p> <p>1) the defect involves with the malpractice of the Directors, Supervisors and Senior Executives;</p> | <p>Defects with the following random characteristics should be recognized as serious defect:</p> <p>1) Seriously violated the national laws and administrative regulations and the normative documents;</p> <p>2) "three significant one great" event had not been through the collective decision-making process;</p> <p>3) the significant events involved with the production and operation of the Company lacked of systematic control or the institutional system was invalid;</p> <p>4) the internal control of the information disclosure was invalid, which led the Company be open condemned by the supervision department;</p> <p>5) the serious defect from the assessment results of the internal control had not been revised.</p> |

|  |   |   |
|--|---|---|
|  | <p>2) revised the disclosed financial report;</p> <p>3) CPAs discovered the great misstatement among the current financial statement while which could not be found during the operating process of the internal control;</p> <p>4) the supervision from the Audit Committee and the internal audit institution of the enterprise was invalid.</p>  |   |
| Quantitative standard  | <p>Quantitative standards:<br/>The quantitative standards of recognizing the significant degree of the misstatement (including the false negatives) of the consolidated financial report of the Company based on the data from the 2023 consolidated statements was as:<br/>Serious defect: misstatement <math>\geq 5\%</math> of the annual profits<br/>Important defect: 2.5% of the annual profits <math>\leq</math> misstatement <math>&lt; 5\%</math> of the annual profits<br/>General defect <math>&lt; 2.5\%</math> of the annual profits</p> | <p>Refer to the quantitative criteria of the internal control defect of the financial report, to recognize the quantitative criteria of the significant degree of the internal control defect of the non-financial report of the Company as:<br/>Serious defect: possibly caused directly losses <math>\geq 0.1\%</math> of the net assets<br/>Important defect: 0.05% of the net assets <math>\leq</math> possibly caused directly losses <math>&lt; 0.1\%</math> of the net assets<br/>General defect: possibly caused directly losses <math>&lt; 0.05\%</math> of the net assets</p> |
| Number of material weaknesses in internal control over financial reporting           |   | 0   |
| Number of material weaknesses in internal control not related to financial reporting |   | 0   |
| Number of serious weaknesses in internal control over financial reporting            |   | 0   |
| Number of serious weaknesses in internal control not related to financial reporting  |   | 0   |

## 2. Independent Auditor's Report on Internal Control

Applicable  Not applicable

|   |
|---|
| Opinion paragraph in the independent auditor's report on internal control   |
| We believed that Changchai Company, Limited maintained effective internal control of the financial report in significant aspects according to the Basic Norms of Internal Control and relevant regulations on 31 December |

|  |                                |
|--|--------------------------------|
| 2023.  |                                |
| Independent auditor's report on internal control disclosed or not          | Disclosed                      |
| Disclosure date  | 12 April 2024                  |
| Index to such report disclosed   | S.G. W[2024]No.E1086           |
| Type of the auditor's opinion  | Unmodified unqualified opinion |
| Material weaknesses in internal control not related to financial reporting | None                           |

Indicate by tick mark whether any modified opinion is expressed in the independent auditor's report on the Company's internal control.

Yes  No

Indicate by tick mark whether the independent auditor's report on the Company's internal control is consistent with the internal control self-evaluation report issued by the Company's Board.

Yes  No

## **XV Remediation of Problems Identified by Self-inspection in the Special Action on the Governance of Listed Companies**

N/A



## Part V Environmental and Social Responsibility

### I Major Environmental Issues

Indicate by tick mark whether the Company or any of its subsidiaries was identified as a key polluter by the environment authorities.

Yes  No

Administrative punishments received in the Reporting Period due to environmental issues:

| Company or subsidiary | Reason for punishment | Violation | Punishment | Impact on the Company | Rectification measures of the Company |
|-----------------------|-----------------------|-----------|------------|-----------------------|---------------------------------------|
| N/A                   | N/A                   | N/A       | N/A        | N/A                   | N/A                                   |

Other environmental information disclosed with reference to key polluters:

N/A

Actions taken during the Reporting Period to reduce carbon emissions and the impact:

Applicable  Not applicable

See the 2023 Social Responsibility and ESG Report of Changchai Company, Limited disclosed on <http://www.cninfo.com.cn> dated 12 April 2024.

The reason for not disclosing other environmental information: The Company and its subsidiaries are not listed as key polluting units by the environmental protection department. The production and operation of the Company and its subsidiaries strictly comply with relevant national laws and regulations. The Company will continue to strengthen environmental supervision and management to ensure that the development of the enterprise complies with environmental protection policies and regulations.

### II Social Responsibility

See the 2023 Social Responsibility and ESG Report of Changchai Company, Limited disclosed on <http://www.cninfo.com.cn> dated 12 April 2024.

### III Efforts in Poverty Alleviation and Rural Revitalization

N/A

## Part VI Significant Events

### I Fulfillment of Commitments

#### 1. Commitments of the Company's De Facto Controller, Shareholders, Related Parties and Acquirers, as well as the Company Itself and Other Entities Fulfilled in the Reporting Period or Ongoing at the Period-End

√ Applicable □ Not applicable

| Commitment                      | Promisor                             | Type of commitment              | Details of commitment  | Date of commitment making | Term of commitment              | Fulfillment |
|---------------------------------|--------------------------------------|---------------------------------|--|---------------------------|---------------------------------|-------------|
| Commitments made in refinancing | Changzhou Investment Group Co., Ltd. | About share trading restriction | It will not transfer the shares it has obtained in the private placement of Changchai within 36 months starting from the date when the private placement of A-shares is allowed for public trading.  | 5 July 2021               | 5 July 2021 -5 July 2024        | Ongoing     |
|                                 | Changzhou Investment Group Co., Ltd. | Other                           | <p>1. It undertakes not to interfere in the Company's operation and management activities beyond its authority and not to encroach on the Company's interests;</p> <p>2. It undertakes not to transfer benefits to other entities or individuals free of charge or on unfair terms, nor to impair the interests of the Company by any other means;</p> <p>3. After the issuance of this Letter of Commitment and before the completion of the Company's non-public offering of</p> | 11 April 2020             | 11 April 2020 -31 December 9999 | Ongoing     |

|  |                            |                    |   |                           |                       |                 |
|--|----------------------------|--------------------|---|---------------------------|-----------------------|-----------------|
|  |                            |                    | <p>shares, if the China Securities Regulatory Commission (CSRC) makes other new regulatory provisions on the return filing measures and commitments, and the aforesaid commitments cannot meet such provisions of the CSRC, it undertakes to issue supplementary commitments in accordance with the latest provisions of the CSRC;</p> <p>4. It undertakes to effectively implement the Company's measures to fill the return and any commitments made thereon. If the Company breaches such commitments and causes losses to the Company or the investors, the Company is willing to compensate the Company or the investors according to law.</p>                         |                           |                       |                 |
| Other commitments made to minority shareholders  | Changchai Company, Limited | Abundant dividends | <p>Rewards Plan for Shareholders in Next Three Years(2023-2025)</p> <p>Under the premise of positive distributive profit (remaining after-tax profits after making up for the loss and extracting for the common reserves) in this year or half year and abundant money flow and no influence on the following-up going concern after cash bonus, the profits allocated by cash every year shouldn't be lower than 10% of the allocable profits from parent company. Meanwhile, the accumulated allocable profits by cash in the arbitrary continuous three accounting years should not be lower than 30% of the annual average allocable profits in those three years.</p> | 18<br>M<br>ay<br>20<br>23 | Year<br>2023-20<br>25 | On<br>goi<br>ng |
| Fulfilled on time or not   | Yes                        |                    |   |                           |                       |                 |
| Specific reasons for failing to fulfill commitments on time and plans for next step (if any) | N/A                        |                    |   |                           |                       |                 |

**2. Where there had been an earnings forecast for an asset or project and the Reporting Period was still within the forecast period, explain why the forecast has been reached for the Reporting Period.**

Applicable  Not applicable

## II Occupation of the Company's Capital by the Controlling Shareholder or any of Its Related Parties for Non-Operating Purposes

Applicable  Not applicable

No such cases in the Reporting Period.

## III Irregularities in the Provision of Guarantees

Applicable  Not applicable

No such cases in the Reporting Period.

## IV Explanations Given by the Board of Directors Regarding the Independent Auditor's "Modified Opinion" on the Financial Statements of the Latest Period

Applicable  Not applicable

## V Explanations Given by the Board of Directors, the Supervisory Board and the Independent Directors (if any) Regarding the Independent Auditor's "Modified Opinion" on the Financial Statements of the Reporting Period

Applicable  Not applicable

## VI YoY Changes to Accounting Policies, Estimates and Correction of Material Accounting Errors

Applicable  Not applicable

| Changes to the accounting policies and why   | Approval process | Remark                                  |
|--|------------------|---|
| The Company starts to implement the "accounting treatment for deferred income tax relating to assets and liabilities arising from a single transaction that is not subject to the initial recognition exemption" stipulated in the Accounting Standards for Business Enterprises Interpretation No. 16 issued by the Ministry of Finance on 13 November 2022 since 1 January 2023. | /                | Notes of changes to accounting policies |

Description of changes in accounting policies:

(1) The impact of implementing the Interpretation No. 16 of Accounting Standards for Business Enterprises on the Company

On 13 December 2022, the Ministry of Finance issued the *Interpretation No. 16 of Accounting Standards for Business Enterprises* (CaiKuai [2022] No. 31, hereinafter referred to as "Interpretation No. 16"). Since 1 January 2023, the stipulation of "the accounting processing of initial recognition exemption is not applicable to deferred income tax related to assets and liabilities arising from individual transactions" has been implemented, allowing enterprises to execute it ahead of schedule for their own annual release. The accounting processing related to this matter that was not implemented in advance by the Company in 2023 will be implemented from 1 January 2023.

Interpretation No. 16 stipulates that for single transactions that are not business combinations, that affect neither accounting profit nor taxable income (or deductible losses) at the time when the transaction occurs, and where the

initial recognition of assets and liabilities results in taxable temporary differences and deductible temporary differences of equal amounts (including lease transactions in which the lessee recognises the initial lease liability and includes it in the right-of-use asset on the commencement date of the lease term, as well as single transactions in which estimated liabilities are recognised and included in the costs of related assets due to fixed assets' retirement obligations), exemption from initial recognition of deferred income tax liabilities and deferred income tax assets shall not apply. Enterprises shall recognise the corresponding deferred income tax liabilities and deferred income tax assets, respectively, in accordance with *No. 18 of the Accounting Standards for Business Enterprises -- Income Taxes* when the transaction is affected.

For single transactions that occurred between the beginning of the earliest period presented in the financial statements and the date of initial application of this provision, as well as lease liabilities and right-of-use assets recognised at the beginning of the earliest period presented in the financial statements due to the application of this provision to single transactions, and recognised estimated liabilities related to retirement obligations and corresponding related assets, which create taxable temporary differences and deductible temporary differences, enterprises shall make adjustments in accordance with this provision.

The change in accounting policy has no impact on the Company's financial statements.

## VII YoY Changes to the Scope of the Consolidated Financial Statements

Applicable  Not applicable

## VIII Engagement and Disengagement of Independent Auditor

Current independent auditor:

|  |   |
|--|---|
| Name of the domestic independent auditor   | Gongzheng Tianye Certified Public Accountants (Special General Partnership) |
| The Company's payment to the domestic independent auditor (RMB'0,000)  | 63  |
| How many consecutive years the domestic independent auditor has provided audit service for the Company                     | 22  |
| Names of the certified public accountants from the domestic independent auditor writing signatures on the auditor's report | Wang Wenkai, Qin Zhijun   |
| How many consecutive years the certified public accountants have provided audit service for the Company                    | Three years for Wang Wenkai, three years for Qin Zhijun                     |

Indicate by tick mark whether the independent auditor was changed for the Reporting Period.

Yes  No

Independent auditor, financial advisor or sponsor engaged for the audit of internal controls:

Applicable  Not applicable

In this year, the Company retained Gongzheng Tianye Certified Public Accountants (Special General Partnership) as the audit institution for its internal control at the audit fees of RMB140,000.

## **IX Possibility of Delisting after Disclosure of this Report**

Applicable  Not applicable

## **X Insolvency and Reorganization**

Applicable  Not applicable

No such cases in the Reporting Period.

## **XI Major Legal Matters**

Applicable  Not applicable

No such cases in the Reporting Period.

## **XII Punishments and Rectifications**

Applicable  Not applicable

No such cases in the Reporting Period.

## **XIII Credit Quality of the Company as well as Its Controlling Shareholder and Actual Controller**

Applicable  Not applicable

The de facto controller of the Company is SASAC of Changzhou People's Government and the controlling shareholder of it is Changzhou Investment Group Co., Ltd. There is no such case that the controlling shareholder fails to perform any legally effective judgment of courts or to pay off matured debts with a large amount.

## **XIV Major Related-Party Transactions**

### **1. Continuing Related-Party Transactions**

Applicable  Not applicable

No such cases in the Reporting Period.

### **2. Related-Party Transactions Regarding Purchase or Disposal of Assets or Equity Investments**

Applicable  Not applicable

No such cases in the Reporting Period.

### **3. Related-Party Transactions Regarding Joint Investments in Third Parties**

Applicable  Not applicable

No such cases in the Reporting Period.

**4. Amounts Due to and from Related Parties**

Applicable  Not applicable

No such cases in the Reporting Period.

**5. Transactions with Related Finance Companies**

Applicable  Not applicable

The Company did not make deposits in, receive loans or credit from and was not involved in any other finance business with any related finance company or any other related parties.

**6. Transactions with Related Parties by Finance Companies Controlled by the Company**

Applicable  Not applicable

The finance company controlled by the Company did not make deposits, receive loans or credit from and was not involved in any other finance business with any related parties.

**7. Other Major Related-Party Transactions**

Applicable  Not applicable

No such cases in the Reporting Period.

**XV Major Contracts and Execution thereof****1. Entrustment, Contracting and Leases****(1) Entrustment**

Applicable  Not applicable

No such cases in the Reporting Period.

**(2) Contracting**

Applicable  Not applicable

No such cases in the Reporting Period.

**(3) Leases**

Applicable  Not applicable

No such cases in the Reporting Period.

**2. Major Guarantees**

Applicable  Not applicable

No such cases in the Reporting Period.

### 3. Cash Entrusted for Wealth Management

#### (1) Cash Entrusted for Wealth Management

Applicable  Not applicable

Overviews of cash entrusted for wealth management during the Reporting Period

Unit: RMB'0,000

| Specific type             | Capital resources | Amount incurred  | Undue balance | Unrecovered overdue amount | Unrecovered overdue amount with provision for impairment |
|---------------------------|-------------------|------------------|---------------|----------------------------|--|
| Bank financial products   | Self-funded       | 36,070           | 13,070        | 0                          | 0  |
| Bank financial products   | Raised-funded     | 10,000           | 0             | 0                          | 0  |
| Broker financial products | Self-funded       | 2,028.98         | 1,300         | 0                          | 0  |
| <b>Total</b>              |                   | <b>48,098.98</b> | <b>14,370</b> | <b>0</b>                   | <b>0</b>   |

High-risk wealth management transactions with a significant single amount, or with low security, low liquidity:

Applicable  Not applicable

Situation where the principal is expectedly irrecoverable or impairment may be incurred:

Applicable  Not applicable

#### (2) Entrusted Loans

Applicable  Not applicable

No such cases in the Reporting Period.

### 4. Other Major Contracts

Applicable  Not applicable

No such cases in the Reporting Period.

## XVI Other Significant Events

Applicable  Not applicable

1. Expropriation of the Wuxing branch company's properties on state-owned land and compensation

On 25 May 2023, the Proposal on the Intention to Sign the Agreement on the Expropriation of the Properties of the Wuxing Branch Company on State-owned Land in Changzhou City and the Compensation was approved at the 17th Meeting of the Ninth Board of Directors. Later, the said matter was approved at the First Extraordinary General Meeting of Shareholders in 2023 dated 12 June 2023. As such, the Company was agreed to sign a contract with Changzhou Zhonglou District Housing and Urban-Rural Development Bureau on the expropriation



of the Wuxing branch company's properties on state-owned land and the compensation, with the contractual total compensation amount being RMB117 million. On 14 June 2023, the Company signed the Agreement on the Expropriation of the Properties of the Wuxing Branch Company on State-owned Land in Changzhou City and the Compensation with Changzhou Zhonglou District Housing and Urban-Rural Development Bureau, and received the first compensation payment of RMB70 million on 28 June 2023, and received the residual compensation payment of RMB47 million on 9 January 2024.

#### 2. Housing expropriation on state-owned land and compensation of Sanjing Branch

On 27 October 2023, the Company held the Third Meeting of the Tenth Board of Directors, deliberating on and approving the *Proposal on Signing the Sanjing Branch's Agreement on Non-residential Housing Expropriation and Compensation in Xinbei District, Changzhou City*. The matter was approved at the third extraordinary general meeting on 14 November 2023, approving that the Company would sign agreement with the Housing and Urban-Rural Development Bureau of Changzhou National High-tech Industrial Development Zone and the Housing Expropriation and Compensation Service Centre of Sanjing Street, Xinbei District, Changzhou City, regarding the housing expropriation on state-owned land and compensation of the Sanjing Branch. The total compensation amount under the agreement was RMB99,929,900. On 29 November 2023, the Company signed the *Agreement on Non-residential Housing Expropriation and Compensation* with the Housing and Urban-Rural Development Bureau of Changzhou National High-tech Industrial Development Zone and the Housing Expropriation and Compensation Service Centre of Sanjing Street, Xinbei District, Changzhou City. The Company received the first compensation of RMB30 million until January 2024.

## **XVII Significant Events of Subsidiaries**

√ Applicable □ Not applicable

#### 1. Acquisition of 7.5% equity held by natural person shareholders of Zhenjiang Siyang

In December 2023, the Company acquired 7.5% equity held by three natural person shareholders of its partially-owned subsidiaries Zhenjiang Siyang with RMB7.17 million. As at 31 December 2023, the Company had held a total of 49% equity in Zhenjiang Siyang and remained its largest shareholder.

## Part VII Share Changes and Shareholder Information

### I Share Changes

#### 1. Share Changes

Unit: share

|  | Before        |                | Increase/decrease in the Reporting Period (+/-) |  |  |       |          | After         |                |
|--|---------------|----------------|---|--|--|-------|----------|---------------|----------------|
|  | Number        | Percentage (%) | New issues                                      | Shares as dividend converted from profit | Shares as dividend converted from capital reserves | Other | Subtotal | Number        | Percentage (%) |
| 1. Restricted shares                         | 56,818,181    | 8.05%          |   |  |  |       | 0        | 56,818,181    | 8.05%          |
| 1.1 Shares held by government                | 0             | 0.00%          |   |  |  |       | 0        | 0             | 0.00%          |
| 1.2 Shares held by state-owned legal persons | 56,818,181.00 | 8.05%          |   |  |  |       | 0        | 56,818,181.00 | 8.05%          |
| 1.3 Shares held by other domestic investors  | 0             | 0.00%          |   |  |  |       | 0        | 0             | 0.00%          |
| Among which: Shares held by                  | 0             | 0.00%          |   |  |  |       | 0        | 0             | 0.00%          |

|   |             |        |  |  |  |  |   |             |        |
|---|-------------|--------|--|--|--|--|---|-------------|--------|
| domestic legal persons                            |             |        |  |  |  |  |   |             |        |
| Shares held by domestic natural persons           | 0           | 0.00%  |  |  |  |  | 0 | 0           | 0.00%  |
| 1.4 Shares held by foreign investors              | 0           | 0.00%  |  |  |  |  | 0 | 0           | 0.00%  |
| Among which: Shares held by foreign legal persons | 0           | 0.00%  |  |  |  |  | 0 | 0           | 0.00%  |
| Shares held by foreign natural persons            | 0           | 0.00%  |  |  |  |  | 0 | 0           | 0.00%  |
| 2. Unrestricted shares                            | 648,874,326 | 91.95% |  |  |  |  | 0 | 648,874,326 | 91.95% |
| 2.1 RMB-denominated ordinary shares               | 498,874,326 | 70.69% |  |  |  |  | 0 | 498,874,326 | 70.69% |
| 2.2 Domestically listed foreign shares            | 150,000,000 | 21.26% |  |  |  |  | 0 | 150,000,000 | 21.26% |

|   |                 |             |  |  |  |  |   |                 |             |
|---|-----------------|-------------|--|--|--|--|---|-----------------|-------------|
| 2.3<br>Oversea<br>listed<br>foreign<br>shares | 0               | 0.00%       |  |  |  |  | 0 | 0               | 0.00%       |
| 2.4<br>Other                                  | 0               | 0.00%       |  |  |  |  | 0 | 0               | 0.00%       |
| 3. Total<br>shares                            | 705,692,<br>507 | 100.00<br>% |  |  |  |  | 0 | 705,692,<br>507 | 100.00<br>% |

Reasons for the share changes:

Applicable  Not applicable

Approval of share changes:

Applicable  Not applicable

Transfer of share ownership:

Applicable  Not applicable

Effects of share changes on the basic and diluted earnings per share, equity per share attributable to the Company's ordinary shareholders and other financial indicators of the prior year and the prior accounting period, respectively:

Applicable  Not applicable

Other information that the Company considers necessary or is required by the securities regulator to be disclosed:

Applicable  Not applicable

## 2. Changes in Restricted Shares

Applicable  Not applicable

## II. Issuance and Listing of Securities

### 1. Securities (Exclusive of Preferred Shares) Issued in the Reporting Period

Applicable  Not applicable

### 2. Changes to Total Shares, Shareholder Structure and Asset and Liability Structures

Applicable  Not applicable

### 3. Existing Staff-Held Shares

Applicable  Not applicable

## III Shareholders and Actual Controller

Unit: share

| Number of ordinary shareholders  | 58,653   | Number of ordinary shareholders at the month-end prior to the disclosure of this Report | 56,686                              | Number of preferred shareholders with resumed voting rights | 0                      | Number of preferred shareholders with resumed voting rights at the month-end prior to the disclosure of this Report | 0                          |        |
|--|--|---|-------------------------------------|---|------------------------|---|----------------------------|--------|
| 5% or greater shareholders or top 10 shareholders  |  |   |                                     |   |                        |   |                            |        |
| Name of shareholder  | Nature of shareholder  | Shareholding percentage   | Total shares held at the period-end | Increase/d decrease in the Reporting Period                 | Restricted shares held | Unrestricted shares held  | Shares in pledge or frozen |        |
|  |  |   |                                     |   |                        |   | Status                     | Shares |
| Changzhou Investment Group Co., Ltd  | State-owned legal person   | 32.26%  | 227,663,417                         | 0   | 56,818,181             | 170,845,236   | N/A                        | 0      |
| Chen Jian  | Domestic natural person  | 0.49%   | 3,478,600                           | -1,501,300  |                        | 3,478,600   |                            |        |
| KGI ASIA LIMITED   | Foreign legal person   | 0.44%   | 3,101,695                           | 0   |                        | 3,101,695   |                            |        |
| Wu Chunhua   | Domestic natural person  | 0.35%   | 2,442,200                           | 2,442,200   |                        | 2,442,200   |                            |        |
| China International Capital Corporation Limited  | State-owned legal person   | 0.27%   | 1,921,527                           | 1,921,527   |                        | 1,921,527   |                            |        |
| Lu Zhang   | Domestic natural person  | 0.26%   | 1,836,643                           | 1,836,643   | 0                      | 1,836,643   |                            |        |
| Li Suinan  | Domestic natural person  | 0.23%   | 1,593,800                           | 24,700  |                        | 1,593,800   |                            |        |
| Zhang Wenbing  | Domestic natural person  | 0.22%   | 1,556,700                           | 1,556,700   |                        | 1,556,700   |                            |        |
| Huang Guoliang   | Domestic natural person  | 0.22%   | 1,528,891                           | 0   |                        | 1,528,891   |                            |        |
| Huatai Securities Co., Ltd.  | State-owned legal person   | 0.21%   | 1,509,155                           | 1,509,155   |                        | 1,509,155   |                            |        |
| Strategic investor or general legal person becoming a top-10 ordinary shareholder due to rights issue (if any) | N/A  |   |                                     |   |                        |   |                            |        |
| Related or acting-in-concert parties among the shareholders  | It is unknown whether there is among the top 10 public shareholders and the top 10 unrestricted public shareholders any related parties or acting-in-concert |   |                                     |   |                        |   |                            |        |

| above  | parties as defined in the Administrative Measures for Information Regarding Shareholding Alteration.  |                                   |             |
|--|---|-----------------------------------|-------------|
| Above shareholders involved in entrusting/being entrusted with voting rights and giving up voting rights   | N/A   |                                   |             |
| Special account for share repurchases (if any) among the top 10 shareholders   | N/A   |                                   |             |
| Top 10 unrestricted shareholders   |   |                                   |             |
| Name of shareholder  | Unrestricted shares held at the period-end  | Shares by type                    |             |
|  |   | Type                              | Shares      |
| Changzhou Investment Group Co., Ltd  | 170,845,236   | RMB-denominated ordinary share    | 170,845,236 |
| Chen Jian  | 3,478,600   | RMB-denominated ordinary share    | 3,478,600   |
| KGI ASIA LIMITED   | 3,101,695   | Domestically listed foreign share | 3,101,695   |
| Wu Chunhua   | 2,442,200   | RMB-denominated ordinary share    | 2,442,200   |
| China International Capital Corporation Limited  | 1,921,527   | RMB-denominated ordinary share    | 1,921,527   |
| Lu Zhang   | 1,836,643   | Domestically listed foreign share | 1,836,643   |
| Li Suinan  | 1,593,800   | Domestically listed foreign share | 1,593,800   |
| Zhang Wenbing  | 1,556,700   | RMB-denominated ordinary share    | 1,556,700   |
| Huang Guoliang   | 1,528,891   | Domestically listed foreign share | 1,528,891   |
| Huatai Securities Co., Ltd.  | 1,509,155   | RMB-denominated ordinary share    | 1,509,155   |
| Related or acting-in-concert parties among top 10 unrestricted public shareholders, as well as between top 10 unrestricted public shareholders and top 10 shareholders | It is unknown whether there is among the top 10 public shareholders and the top 10 unrestricted public shareholders any related parties or acting-in-concert parties as defined in the Administrative Measures for Information Regarding Shareholding Alteration. |                                   |             |
| Top 10 ordinary shareholders involved in securities margin trading (if any)  | Shareholders Chen Jian and Wu Chunhua held 2,952,800 and 2,442,200 shares respectively in the Company through their margin accounts.  |                                   |             |

Top 10 shareholders involved in refinancing shares lending

Applicable  Not applicable

Changes in top 10 shareholders compared with the prior period

√ Applicable □ Not applicable

Unit: share

| Changes in top 10 shareholders compared with the end of the prior period                            |  |   |                             |  |                             |
|---|--|---|-----------------------------|--|-----------------------------|
| Full name of shareholder  | Newly added or existing from top 10 shareholders in the Reporting Period | Shares lent in refinancing and not yet returned at the period-end |                             | Shares in the common account and credit account plus shares lent in refinancing and not yet returned at the period-end |                             |
|   |  | Total shares  | As % of total share capital | Total shares   | As % of total share capital |
| Wu Chunhua  | Newly added  | 0   | 0.00%                       | 2,442,200  | 0.35%                       |
| China International Capital Corporation Limited   | Newly added  | 0   | 0.00%                       | 1,921,527  | 0.27%                       |
| Lu Zhang  | Newly added  | 0   | 0.00%                       | 1,836,643  | 0.26%                       |
| Zhang Wenbing   | Newly added  | 0   | 0.00%                       | 1,556,700  | 0.22%                       |
| Huatai Securities Co., Ltd.   | Newly added  | 0   | 0.00%                       | 1,509,155  | 0.21%                       |
| MORGAN STANLEY & CO. INTERNATIONAL PLC.   | Exiting  | 0   | 0.00%                       | 694,573  | 0.10%                       |
| Yang Xuee   | Exiting  | 0   | 0.00%                       | 0  | 0.00%                       |
| China Minsheng Bank-Goldstate Yuanqi Dynamic Asset Allocation Mixed Type Securities Investment Fund | Exiting  | 0   | 0.00%                       | 0  | 0.00%                       |
| CLSA Asset Management Limited-Clients' Capital  | Exiting  | 0   | 0.00%                       | 938,641  | 0.13%                       |
| Dai Wenping   | Exiting  | 0   | 0.00%                       | 0  | 0.00%                       |

Indicate by tick mark whether any of the top 10 ordinary shareholders or the top 10 unrestricted ordinary shareholders of the Company conducted any promissory repo during the Reporting Period.

□ Yes √ No

No such cases in the Reporting Period.

## 2. Controlling Shareholder

Nature of the controlling shareholder: Controlled by a local state-owned legal person

Type of the controlling shareholder: Legal person

| Name of controlling shareholder     | Legal representative/person in charge | Date of establishment | Unified social credit code | Principal activity      |
|-------------------------------------|---------------------------------------|-----------------------|----------------------------|-------------------------|
| Changzhou Investment Group Co., Ltd | Li Desen                              | 20 June 2002          | 91320400467283980X         | Property investment and |

|  |      |  |  |            |
|--|------|--|--|------------|
|  |      |  |  | management |
| Controlling shareholder's holdings in other listed companies at home or abroad in the Reporting Period | None |  |  |            |

Change of the controlling shareholder in the Reporting Period:

Applicable  Not applicable

No such cases in the Reporting Period.

### 3. Actual Controller and Its Acting-in-Concert Parties

Nature of the actual controller: Local institution for state-owned assets management

Type of the actual controller: Legal person

| Name of actual controller   | Legal representative/person in charge | Date of establishment | Unified social credit code | Principal activity |
|---|---------------------------------------|-----------------------|----------------------------|--------------------|
| State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government | Shi Jiangshui                         |                       | 11320400014110251M         | Not applicable     |
| Other listed companies at home or abroad controlled by the actual controller in the Reporting Period    | None                                  |                       |                            |                    |

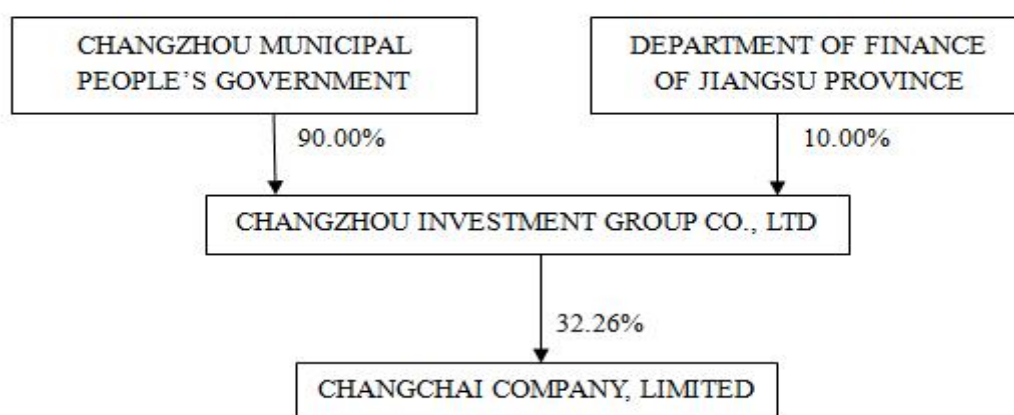
Change of the actual controller during the Reporting Period:

Applicable  Not applicable

No such cases in the Reporting Period.

Ownership and control relations between the actual controller and the Company:





Indicate by tick mark whether the actual controller controls the Company via trust or other ways of asset management.

Applicable  Not applicable

**4. Number of Accumulative Pledged Shares held by the Company's Controlling Shareholder or the Largest Shareholder as well as Its Acting-in-Concert Parties Accounts for 80% of all shares of the Company held by Them**

Applicable  Not applicable

**5. Other 10% or Greater Corporate Shareholders**

Applicable  Not applicable

**6. Limitations on Shareholding Decrease by the Company's Controlling Shareholder, Actual Controller, Reorganizer and Other Commitment Makers**

Applicable  Not applicable

Changzhou Investment Group Co., Ltd., the controlling shareholder of the Company, participated in the non-public offering of shares of the Company and was allotted 56,818,181 shares with a subscription amount of RMB249,999,996.40. The shares were listed on 5 July 2021, with a 36-month lock-up period and a release date of 5 July 2024.

#### **IV Specific Implementation of Share Repurchase during the Reporting Period**

Progress on any share repurchase

Applicable  Not applicable

Progress on reducing the repurchased shares by means of centralized bidding

Applicable  Not applicable

## **Part VIII Preference Shares**

Applicable  Not applicable

No preference shares in the Reporting Period.

## Part IX Bonds

Applicable  Not applicable

## Part X Financial Statements

### I Independent Auditor's Report

|   |  |
|---|--|
| Type of the independent auditor's opinion | Unmodified unqualified opinion   |
| Date of signing this report               | 10 April 2024  |
| Name of the independent auditor           | Gongzheng Tianye Certified Public Accountants<br>(Special General Partnership) |
| No. of the auditor's report               | S.G. W[2024]No.A250  |
| Name of the certified public accountants  | Wang Wenkai, Qin Zhijun  |

Text of the Independent Auditor's Report

### To the Shareholders of Changchai Company, Limited,

#### I Opinion

We have audited the accompanying financial statements of Changchai Company, Limited. (together with its consolidated subsidiaries included in the consolidated financial statements, the "Company"), which comprise the parent's and consolidated balance sheets as at 31 December 2023, the parent's and consolidated income statements, the parent's and consolidated cash flow statements, the parent's and consolidated statements of changes in owners' equity for the year then ended, as well as the notes to the financial statements.

In our opinion, the financial statements attached were prepared in line with the regulations of Accounting Standards for Business Enterprises in all significant aspects which gave a true and fair view of the consolidated and parent financial position of Changchai Company, Limited. As at 31 December 2023 and the consolidated and parent business performance and cash flow for 2023.

#### II Basis for Opinion

We conducted our audits in accordance with the Audit Standards for Chinese Registered Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for Audit of Financial Statements section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the said Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### III Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. And key audit matter identified in our audit is summarized as follows:

##### (I) Recognition of revenue

##### 1. Description of the item

For details and analysis of the accounting policies for revenue recognition, please refer to accounting policies stated in the notes to financial statements "III. 30. Revenue" and "V. 39. Operating income and operating cost". In 2023, the operating income of Changchai Company amounted to RMB2,155,698,800.

Since the operating revenue is one of key performance indicators of the Company, and there is the inherent risk that the management may manipulate the timing of revenue recognition for the purpose of achieving certain goals or expectations, so we identify the revenue recognition as a key audit item.

## 2. Response for audit

- (1) Know the key internal control related to revenue recognition, evaluate whether its design and execution are valid or not, and test the operation effectiveness of the related internal control.
- (2) Interview the management, know about the recognition policies regarding revenue of the Company, get and check contracts or agreements of the Company signed with customers, identify contract terms related to the recognition of sales revenue of products and evaluate whether the revenue recognition of the Company meets the requirements of accounting standards for business enterprises.
- (3) For sales revenue, conducting sampling tests on supporting documents related to revenue recognition, so as to check supporting documents such as terms associated with control transfer of commodities in sales contracts and documentation collected and acknowledged by auxiliary manufacturers (including but not limited to sales contracts, orders, sales invoices, delivery notes, export customs declarations, etc.);
- (4) Check the operating revenue recognized before and after the balance sheet date to the supporting documents, such as shipping order, declaration for exportation, and etc by sampling method to assess whether the operating revenue is recognized within appropriate period.
- (5) Implement the confirmation by drawing sample to recognize the balance of accounts receivable and the amount of sales revenue according to the features and natures of customer transaction.

### (II) Bad debt provision for accounts receivable

#### 1. Description of the item

As accounting policies stated in the notes to financial statements “III. 10. Impairment of financial instruments” and “V. 4. Accounts receivable”. On 31 December 2023, the book balance of accounts receivable of Changchai Company stood at RMB464,310,500, the bad debt provision amounted to RMB147,767,300, and the book value was RMB316,543,200, accounting for 6.13% of the total assets at the end of the reporting period. As the balance of accounts receivable is significant and the judgement of the Management is involved in the withdrawal of bad debt provision of accounts receivable, we consider this as a key audit matter.

## 2. Response for audit

- (1) Access Changchai’s internal control systems of sales and accounts receivable management to understand and evaluate the design of internal control, and carry out walk-through test to confirm the implementation of internal control systems.
- (2) Analyze and confirm the reasonableness of Changchai’s accounting estimates of bad debt provision for accounts receivable, including the basis for determining the combination of accounts receivable, the expected credit loss rate and the judgment of impairment test of accounts receivable evaluated individually.
- (3) Combined bad debt provision policy for accounts receivable, verifying the accuracy of the basis for determining accounts receivable portfolio and the reasonableness of bad debt provision separately accrued;
- (4) Access and check the account receivable details, aging schedule, statement of provisions for bad debts, and confirm the reasonableness of bad debt provision for accounts receivable by combining with the request of confirmation of balance and subsequent collection inspection;
- (5) For accounts receivable with bad debt provision by single item, referring to corresponding contracts and other information to obtain an understanding of sales and repayments and determine whether the bad debt provision by single item is adequately withdrawn.
- (6) Send request for confirmation of balance, and confirm the authenticity and accuracy of the amount of accounts receivable on the balance sheet date by combining with subsequent inspection and other procedures.

## IV Other Information

The Company’s management (hereinafter referred to as “management”) is responsible for the other information. The other information comprises all of the information included in the Company’s 2023 Annual Report other than

the financial statements and our auditor's report thereon.

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

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

#### **V Responsibilities of Management and Those Charged with Governance for Financial Statements**

The management is responsible for the preparation of the financial statements that give a fair view in accordance with CAS, and for designing, implementing and maintaining such internal control as the management determines is 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, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, matters related to going concern (if applicable) and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

#### **VI Auditor's Responsibilities for Audit of Financial Statements**

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

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by CAS to draw users' attention in our auditor's report to the related disclosures in the financial statements. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial

statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion. We communicate with those charged with governance regarding the planned scope and timing of the audit and significant audit findings, including any noteworthy deficiencies in internal control that we identify during our audit.

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

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

Gongzheng Tianye Certified Public Accountants  
(Special General Partnership)

Wuxi · China

Chinese CPA:  
(Engagement Partner)

Chinese CPA:  
10 April 2024

## II Financial Statements

Currency unit for the financial statements and the notes thereto: RMB

### 1. Consolidated Balance Sheet

Prepared by Changchai Company, Limited

31 December 2023

Unit: RMB

| Item                              | 31 December 2023 | 1 January 2023 |
|-----------------------------------|------------------|----------------|
| Current assets:                   |                  |                |
| Monetary assets                   | 1,083,867,966.87 | 930,013,350.97 |
| Settlement reserve                |                  |                |
| Interbank loans granted           |                  |                |
| Held-for-trading financial assets | 225,641,429.94   | 370,103,602.57 |
| Derivative financial assets       |                  |                |
| Notes receivable                  | 161,632,567.94   | 297,125,872.54 |
| Accounts receivable               | 316,543,159.91   | 370,322,179.77 |
| Accounts receivable financing     | 195,875,948.92   | 242,813,392.79 |
| Prepayments                       | 12,333,310.85    | 6,330,202.69   |
| Premiums receivable               |                  |                |

|  |                  |                  |
|--|------------------|------------------|
| Reinsurance receivables                            |                  |                  |
| Receivable reinsurance contract reserve            |                  |                  |
| Other receivables                                  | 49,699,753.61    | 32,938,305.16    |
| Including: Interest receivable                     |                  |                  |
| Dividends receivable                               |                  |                  |
| Financial assets purchased under resale agreements |                  |                  |
| Inventories  | 789,220,185.68   | 571,996,881.74   |
| Contract assets                                    |                  |                  |
| Assets held for sale                               |                  |                  |
| Current portion of non-current assets              | 40,773,509.75    |                  |
| Other current assets                               | 20,910,504.84    | 49,279,022.49    |
| Total current assets                               | 2,896,498,338.31 | 2,870,922,810.72 |
| Non-current assets:                                |                  |                  |
| Loans and advances to customers                    |                  |                  |
| Investments in debt obligations                    |                  | 39,309,587.93    |
| Investments in other debt obligations              |                  |                  |
| Long-term receivables                              |                  |                  |
| Long-term equity investments                       |                  |                  |
| Investments in other equity instruments            | 969,488,025.67   | 955,560,240.08   |
| Other non-current financial assets                 | 412,914,576.80   | 373,500,000.00   |
| Investment property                                | 39,837,558.11    | 42,160,779.65    |
| Fixed assets                                       | 675,596,920.95   | 720,061,387.76   |
| Construction in progress                           | 4,275,622.18     | 30,281,547.56    |
| Productive living assets                           |                  |                  |
| Oil and gas assets                                 |                  |                  |
| Right-of-use assets                                |                  |                  |
| Intangible assets                                  | 148,458,185.68   | 157,392,217.54   |
| Development costs                                  |                  |                  |
| Goodwill   |                  |                  |
| Long-term prepaid expense                          | 8,227,958.66     | 3,279,970.32     |
| Deferred income tax assets                         | 1,518,995.79     | 26,220,575.93    |
| Other non-current assets                           | 2,578,776.77     | 670,735.93       |
| Total non-current assets                           | 2,262,896,620.61 | 2,348,437,042.70 |



|   |                  |                  |
|---|------------------|------------------|
| Total assets  | 5,159,394,958.92 | 5,219,359,853.42 |
| Current liabilities:                                      |                  |                  |
| Short-term borrowings                                     |                  | 115,437,700.65   |
| Borrowings from the central bank                          |                  |                  |
| Interbank loans obtained                                  |                  |                  |
| Held-for-trading financial liabilities                    |                  |                  |
| Derivative financial liabilities                          |                  |                  |
| Notes payable   | 528,139,582.33   | 471,876,397.72   |
| Accounts payable  | 641,484,184.05   | 747,010,098.88   |
| Advances from customers                                   | 1,647,441.22     | 837,425.55       |
| Contract liabilities                                      | 33,352,877.66    | 32,843,692.83    |
| Financial assets sold under repurchase agreements         |                  |                  |
| Customer deposits and interbank deposits                  |                  |                  |
| Payables for acting trading of securities                 |                  |                  |
| Payables for underwriting of securities                   |                  |                  |
| Employee benefits payable                                 | 47,738,883.57    | 49,351,022.47    |
| Taxes payable   | 6,231,169.74     | 8,570,175.39     |
| Other payables  | 159,023,382.81   | 160,046,882.93   |
| Including: Interest payable                               |                  |                  |
| Dividends payable   | 3,891,433.83     | 3,891,433.83     |
| Handling charges and commissions payable                  |                  |                  |
| Reinsurance payables                                      |                  |                  |
| Liabilities directly associated with assets held for sale |                  |                  |
| Current portion of non-current liabilities                |                  |                  |
| Other current liabilities                                 | 67,069,965.96    | 78,645,741.16    |
| Total current liabilities                                 | 1,484,687,487.34 | 1,664,619,137.58 |
| Non-current liabilities:                                  |                  |                  |
| Insurance contract reserve                                |                  |                  |
| Long-term borrowings                                      |                  |                  |
| Bonds payable   |                  |                  |
| Including: Preferred shares                               |                  |                  |
| Perpetual bonds   |                  |                  |
| Lease liabilities   |                  |                  |

|  |                  |                  |
|--|------------------|------------------|
| Long-term payables   |                  |                  |
| Long-term employee benefits payable                              |                  |                  |
| Provisions   |                  |                  |
| Deferred income  | 32,795,896.48    | 36,205,625.94    |
| Deferred income tax liabilities                                  | 171,843,455.52   | 161,360,251.33   |
| Other non-current liabilities                                    |                  |                  |
| Total non-current liabilities                                    | 204,639,352.00   | 197,565,877.27   |
| Total liabilities  | 1,689,326,839.34 | 1,862,185,014.85 |
| Owners' equity:  |                  |                  |
| Share capital  | 705,692,507.00   | 705,692,507.00   |
| Other equity instruments   |                  |                  |
| Including: Preferred shares                                      |                  |                  |
| Perpetual bonds  |                  |                  |
| Capital reserves   | 640,509,675.84   | 640,133,963.01   |
| Less: Treasury stock   |                  |                  |
| Other comprehensive income                                       | 667,180,321.82   | 655,341,704.07   |
| Specific reserve   | 19,432,089.52    | 18,848,856.75    |
| Surplus reserves   | 363,695,592.34   | 349,197,725.72   |
| General reserve  |                  |                  |
| Retained earnings  | 1,002,436,724.71 | 915,495,909.35   |
| Total equity attributable to owners of the Company as the parent | 3,398,946,911.23 | 3,284,710,665.90 |
| Non-controlling interests  | 71,121,208.35    | 72,464,172.67    |
| Total owners' equity   | 3,470,068,119.58 | 3,357,174,838.57 |
| Total liabilities and owners' equity                             | 5,159,394,958.92 | 5,219,359,853.42 |

Legal representative: Xie Guozhong

General Manager: Xie Guozhong

Head of the accounting department: Jiang He

**2. Balance Sheet of the Company as the Parent**

Unit: RMB

| Item                                    | 31 December 2023 | 1 January 2023   |
|---|------------------|------------------|
| Current assets:                         |                  |                  |
| Monetary assets                         | 971,143,382.52   | 792,744,709.77   |
| Held-for-trading financial assets       | 100,437,916.67   | 280,354,111.11   |
| Derivative financial assets             |                  |                  |
| Notes receivable                        | 152,906,979.84   | 282,556,327.54   |
| Accounts receivable                     | 291,996,837.94   | 329,060,940.50   |
| Accounts receivable financing           | 193,679,203.92   | 291,837,385.00   |
| Prepayments                             | 5,850,589.29     | 3,097,586.07     |
| Other receivables                       | 399,142,024.92   | 179,596,495.57   |
| Including: Interest receivable          |                  |                  |
| Dividends receivable                    |                  |                  |
| Inventories                             | 475,538,711.10   | 397,626,837.43   |
| Contract assets                         |                  |                  |
| Assets held for sale                    |                  |                  |
| Current portion of non-current assets   | 40,773,509.75    |                  |
| Other current assets                    | 5,839,708.73     | 15,594,949.05    |
| Total current assets                    | 2,637,308,864.68 | 2,572,469,342.04 |
| Non-current assets:                     |                  |                  |
| Investments in debt obligations         |                  | 39,309,587.93    |
| Investments in other debt obligations   |                  |                  |
| Long-term receivables                   |                  |                  |
| Long-term equity investments            | 576,443,530.03   | 569,273,530.03   |
| Investments in other equity instruments | 969,488,025.67   | 955,560,240.08   |
| Other non-current financial assets      | 412,914,576.80   | 373,500,000.00   |
| Investment property                     | 39,837,558.11    | 42,160,779.65    |
| Fixed assets                            | 229,931,726.27   | 249,558,305.21   |
| Construction in progress                | 2,166,940.74     | 18,366,604.84    |
| Productive living assets                |                  |                  |
| Oil and gas assets                      |                  |                  |
| Right-of-use assets                     |                  |                  |
| Intangible assets                       | 58,781,756.11    | 64,783,364.89    |
| Development costs                       |                  |                  |
| Goodwill                                |                  |                  |

|   |                  |                  |
|---|------------------|------------------|
| Long-term prepaid expense                                 |                  |                  |
| Deferred income tax assets                                | 920,609.18       | 19,860,262.43    |
| Other non-current assets                                  | 830,991.15       |                  |
| Total non-current assets                                  | 2,291,315,714.06 | 2,332,372,675.06 |
| Total assets  | 4,928,624,578.74 | 4,904,842,017.10 |
| Current liabilities:                                      |                  |                  |
| Short-term borrowings                                     |                  | 108,437,700.65   |
| Held-for-trading financial liabilities                    |                  |                  |
| Derivative financial liabilities                          |                  |                  |
| Notes payable   | 524,671,742.33   | 518,918,596.58   |
| Accounts payable  | 526,544,716.02   | 541,911,517.64   |
| Advances from customers                                   | 1,647,441.22     | 837,425.55       |
| Contract liabilities                                      | 26,149,334.52    | 24,129,579.35    |
| Employee benefits payable                                 | 40,766,429.54    | 41,558,489.86    |
| Taxes payable   | 2,069,482.65     | 3,119,171.69     |
| Other payables  | 151,919,473.64   | 151,206,684.89   |
| Including: Interest payable                               |                  |                  |
| Dividends payable   | 3,243,179.97     | 3,243,179.97     |
| Liabilities directly associated with assets held for sale |                  |                  |
| Current portion of non-current liabilities                |                  |                  |
| Other current liabilities                                 | 53,417,011.96    | 67,810,395.33    |
| Total current liabilities                                 | 1,327,185,631.88 | 1,457,929,561.54 |
| Non-current liabilities:                                  |                  |                  |
| Long-term borrowings                                      |                  |                  |
| Bonds payable   |                  |                  |
| Including: Preferred shares                               |                  |                  |
| Perpetual bonds   |                  |                  |
| Lease liabilities   |                  |                  |
| Long-term payables  |                  |                  |
| Long-term employee benefits payable                       |                  |                  |
| Provisions  |                  |                  |
| Deferred income   | 32,795,896.48    | 36,205,625.94    |
| Deferred income tax liabilities                           | 157,053,077.87   | 149,039,152.68   |
| Other non-current liabilities                             |                  |                  |
| Total non-current liabilities                             | 189,848,974.35   | 185,244,778.62   |
| Total liabilities   | 1,517,034,606.23 | 1,643,174,340.16 |
| Owners' equity:   |                  |                  |

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| Share capital                        | 705,692,507.00   | 705,692,507.00   |
| Other equity instruments             |                  |                  |
| Including: Preferred shares          |                  |                  |
| Perpetual bonds                      |                  |                  |
| Capital reserves                     | 659,418,700.67   | 659,418,700.67   |
| Less: Treasury stock                 |                  |                  |
| Other comprehensive income           | 667,180,321.82   | 655,341,704.07   |
| Specific reserve                     | 19,010,793.43    | 18,848,856.75    |
| Surplus reserves                     | 363,695,592.34   | 349,197,725.72   |
| Retained earnings                    | 996,592,057.25   | 873,168,182.73   |
| Total owners' equity                 | 3,411,589,972.51 | 3,261,667,676.94 |
| Total liabilities and owners' equity | 4,928,624,578.74 | 4,904,842,017.10 |

Legal representative: Xie Guozhong

General Manager: Xie Guozhong

Head of the accounting department: Jiang H

**3. Consolidated Income Statement**

Unit: RMB

| Item   | 2023             | 2022             |
|--|------------------|------------------|
| 1. Revenue   | 2,155,698,787.49 | 2,182,043,095.61 |
| Including: Operating revenue   | 2,155,698,787.49 | 2,182,043,095.61 |
| Interest income  |                  |                  |
| Insurance premium income   |                  |                  |
| Handling charge and commission income  |                  |                  |
| 2. Costs and expenses  | 2,156,452,273.22 | 2,247,441,538.64 |
| Including: Cost of sales   | 1,838,755,831.41 | 1,948,677,036.52 |
| Interest expense   |                  |                  |
| Handling charge and commission expense   |                  |                  |
| Surrenders   |                  |                  |
| Net insurance claims paid  |                  |                  |
| Net amount provided as insurance contract reserve                                  |                  |                  |
| Expenditure on policy dividends  |                  |                  |
| Reinsurance premium expense  |                  |                  |
| Taxes and surcharges   | 15,057,398.25    | 16,973,196.26    |
| Selling expense  | 99,603,282.16    | 102,630,223.71   |
| Administrative expense   | 123,981,333.99   | 119,511,189.72   |
| R&D expense  | 90,339,104.33    | 81,239,597.06    |
| Finance costs  | -11,284,676.92   | -21,589,704.63   |
| Including: Interest expense  | 1,825,195.98     | 1,993,453.71     |
| Interest income  | 9,008,657.82     | 12,804,077.19    |
| Add: Other income  | 6,788,111.97     | 7,184,028.05     |
| Return on investment (“-” for loss)  | 19,102,348.95    | 7,969,467.19     |
| Including: Share of profit or loss of joint ventures and associates                |                  |                  |
| Income from the derecognition of financial assets at amortized cost (“-” for loss) |                  |                  |
| Exchange gain (“-” for loss)   |                  |                  |
| Net gain on exposure hedges (“-” for loss)   |                  |                  |
| Gain on changes in fair value (“-” for loss)                                       | 49,816,098.68    | 145,243,457.17   |
| Credit impairment loss (“-” for loss)  | -172,171.65      | -2,953,740.73    |
| Asset impairment loss (“-” for loss)   | -27,893,895.75   | -14,367,197.27   |
| Asset disposal income (“-” for loss)   | 105,702,551.01   | 393,161.73       |
| 3. Operating profit (“-” for loss)   | 152,589,557.48   | 78,070,733.11    |
| Add: Non-operating income  | 927,993.65       | 4,257,942.65     |
| Less: Non-operating expense  | 1,182,537.54     | 618,463.56       |
| 4. Profit before tax (“-” for loss)  | 152,335,013.59   | 81,710,212.20    |

|  |                |                |
|--|----------------|----------------|
| Less: Income tax expense   | 37,636,658.03  | 2,464,079.74   |
| 5. Net profit (“-” for net loss)   | 114,698,355.56 | 79,246,132.46  |
| 5.1 By operating continuity  |                |                |
| 5.1.1 Net profit from continuing operations (“-” for net loss)   | 114,698,355.56 | 79,246,132.46  |
| 5.1.2 Net profit from discontinued operations (“-” for net loss)   |                |                |
| 5.2 By ownership   |                |                |
| 5.2.1 Net profit attributable to shareholders of the Company as the parent                               | 108,495,607.05 | 76,684,796.91  |
| 5.2.1 Net profit attributable to non-controlling interests   | 6,202,748.51   | 2,561,335.55   |
| 6. Other comprehensive income, net of tax  | 11,838,617.75  | 149,330,204.52 |
| Attributable to owners of the Company as the parent  | 11,838,617.75  | 149,330,204.52 |
| 6.1 Items that will not be reclassified to profit or loss  | 11,838,617.75  | 149,330,204.52 |
| 6.1.1 Changes caused by remeasurements on defined benefit schemes  |                |                |
| 6.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method |                |                |
| 6.1.3 Changes in the fair value of investments in other equity instruments                               | 11,838,617.75  | 149,330,204.52 |
| 6.1.4 Changes in the fair value arising from changes in own credit risk                                  |                |                |
| 6.1.5 Other  |                |                |
| 6.2 Items that will be reclassified to profit or loss  |                |                |
| 6.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method     |                |                |
| 6.2.2 Changes in the fair value of investments in other debt obligations                                 |                |                |
| 6.2.3 Other comprehensive income arising from the reclassification of financial assets                   |                |                |
| 6.2.4 Credit impairment allowance for investments in other debt obligations                              |                |                |
| 6.2.5 Reserve for cash flow hedges   |                |                |
| 6.2.6 Differences arising from the translation of foreign currency-denominated financial statements      |                |                |
| 6.2.7 Other  |                |                |
| Attributable to non-controlling interests  |                |                |
| 7. Total comprehensive income  | 126,536,973.31 | 228,576,336.98 |
| Attributable to owners of the Company as the parent  | 120,334,224.80 | 226,015,001.43 |
| Attributable to non-controlling interests  | 6,202,748.51   | 2,561,335.55   |
| 8. Earnings per share  |                |                |
| 8.1 Basic earnings per share   | 0.1537         | 0.1087         |

|                                |        |        |
|--------------------------------|--------|--------|
| 8.2 Diluted earnings per share | 0.1537 | 0.1087 |
|--------------------------------|--------|--------|

Legal representative: Xie Guozhong

General Manager: Xie Guozhong

Head of the accounting department: Jiang He



**4. Income Statement of the Company as the Parent**

Unit: RMB

| Item   | 2023             | 2022             |
|--|------------------|------------------|
| 1. Operating revenue   | 2,057,120,913.33 | 1,988,473,044.55 |
| Less: Cost of sales  | 1,788,129,884.67 | 1,784,345,704.10 |
| Taxes and surcharges   | 8,602,178.79     | 11,846,885.20    |
| Selling expense  | 92,935,731.73    | 97,601,117.35    |
| Administrative expense   | 87,122,617.94    | 90,150,661.31    |
| R&D expense  | 79,855,291.69    | 72,372,647.10    |
| Finance costs  | -19,194,141.71   | -22,274,862.27   |
| Including: Interest expense  | 1,562,299.35     | 1,531,942.32     |
| Interest income  | 17,311,210.31    | 15,122,552.35    |
| Add: Other income  | 6,016,229.41     | 6,504,428.46     |
| Return on investment (“-” for loss)  | 15,102,581.80    | 36,604,658.62    |
| Including: Share of profit or loss of joint ventures and associates                                      |                  | 28,800,000.00    |
| Income from the derecognition of financial assets at amortized cost (“-” for loss)                       |                  |                  |
| Net gain on exposure hedges (“-” for loss)   |                  |                  |
| Gain on changes in fair value (“-” for loss)   | 39,852,493.47    | 186,354,111.11   |
| Credit impairment loss (“-” for loss)  | 3,495,307.23     | -8,854,137.91    |
| Asset impairment loss (“-” for loss)   | -20,288,104.38   | -11,526,145.82   |
| Asset disposal income (“-” for loss)   | 105,727,630.80   | 4,181,548.77     |
| 2. Operating profit (“-” for loss)   | 169,575,488.55   | 167,695,354.99   |
| Add: Non-operating income  | 319,236.80       | 345,409.40       |
| Less: Non-operating expense  | 51,648.54        | 102,766.76       |
| 3. Profit before tax (“-” for loss)  | 169,843,076.81   | 167,937,997.63   |
| Less: Income tax expense   | 24,864,410.60    | 17,405,625.04    |
| 4. Net profit (“-” for net loss)   | 144,978,666.21   | 150,532,372.59   |
| 4.1 Net profit from continuing operations (“-” for net loss)   | 144,978,666.21   | 150,532,372.59   |
| 4.2 Net profit from discontinued operations (“-” for net loss)   |                  |                  |
| 5. Other comprehensive income, net of tax  | 11,838,617.75    | 149,330,204.52   |
| 5.1 Items that will not be reclassified to profit or loss  | 11,838,617.75    | 149,330,204.52   |
| 5.1.1 Changes caused by remeasurements on defined benefit schemes  |                  |                  |
| 5.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method |                  |                  |
| 5.1.3 Changes in the fair value of investments in other equity instruments                               | 11,838,617.75    | 149,330,204.52   |
| 5.1.4 Changes in the fair value arising from changes in  |                  |                  |

|  |                |                |
|--|----------------|----------------|
| own credit risk  |                |                |
| 5.1.5 Other  |                |                |
| 5.2 Items that will be reclassified to profit or loss  |                |                |
| 5.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method |                |                |
| 5.2.2 Changes in the fair value of investments in other debt obligations                             |                |                |
| 5.2.3 Other comprehensive income arising from the reclassification of financial assets               |                |                |
| 5.2.4 Credit impairment allowance for investments in other debt obligations                          |                |                |
| 5.2.5 Reserve for cash flow hedges   |                |                |
| 5.2.6 Differences arising from the translation of foreign currency-denominated financial statements  |                |                |
| 5.2.7 Other  |                |                |
| 6. Total comprehensive income  | 156,817,283.96 | 299,862,577.11 |
| 7. Earnings per share  |                |                |
| 7.1 Basic earnings per share   |                |                |
| 7.2 Diluted earnings per share   |                |                |

Legal representative: Xie Guozhong

General Manager: Xie Guozhong

Head of the accounting department: Jiang He

## 5. Consolidated Cash Flow Statement

Unit: RMB

| Item  | 2023             | 2022             |
|---|------------------|------------------|
| 1. Cash flows from operating activities:  |                  |                  |
| Proceeds from sale of commodities and rendering of services                                   | 2,031,067,538.52 | 2,089,127,900.17 |
| Net increase in customer deposits and interbank deposits                                      |                  |                  |
| Net increase in borrowings from the central bank  |                  |                  |
| Net increase in loans from other financial institutions                                       |                  |                  |
| Premiums received on original insurance contracts   |                  |                  |
| Net proceeds from reinsurance   |                  |                  |
| Net increase in deposits and investments of policy holders                                    |                  |                  |
| Interest, handling charges and commissions received   |                  |                  |
| Net increase in interbank loans obtained  |                  |                  |
| Net increase in proceeds from repurchase transactions   |                  |                  |
| Net proceeds from acting trading of securities  |                  |                  |
| Tax rebates   | 98,155,472.59    | 38,479,590.77    |
| Cash generated from other operating activities  | 40,082,851.79    | 22,990,293.44    |
| Subtotal of cash generated from operating activities  | 2,169,305,862.90 | 2,150,597,784.38 |
| Payments for commodities and services   | 1,533,814,952.73 | 1,312,012,931.69 |
| Net increase in loans and advances to customers   |                  |                  |
| Net increase in deposits in the central bank and in interbank loans granted                   |                  |                  |
| Payments for claims on original insurance contracts   |                  |                  |
| Net increase in interbank loans granted   |                  |                  |
| Interest, handling charges and commissions paid   |                  |                  |
| Policy dividends paid   |                  |                  |
| Cash paid to and for employees  | 310,775,202.76   | 313,119,839.28   |
| Taxes paid  | 33,394,657.94    | 52,344,111.33    |
| Cash used in other operating activities   | 154,131,222.12   | 108,190,624.24   |
| Subtotal of cash used in operating activities   | 2,032,116,035.55 | 1,785,667,506.54 |
| Net cash generated from/used in operating activities  | 137,189,827.35   | 364,930,277.84   |
| 2. Cash flows from investing activities:  |                  |                  |
| Proceeds from disinvestment   | 1,101,955,152.04 | 914,060,767.00   |
| Return on investment  | 23,632,366.98    | 17,913,476.59    |
| Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets | 71,562,956.31    | 692,980.99       |
| Net proceeds from the disposal of subsidiaries and other business units                       |                  |                  |
| Cash generated from other investing activities  |                  | 11,400,123.61    |
| Subtotal of cash generated from investing activities  | 1,197,150,475.33 | 944,067,348.19   |
| Payments for the acquisition of fixed assets, intangible assets and other long-lived assets   | 97,110,602.27    | 48,439,287.62    |
| Payments for investments  | 947,055,152.04   | 1,033,581,567.00 |
| Net increase in pledged loans granted   |                  |                  |

|   |                  |                  |
|---|------------------|------------------|
| Net payments for the acquisition of subsidiaries and other business units     |                  |                  |
| Cash used in other investing activities                                       |                  |                  |
| Subtotal of cash used in investing activities                                 | 1,044,165,754.31 | 1,082,020,854.62 |
| Net cash generated from/used in investing activities                          | 152,984,721.02   | -137,953,506.43  |
| 3. Cash flows from financing activities:                                      |                  |                  |
| Capital contributions received  |                  |                  |
| Including: Capital contributions by non-controlling interests to subsidiaries |                  |                  |
| Borrowings raised   |                  | 7,000,000.00     |
| Cash generated from other financing activities                                |                  | 128,437,700.65   |
| Subtotal of cash generated from financing activities                          |                  | 135,437,700.65   |
| Repayment of borrowings   | 7,000,000.00     | 12,000,000.00    |
| Interest and dividends paid   | 7,195,400.07     | 18,689,380.47    |
| Including: Dividends paid by subsidiaries to non-controlling interests        |                  |                  |
| Cash used in other financing activities                                       | 117,170,000.00   | 83,623,545.07    |
| Subtotal of cash used in financing activities                                 | 131,365,400.07   | 114,312,925.54   |
| Net cash generated from/used in financing activities                          | -131,365,400.07  | 21,124,775.11    |
| 4. Effect of foreign exchange rates changes on cash and cash equivalents      | 2,469,409.11     | -152,802.06      |
| 5. Net increase in cash and cash equivalents                                  | 161,278,557.41   | 247,948,744.46   |
| Add: Cash and cash equivalents, beginning of the period                       | 810,350,966.05   | 562,402,221.59   |
| 6. Cash and cash equivalents, end of the period                               | 971,629,523.46   | 810,350,966.05   |

Legal representative: Xie Guozhong

General Manager: Xie Guozhong

Head of the accounting department: Jiang He

**6. Cash Flow Statement of the Company as the Parent**

Unit: RMB

| Item  | 2023                  | 2022                  |
|---|-----------------------|-----------------------|
| <b>1. Cash flows from operating activities:</b>   |                       |                       |
| Proceeds from sale of commodities and rendering of services                                   | 2,151,742,371.58      | 2,040,092,339.55      |
| Tax rebates   | 40,874,390.40         | 27,588,745.34         |
| Cash generated from other operating activities  | 21,935,914.65         | 21,378,587.89         |
| Subtotal of cash generated from operating activities  | 2,214,552,676.63      | 2,089,059,672.78      |
| Payments for commodities and services   | 1,636,385,419.97      | 1,330,893,073.67      |
| Cash paid to and for employees  | 212,298,042.01        | 243,134,907.26        |
| Taxes paid  | 8,731,121.51          | 39,870,320.72         |
| Cash used in other operating activities   | 302,274,673.41        | 222,082,917.91        |
| Subtotal of cash used in operating activities   | 2,159,689,256.90      | 1,835,981,219.56      |
| Net cash generated from/used in operating activities  | 54,863,419.73         | 253,078,453.22        |
| <b>2. Cash flows from investing activities:</b>   |                       |                       |
| Proceeds from disinvestment   | 1,010,000,000.00      | 855,000,000.00        |
| Return on investment  | 18,887,391.07         | 45,708,640.27         |
| Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets | 71,055,306.33         | 38,250,224.61         |
| Net proceeds from the disposal of subsidiaries and other business units                       |                       |                       |
| Cash generated from other investing activities  |                       |                       |
| Subtotal of cash generated from investing activities  | 1,099,942,697.40      | 938,958,864.88        |
| Payments for the acquisition of fixed assets, intangible assets and other long-lived assets   | 7,558,187.67          | 8,002,707.77          |
| Payments for investments  | 837,170,000.00        | 983,520,800.00        |
| Net payments for the acquisition of subsidiaries and other business units                     |                       |                       |
| Cash used in other investing activities   |                       |                       |
| Subtotal of cash used in investing activities   | 844,728,187.67        | 991,523,507.77        |
| Net cash generated from/used in investing activities  | 255,214,509.73        | -52,564,642.89        |
| <b>3. Cash flows from financing activities:</b>   |                       |                       |
| Capital contributions received  |                       |                       |
| Borrowings raised   |                       |                       |
| Cash generated from other financing activities  |                       | 128,437,700.65        |
| Subtotal of cash generated from financing activities  |                       | 128,437,700.65        |
| Repayment of borrowings   |                       |                       |
| Interest and dividends paid   | 7,056,925.07          | 18,348,005.18         |
| Cash used in other financing activities   | 110,000,000.00        | 80,503,408.97         |
| Subtotal of cash used in financing activities   | 117,056,925.07        | 98,851,414.15         |
| Net cash generated from/used in financing activities  | -117,056,925.07       | 29,586,286.50         |
| <b>4. Effect of foreign exchange rates changes on cash and cash equivalents</b>               | <b>2,008,960.07</b>   | <b>-1,851,060.10</b>  |
| <b>5. Net increase in cash and cash equivalents</b>   | <b>195,029,964.46</b> | <b>228,249,036.73</b> |

|   |                |                |
|---|----------------|----------------|
| Add: Cash and cash equivalents, beginning of the period | 704,659,776.14 | 476,410,739.41 |
| 6. Cash and cash equivalents, end of the period         | 899,689,740.60 | 704,659,776.14 |

Legal representative: Xie Guozhong

General Manager: Xie Guozhong

Head of the accounting department: Jiang He

## 7. Consolidated Statements of Changes in Owners' Equity

2023

Unit: RMB

| Item  | 2023   |                          |       |  |                  |                      |                            |                  |                  |                 |                   |                           |                      |               |                  |
|---|--|--------------------------|-------|--|------------------|----------------------|----------------------------|------------------|------------------|-----------------|-------------------|---------------------------|----------------------|---------------|------------------|
|   | Equity attributable to owners of the Company as the parent |                          |       |  |                  |                      |                            |                  |                  |                 |                   | Non-controlling interests | Total owners' equity |               |                  |
|   | Share capital  | Other equity instruments |       |  | Capital reserves | Less: Treasury stock | Other comprehensive income | Specific reserve | Surplus reserves | General reserve | Retained earnings |                           |                      | Other         | Subtotal         |
|   | Preferred shares   | Perpetual bonds          | Other |  |                  |                      |                            |                  |                  |                 |                   |                           |                      |               |                  |
| 1. Balance as at the end of the prior year      | 705,692,507.00   |                          |       |  | 640,133,963.01   |                      | 655,341,704.07             | 18,848,856.75    | 349,197,725.72   |                 | 915,495,909.35    |                           | 3,284,710,665.90     | 72,464,172.67 | 3,357,174,838.57 |
| Add: Adjustment for change in accounting policy |  |                          |       |  |                  |                      |                            |                  |                  |                 |                   |                           |                      |               |                  |
| Adjustment for correction of                    |  |                          |       |  |                  |                      |                            |                  |                  |                 |                   |                           |                      |               |                  |

|  |                |  |  |                |                |               |                |                |                  |               |                  |  |  |
|--|----------------|--|--|----------------|----------------|---------------|----------------|----------------|------------------|---------------|------------------|--|--|
| previous error   |                |  |  |                |                |               |                |                |                  |               |                  |  |  |
| Other adjustments  |                |  |  |                |                |               |                |                |                  |               |                  |  |  |
| 2. Balance as at the beginning of the year                     | 705,692,507.00 |  |  | 640,133,963.01 | 655,341,704.07 | 18,848,856.75 | 349,197,725.72 | 915,495,909.35 | 3,284,710,665.90 | 72,464,172.67 | 3,357,174,838.57 |  |  |
| 3. Increase/ decrease in the period (“-” for decrease)         |                |  |  | 375,712.83     | 11,838,617.75  | 583,232.77    | 14,497,866.62  | 86,940,815.36  | 114,236,245.33   | -1,342,964.32 | 112,893,281.01   |  |  |
| 3.1 Total comprehensive income                                 |                |  |  |                | 11,838,617.75  |               |                | 108,495,607.05 | 120,334,224.80   | 6,202,748.51  | 126,536,973.31   |  |  |
| 3.2 Capital increased and reduced by owners                    |                |  |  | 375,712.83     |                |               |                |                | 375,712.83       | -7,545,712.83 | -7,170,000.00    |  |  |
| 3.2.1 Ordinary shares increased by owners                      |                |  |  |                |                |               |                |                |                  |               |                  |  |  |
| 3.2.2 Capital increased by holders of other equity instruments |                |  |  |                |                |               |                |                |                  |               |                  |  |  |
| 3.2.3 Share-based payments included in owners’ equity          |                |  |  |                |                |               |                |                |                  |               |                  |  |  |
| 3.2.4 Other  |                |  |  | 375,712.83     |                |               |                |                | 375,712.83       | -7,545,712.83 | -7,170,000.00    |  |  |
| 3.3 Profit distribution  |                |  |  |                |                |               | 14,497,866.62  | -21,554,791.69 | -7,056,925.07    |               | -7,056,925.07    |  |  |
| 3.3.1 Appropriation to surplus reserves                        |                |  |  |                |                |               | 14,497,866.62  | -14,497,866.62 |                  |               |                  |  |  |
| 3.3.2 Appropriation to general reserve                         |                |  |  |                |                |               |                |                |                  |               |                  |  |  |
| 3.3.3 Appropriation to owners (or shareholders)                |                |  |  |                |                |               |                | -7,056,925.07  | -7,056,925.07    |               | -7,056,925.07    |  |  |
| 3.3.4 Other  |                |  |  |                |                |               |                |                |                  |               |                  |  |  |
| 3.4 Transfers within owners’ equity                            |                |  |  |                |                |               |                |                |                  |               |                  |  |  |



|   |                |  |  |  |                |                |               |                |  |                  |  |                  |               |                  |
|---|----------------|--|--|--|----------------|----------------|---------------|----------------|--|------------------|--|------------------|---------------|------------------|
| 3.4.1 Increase in capital (or share capital) from capital reserves        |                |  |  |  |                |                |               |                |  |                  |  |                  |               |                  |
| 3.4.2 Increase in capital (or share capital) from surplus reserves        |                |  |  |  |                |                |               |                |  |                  |  |                  |               |                  |
| 3.4.3 Loss offset by surplus reserves                                     |                |  |  |  |                |                |               |                |  |                  |  |                  |               |                  |
| 3.4.4 Changes in defined benefit schemes transferred to retained earnings |                |  |  |  |                |                |               |                |  |                  |  |                  |               |                  |
| 3.4.5 Other comprehensive income transferred to retained earnings         |                |  |  |  |                |                |               |                |  |                  |  |                  |               |                  |
| 3.4.6 Other   |                |  |  |  |                |                |               |                |  |                  |  |                  |               |                  |
| 3.5 Specific reserve  |                |  |  |  |                |                | 583,232.77    |                |  |                  |  | 583,232.77       |               | 583,232.77       |
| 3.5.1 Increase in the period  |                |  |  |  |                |                | 5,136,988.70  |                |  |                  |  | 5,136,988.70     |               | 5,136,988.70     |
| 3.5.2 Used in the period  |                |  |  |  |                |                | 4,553,755.93  |                |  |                  |  | 4,553,755.93     |               | 4,553,755.93     |
| 3.6 Other   |                |  |  |  |                |                |               |                |  |                  |  |                  |               |                  |
| 4. Balance as at the end of the period                                    | 705,692,507.00 |  |  |  | 640,509,675.84 | 667,180,321.82 | 19,432,089.52 | 363,695,592.34 |  | 1,002,436,724.71 |  | 3,398,946,911.23 | 71,121,208.35 | 3,470,068,119.58 |

2022

Unit: RMB

| Item | 2022   |                          |                  |      |                     |                  |                  |         |                   |       |  |          |  | Non-controlling interests | Total owners' equity |
|------|--|--------------------------|------------------|------|---------------------|------------------|------------------|---------|-------------------|-------|--|----------|--|---------------------------|----------------------|
|      | Equity attributable to owners of the Company as the parent |                          |                  |      |                     |                  |                  |         |                   |       |  | Subtotal |  |                           |                      |
|      | Share capital  | Other equity instruments | Capital reserves | Less | Other comprehensive | Specific reserve | Surplus reserves | General | Retained earnings | Other |  |          |  |                           |                      |
|      |  |                          |                  |      |                     |                  |                  |         |                   |       |  |          |  |                           |                      |

|  |                | P<br>r<br>e<br>f<br>e<br>r<br>r<br>e<br>d<br>s<br>h<br>a<br>r<br>e<br>s | P<br>e<br>r<br>p<br>e<br>t<br>u<br>a<br>l<br>b<br>o<br>n<br>d<br>s | O<br>t<br>h<br>e<br>r |                | s<br>:<br>T<br>r<br>e<br>a<br>s<br>u<br>r<br>y<br>s<br>t<br>o<br>c<br>k | income         |               |                | er<br>al<br>re<br>se<br>rv<br>e |                |  |                  |               |                  |
|--|----------------|---|--|-----------------------|----------------|---|----------------|---------------|----------------|---------------------------------|----------------|--|------------------|---------------|------------------|
| 1. Balance as at the end of the prior year             | 705,692,507.00 |   |  |                       | 640,676,218.40 |   | 506,011,499.55 | 18,812,950.04 | 334,144,488.46 |                                 | 872,212,354.88 |  | 3,077,550,018.33 | 19,424,230.98 | 3,096,974,249.31 |
| Add: Adjustment for change in accounting policy        |                |   |  |                       |                |   |                |               |                |                                 |                |  |                  |               |                  |
| Adjustment for correction of previous error            |                |   |  |                       |                |   |                |               |                |                                 |                |  |                  |               |                  |
| Other adjustments                                      |                |   |  |                       |                |   |                |               |                |                                 |                |  |                  |               |                  |
| 2. Balance as at the beginning of the year             | 705,692,507.00 |   |  |                       | 640,676,218.40 |   | 506,011,499.55 | 18,812,950.04 | 334,144,488.46 |                                 | 872,212,354.88 |  | 3,077,550,018.33 | 19,424,230.98 | 3,096,974,249.31 |
| 3. Increase/ decrease in the period (“-” for decrease) |                |   |  |                       | -542,255.39    |   | 149,330,204.52 | 35,906.71     | 15,053,237.26  |                                 | 43,283,554.47  |  | 207,160,647.57   | 53,039,941.69 | 260,200,589.26   |
| 3.1 Total comprehensive income                         |                |   |  |                       |                |   | 149,330,204.52 |               |                |                                 | 76,684,796.91  |  | 226,015,001.43   | 2,561,335.55  | 228,576,336.98   |
| 3.2 Capital increased and reduced by owners            |                |   |  |                       | -542,255.39    |   |                |               |                |                                 |                |  | -542,255.39      | 50,478,606.14 | 49,936,350.75    |

|  |  |  |  |                 |  |  |                   |                    |                    |                 |                   |                    |  |
|--|--|--|--|-----------------|--|--|-------------------|--------------------|--------------------|-----------------|-------------------|--------------------|--|
| 3.2.1 Ordinary shares increased by owners                          |  |  |  |                 |  |  |                   |                    |                    |                 |                   |                    |  |
| 3.2.2 Capital increased by holders of other equity instruments     |  |  |  |                 |  |  |                   |                    |                    |                 |                   |                    |  |
| 3.2.3 Share-based payments included in owners' equity              |  |  |  |                 |  |  |                   |                    |                    |                 |                   |                    |  |
| 3.2.4 Other  |  |  |  | -542,25<br>5.39 |  |  |                   |                    |                    | -542,25<br>5.39 | 50,478,6<br>06.14 | 49,936,3<br>50.75  |  |
| 3.3 Profit distribution  |  |  |  |                 |  |  | 15,053,2<br>37.26 | -33,401,<br>242.44 | -18,348,<br>005.18 |                 |                   | -18,348,<br>005.18 |  |
| 3.3.1 Appropriation to surplus reserves                            |  |  |  |                 |  |  | 15,053,2<br>37.26 | -15,053,<br>237.26 |                    |                 |                   |                    |  |
| 3.3.2 Appropriation to general reserve                             |  |  |  |                 |  |  |                   |                    |                    |                 |                   |                    |  |
| 3.3.3 Appropriation to owners (or shareholders)                    |  |  |  |                 |  |  |                   | -18,348,<br>005.18 | -18,348,<br>005.18 |                 |                   | -18,348,<br>005.18 |  |
| 3.3.4 Other  |  |  |  |                 |  |  |                   |                    |                    |                 |                   |                    |  |
| 3.4 Transfers within owners' equity                                |  |  |  |                 |  |  |                   |                    |                    |                 |                   |                    |  |
| 3.4.1 Increase in capital (or share capital) from capital reserves |  |  |  |                 |  |  |                   |                    |                    |                 |                   |                    |  |
| 3.4.2 Increase in capital (or share capital) from surplus reserves |  |  |  |                 |  |  |                   |                    |                    |                 |                   |                    |  |
| 3.4.3 Loss offset by surplus reserves                              |  |  |  |                 |  |  |                   |                    |                    |                 |                   |                    |  |
| 3.4.4 Changes in defined benefit schemes transferred to            |  |  |  |                 |  |  |                   |                    |                    |                 |                   |                    |  |

|   |                |  |  |                |                |               |                |  |                |  |                  |               |  |                  |
|---|----------------|--|--|----------------|----------------|---------------|----------------|--|----------------|--|------------------|---------------|--|------------------|
| retained earnings   |                |  |  |                |                |               |                |  |                |  |                  |               |  |                  |
| 3.4.5 Other comprehensive income transferred to retained earnings |                |  |  |                |                |               |                |  |                |  |                  |               |  |                  |
| 3.4.6 Other   |                |  |  |                |                |               |                |  |                |  |                  |               |  |                  |
| 3.5 Specific reserve  |                |  |  |                |                |               | 35,906.71      |  |                |  |                  | 35,906.71     |  | 35,906.71        |
| 3.5.1 Increase in the period                                      |                |  |  |                |                |               | 4,877,232.12   |  |                |  |                  | 4,877,232.12  |  | 4,877,232.12     |
| 3.5.2 Used in the period  |                |  |  |                |                |               | 4,841,325.41   |  |                |  |                  | 4,841,325.41  |  | 4,841,325.41     |
| 3.6 Other   |                |  |  |                |                |               |                |  |                |  |                  |               |  |                  |
| 4. Balance as at the end of the period                            | 705,692,507.00 |  |  | 640,133,963.01 | 655,341,704.07 | 18,848,856.75 | 349,197,725.72 |  | 915,495,909.35 |  | 3,284,710,665.90 | 72,464,172.67 |  | 3,357,174,838.57 |

Legal representative: Xie Guozhong

General Manager: Xie Guozhong

Head of the accounting department: Jiang He

### 8. Statements of Changes in Owners' Equity of the Company as the Parent 2023

Unit: RMB

| Item   | 2023           |                          |                 |       |                  |                      |                            |                  |                  |                   |       |                      |
|--|----------------|--------------------------|-----------------|-------|------------------|----------------------|----------------------------|------------------|------------------|-------------------|-------|----------------------|
|  | Share capital  | Other equity instruments |                 |       | Capital reserves | Less: Treasury stock | Other comprehensive income | Specific reserve | Surplus reserves | Retained earnings | Other | Total owners' equity |
|  |                | Preferred shares         | Perpetual bonds | Other |                  |                      |                            |                  |                  |                   |       |                      |
| 1. Balance as at the end of the prior year             | 705,692,507.00 |                          |                 |       | 659,418,700.67   | 0.00                 | 655,341,704.07             | 18,848,856.75    | 349,197,725.72   | 873,168,182.73    |       | 3,261,667,676.94     |
| Add: Adjustment for change in accounting policy        |                |                          |                 |       |                  |                      |                            |                  |                  |                   |       | 0.00                 |
| Adjustment for correction of previous error            |                |                          |                 |       |                  |                      |                            |                  |                  |                   |       | 0.00                 |
| Other adjustments                                      |                |                          |                 |       |                  |                      |                            |                  |                  |                   |       | 0.00                 |
| 2. Balance as at the beginning of the year             | 705,692,507.00 |                          |                 |       | 659,418,700.67   | 0.00                 | 655,341,704.07             | 18,848,856.75    | 349,197,725.72   | 873,168,182.73    |       | 3,261,667,676.94     |
| 3. Increase/ decrease in the period ("-" for decrease) |                |                          |                 |       |                  |                      | 11,838,617.75              | 161,936.68       | 14,497,866.62    | 123,423,874.52    |       | 149,922,295.57       |
| 3.1 Total comprehensive income                         |                |                          |                 |       |                  |                      | 11,838,617.75              |                  |                  | 144,978,666.21    |       | 156,817,283.96       |
| 3.2 Capital increased and reduced by owners            |                |                          |                 |       |                  |                      |                            |                  |                  |                   |       |                      |
| 3.2.1 Ordinary shares                                  |                |                          |                 |       |                  |                      |                            |                  |                  |                   |       |                      |

|   |  |  |  |  |  |  |  |               |                |  |               |  |
|---|--|--|--|--|--|--|--|---------------|----------------|--|---------------|--|
| increased by owners   |  |  |  |  |  |  |  |               |                |  |               |  |
| 3.2.2 Capital increased by holders of other equity instruments            |  |  |  |  |  |  |  |               |                |  |               |  |
| 3.2.3 Share-based payments included in owners' equity                     |  |  |  |  |  |  |  |               |                |  |               |  |
| 3.2.4 Other   |  |  |  |  |  |  |  |               |                |  |               |  |
| 3.3 Profit distribution   |  |  |  |  |  |  |  | 14,497,866.62 | -21,554,791.69 |  | -7,056,925.07 |  |
| 3.3.1 Appropriation to surplus reserves                                   |  |  |  |  |  |  |  | 14,497,866.62 | -14,497,866.62 |  |               |  |
| 3.3.2 Appropriation to owners (or shareholders)                           |  |  |  |  |  |  |  |               | -7,056,925.07  |  | -7,056,925.07 |  |
| 3.3.3 Other   |  |  |  |  |  |  |  |               |                |  |               |  |
| 3.4 Transfers within owners' equity                                       |  |  |  |  |  |  |  |               |                |  |               |  |
| 3.4.1 Increase in capital (or share capital) from capital reserves        |  |  |  |  |  |  |  |               |                |  |               |  |
| 3.4.2 Increase in capital (or share capital) from surplus reserves        |  |  |  |  |  |  |  |               |                |  |               |  |
| 3.4.3 Loss offset by surplus reserves                                     |  |  |  |  |  |  |  |               |                |  |               |  |
| 3.4.4 Changes in defined benefit schemes transferred to retained earnings |  |  |  |  |  |  |  |               |                |  |               |  |
| 3.4.5 Other comprehensive income transferred to retained earnings         |  |  |  |  |  |  |  |               |                |  |               |  |

|  |                |  |  |  |                |      |                |               |                |                |                  |
|--|----------------|--|--|--|----------------|------|----------------|---------------|----------------|----------------|------------------|
| 3.4.6 Other                            |                |  |  |  |                |      |                |               |                |                |                  |
| 3.5 Specific reserve                   |                |  |  |  |                |      | 161,936.68     |               |                |                | 161,936.68       |
| 3.5.1 Increase in the period           |                |  |  |  |                |      | 4,598,473.04   |               |                |                | 4,598,473.04     |
| 3.5.2 Used in the period               |                |  |  |  |                |      | 4,436,536.36   |               |                |                | 4,436,536.36     |
| 3.6 Other                              |                |  |  |  |                |      |                |               |                |                |                  |
| 4. Balance as at the end of the period | 705,692,507.00 |  |  |  | 659,418,700.67 | 0.00 | 667,180,321.82 | 19,010,793.43 | 363,695,592.34 | 996,592,057.25 | 3,411,589,972.51 |

2022

Unit: RMB

| Item  | 2022           |                          |                  |       |                  |                      |                            |                  |                  |                   |       |                      |
|---|----------------|--------------------------|------------------|-------|------------------|----------------------|----------------------------|------------------|------------------|-------------------|-------|----------------------|
|   | Share capital  | Other equity instruments |                  |       | Capital reserves | Less: Treasury stock | Other comprehensive income | Specific reserve | Surplus reserves | Retained earnings | Other | Total owners' equity |
|   |                | Preferred shares         | Repurchase bonds | Other |                  |                      |                            |                  |                  |                   |       |                      |
| 1. Balance as at the end of the prior year      | 705,692,507.00 |                          |                  |       | 659,418,700.67   |                      | 506,011,499.55             | 18,812,950.04    | 334,144,488.46   | 756,037,052.58    |       | 2,980,117,198.30     |
| Add: Adjustment for change in accounting policy |                |                          |                  |       |                  |                      |                            |                  |                  |                   |       |                      |
| Adjustment for correction of previous error     |                |                          |                  |       |                  |                      |                            |                  |                  |                   |       |                      |
| Other adjustments                               |                |                          |                  |       |                  |                      |                            |                  |                  |                   |       |                      |
| 2. Balance as at the beginning of the year      | 705,692,507.00 |                          |                  |       | 659,418,700.67   |                      | 506,011,499.55             | 18,812,950.04    | 334,144,488.46   | 756,037,052.58    |       | 2,980,117,198.30     |

|  |  |  |  |  |  |                |           |               |                |                |
|--|--|--|--|--|--|----------------|-----------|---------------|----------------|----------------|
| 3. Increase/ decrease in the period (“-” for decrease)             |  |  |  |  |  | 149,330,204.52 | 35,906.71 | 15,053,237.26 | 117,131,130.15 | 281,550,478.64 |
| 3.1 Total comprehensive income                                     |  |  |  |  |  | 149,330,204.52 |           |               | 150,532,372.59 | 299,862,577.11 |
| 3.2 Capital increased and reduced by owners                        |  |  |  |  |  |                |           |               |                |                |
| 3.2.1 Ordinary shares increased by owners                          |  |  |  |  |  |                |           |               |                |                |
| 3.2.2 Capital increased by holders of other equity instruments     |  |  |  |  |  |                |           |               |                |                |
| 3.2.3 Share-based payments included in owners’ equity              |  |  |  |  |  |                |           |               |                |                |
| 3.2.4 Other  |  |  |  |  |  |                |           |               |                |                |
| 3.3 Profit distribution  |  |  |  |  |  |                |           | 15,053,237.26 | -33,401,242.44 | -18,348,005.18 |
| 3.3.1 Appropriation to surplus reserves                            |  |  |  |  |  |                |           | 15,053,237.26 | -15,053,237.26 |                |
| 3.3.2 Appropriation to owners (or shareholders)                    |  |  |  |  |  |                |           |               | -18,348,005.18 | -18,348,005.18 |
| 3.3.3 Other  |  |  |  |  |  |                |           |               |                |                |
| 3.4 Transfers within owners’ equity                                |  |  |  |  |  |                |           |               |                |                |
| 3.4.1 Increase in capital (or share capital) from capital reserves |  |  |  |  |  |                |           |               |                |                |
| 3.4.2 Increase in capital (or share capital) from surplus reserves |  |  |  |  |  |                |           |               |                |                |
| 3.4.3 Loss offset by surplus                                       |  |  |  |  |  |                |           |               |                |                |



|   |                |  |  |  |                |  |                |               |                |                |  |                  |
|---|----------------|--|--|--|----------------|--|----------------|---------------|----------------|----------------|--|------------------|
| reserves  |                |  |  |  |                |  |                |               |                |                |  |                  |
| 3.4.4 Changes in defined benefit schemes transferred to retained earnings |                |  |  |  |                |  |                |               |                |                |  |                  |
| 3.4.5 Other comprehensive income transferred to retained earnings         |                |  |  |  |                |  |                |               |                |                |  |                  |
| 3.4.6 Other   |                |  |  |  |                |  |                |               |                |                |  |                  |
| 3.5 Specific reserve  |                |  |  |  |                |  |                | 35,906.71     |                |                |  | 35,906.71        |
| 3.5.1 Increase in the period  |                |  |  |  |                |  |                | 4,877,232.12  |                |                |  | 4,877,232.12     |
| 3.5.2 Used in the period  |                |  |  |  |                |  |                | 4,841,325.41  |                |                |  | 4,841,325.41     |
| 3.6 Other   |                |  |  |  |                |  |                |               |                |                |  |                  |
| 4. Balance as at the end of the period                                    | 705,692,507.00 |  |  |  | 659,418,700.67 |  | 655,341,704.07 | 18,848,856.75 | 349,197,725.72 | 873,168,182.73 |  | 3,261,667,676.94 |

Legal representative: Xie Guozhong

General Manager: Xie Guozhong

Head of the accounting department: Jiang He

### III. Company Profile

Changchai Company, Limited (hereinafter referred to as “the Company”) was founded on 5 May 1994, which is a company limited by shares promoted solely by Changzhou Diesel Engine Plant through the approval by the State Commission for Restructuring the Economic Systems with document TGS [1993] No. 9 on 15 January 1993 by way of public offering of shares. With the approved of the People’s Government of Jiangsu Province SZF [1993] No. 67, as well as reexamined and approved by China Securities Regulatory Commission (“CSRC”) through document ZJFSZ (1994) No. 9, the Company initially issued A shares to the public from 15 March 1994 to 30 March 1994. As approved by the Shenzhen Stock Exchange through document SZSFZ (1994) No. 15, such tradable shares of the public got listing on 1 July 1994 at Shenzhen Stock Exchange with “Su Changchai A” for short of stock, as well as “0570” as stock code (present stock code is “000570”).

In 1996, with the recommendation of the Office of the People’s Government of Jiangsu Province SZBH [1996] No. 13, as well as first review by Shenzhen Municipal Securities Administration Office through SZBZ [1996] No. 24, and approval of the State Council Securities Commission ZWF [1996] No. 27, the Company issued 100 million B shares to qualified investors on 27 August 1996 to 30 August 1996, getting listed on 13 September 1996.

On 9 June 2006, the Company held a shareholders’ general meeting related to A shares market to examine and approve share merger reform plan, and performed the share merger reform on 19 June 2006.

As examined and approved at the 2<sup>nd</sup> Extraordinary General Meeting of 2009 in September 2009, based on the total share capital of 374,249,551 shares as at 30 June 2009, the Company implemented the profit distribution plan, i.e. to distribute 5 bonus shares and cash of RMB0.80 for every 10 shares, with registered capital increased by RMB187,124,775.00, as well as registered capital of RMB561,374,326.00 after change, which verified by Jiangsu Gongzheng Tianye Certified Public Accountants Company Limited with issuing Capital Verification Report SGC [2010] No. B002.

A non-public offering of up to 168,412,297 new shares was deliberated on and approved as a resolution of the 2020 Annual General Meeting held on 7 May 2021 and approved by the *Approval of the Non-public Offering of Shares of Changchai Co., Ltd.* (CSRC Permit [2020] No. 3374) issued by Changchai Company Limited the China Securities Regulatory Commission. On 16 June 2021, the capital verification report "S.G. W [2021] B062" was issued by Gongzheng Tianye Accounting Firm (Special General Partnership), confirming that the Company had issued 144,318,181 RMB ordinary shares (A shares) in a non-public offering, with an additional paid-in capital (share capital) of RMB144,318,181. The total share capital of the Company after the capital increase was RMB705,692,507.

Credibility code of the Company’s License of Business Corporation: 91320400134792410W.

The Company’s registered address is situated at No. 123 Huaide Middle Road, Changzhou, Jiangsu, as well as its head office located at No. 123 Huaide Middle Road, Changzhou, Jiangsu.

The Company belongs to manufacturing with business scope including manufacturing and sale of diesel engine, diesel engines part and casting, grain harvesting machine, rotary cultivators, walking tractor, mould and fixtures, assembling and sale of diesel generating set and pumping unit. The Company mainly engaged in the production and sales of small and medium-sized single cylinders and multi-cylinder diesel engine with the label of Changchai Brand. The diesel engine produced and sold by the Company were mainly used in tractors, combine harvest models, light commercial vehicle, farm equipment, small-sized construction machinery, generating sets and shipborne machinery and equipment, etc. The Company’s main business remained unchanged in the Reporting Period.

The Company established the Shareholders' General Meeting, the Board of Directors and the Supervisory Committee, Corporate office, Financial Department, Political Department, Investment and Development Department, Audit Department, Human Recourses Department, Production Department, Procurement Department, Sales Company, Chief Engineer Office, Technology Center, QA Department, Foundry, Machine Processing Plant, Single-cylinder Engine Plant, Multi-cylinder Engine Plant, Machine Set Business Department and Overseas Business Department in the Company.

**The financial report has been approved to be issued by the Board of Directors on 10 April 2024.**

The consolidated scope of the Company of the Reporting Period includes the Company as the parent and 8 subsidiaries. For the details of the consolidated scope of the Reporting Period and the changes situation, please refer to the changes of the consolidated scope of the notes to the financial report and the notes to the equities among other entities.

## **IV. Basis for Preparation of the Financial Report**

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

With the going-concern assumption as the basis and based on transactions and other events that actually occurred, the Group prepared financial statements in accordance with The Accounting Standards for Business Enterprises—Basic Standard issued by the Ministry of Finance with Decree No. 33 and revised with Decree No. 76, the various specific accounting standards, the Application Guidance of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other regulations issued and revised from 15 February 2006 onwards (hereinafter jointly referred to as “the Accounting Standards for Business Enterprises”, “China Accounting Standards” or “CAS”), as well as the Rules for Preparation Convention of Disclosure of Public Offering Companies No.15 – General Regulations for Financial Reporting (revised in 2023) by China Securities Regulatory Commission.

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

### **2. Continuation**

The Company comprehensively evaluated the information acquired recently that there would be no such factors in the 12 months from the end of the Reporting Period that would obviously influence the continuation capability of the Company and predicted that the operating activities would continue in the future 12 months of the Company. The financial statement compiled base on the continuous operation.

## **V. Important Accounting Policies and Estimations**

Notification of specific accounting policies and accounting estimations:

The Company and each subsidiary according to the actual production and operation characteristics and in accord with the regulations of the relevant ASBE, formulated certain specific accounting policies and accounting estimations, which mainly reflected in the financial instruments, withdrawal method of the bad debt provision of the accounts receivable, the measurement of the inventory and the depreciation of the fixed assets etc.

## 1. Statement of Compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Group are in compliance with in compliance with the Accounting Standards for Business Enterprises, which factually and completely present the Company's and the Group's financial positions, business results and cash flows and other relevant information.

## 2. Fiscal Period

The fiscal periods are divided into fiscal year and metaphase, the fiscal year is from January 1 to December 31 and as the metaphase included monthly, quarterly and semi-yearly periods.

## 3. Operating Cycle

A normal operating cycle refers to a period from the Group purchasing assets for processing to realizing cash or cash equivalents. An operating cycle for the Group is 12 months, which is also the classification criterion for the liquidity of its assets and liabilities.

## 4. Currency Used in Bookkeeping

Renminbi is functional currency of the Company.

## 5. Methods for Determining Materiality Standards and Selection Criteria

Applicable  Not applicable

| Item  | Materiality criteria                            |
|---|---|
| Account receivable with bad debt provision by major single item | Amount greater than or equal to RMB1,000,000.00 |
| Other receivables with bad debt provision by major single item  | Amount greater than or equal to RMB1,000,000.00 |
| Significant construction in progress                            | Amount greater than or equal to RMB3,000,000.00 |

## 6. Accounting Methods for Business Combinations under the Same Control and Business Combinations not under the Same Control

(1) Business combinations under the same control:

A business combination under the same control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or the same parties both before and after the business combination and on which the control is not temporary.

For the merger of enterprises under the same control, if the consideration of the merging enterprise is that it makes payment in cash, transfers non-cash assets or bear its debts, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

If the consideration of the merging enterprise is that it issues equity securities, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the

long-term equity investment. The total face value of the stocks issued shall be regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

All direct costs for the business combination, including expenses for audit, evaluating and legal services shall be recorded into the profits and losses at the current period. The expenses such as the handling charges and commission etc, premium income of deducting the equity securities, and as for the premium income was insufficient to dilute, the retained earnings shall be written down.

Owing to the reasons such as the additional investment, for the equity investment held before acquiring the control right of the combined parties, the confirmed relevant gains and losses, other comprehensive income and the changes of other net assets since the date of the earlier one between the date when acquiring the original equity right and the date when the combine parties and combined ones were under the same control to the combination date, should be respectively written down and compared with the beginning balance of retained earnings or the current gains and losses during the statement period.

#### (2) Business combinations not under the same control

A business combination not under the same control is a business combination in which the combining enterprises are not ultimately controlled by the same party or the same parties both before and after the business combination. The combination costs of the acquirer and the identifiable net assets obtained by the acquirer in a business combination shall be measured at the fair values. The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains forms the acquiree as business reputation. The direct relevant expenses occurred from the enterprise combination should be included in the current gains and losses when occurred. The combination costs of the acquirer and the identifiable net assets obtained by it in the combination shall be measured according to their fair values at the acquiring date. The difference between the fair value of the assets paid out by the Company and its book value should be included in the current gains and losses. The purchase date refers to the date that the purchaser acquires the control right of the acquiree.

For the business combinations not under the same control realized through step by step multiple transaction, as for the equity interests that the Group holds in the acquiree before the acquiring date, they shall be re-measured according to their fair values at the acquiring date; the positive difference between their fair values and carrying amounts shall be recorded into the investment gains for the period including the acquiring date. The equity held by the acquiree which involved with the other comprehensive income and the other owners' equities changes except for the net gains and losses, other comprehensive income and the profits distribution and other related comprehensive gains and other owners' equities which in relation to the equity interests that the Group holds in the acquiree before the acquiring date should be transferred into the current investment income on the acquiring date, except for the other comprehensive income occurred from the re-measurement of the net profits of the defined benefit plans or the changes of the net assets of the investees.

## **7. Criteria for Judging Control and Methods for Preparing Consolidated Financial Statements**

### (1) Criteria for determining control

Control refers to the authority held by the investor over the investee, entailing participation in its relevant activities to yield variable returns and the capability to influence the investee's returns through exercising power over it.

The Company will judge whether these entities have been controlled by the investee based on its comprehensive

consideration of relevant facts and circumstances. Should any changes in such facts and circumstances alter the elements defining control, a reassessment is promptly conducted.

Relevant facts and circumstances primarily encompass:

- ① The purpose of the investee's establishment.
- ② The investee's pertinent activities and decision-making processes therein.
- ③ Whether the rights held by the investor currently enable it to dominate the investee's relevant activities.
- ④ Whether the investor gains variable returns through participating in the investee's relevant activities.
- ⑤ The investor's capacity to influence the investee's returns through exercising power over it.
- ⑥ The relationship between the investor and other entities.

## (2) Consolidation scope

The consolidation scope of the Company's consolidated financial statements is determined based on control, encompassing all subsidiaries (including separately controlled entities by the Company) in the consolidated financial statements.

## (3) Combination procedure

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

When the Company prepares the consolidated financial statements, it shall regard the entire Group as an accounting entity, and shall reflect the overall financial status, operating results and cash flows of the Group in accordance with the requirements for recognition, measurement and presentation of the relevant accounting standard for business enterprises, as well as unified accounting policies.

All subsidiaries included in the consolidation scope of the consolidated financial statements apply accounting policies and accounting periods consistent with the Company.

The accounting policy or accounting period of each subsidiary is different from which of the Company, which shall be adjusted as the Company; or subsidiaries shall prepare financial statement again required by the Company when preparing the consolidated financial statements.

In preparing the consolidated financial statements, transactions between the Company and its subsidiaries, as well as among subsidiaries themselves, are offset to reflect their impact on the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, and consolidated statement of changes in equity. If there are differences in the recognition of the same transaction when viewed from the perspective of the corporate group's consolidated financial statements compared to when viewed from the standpoint of the Company or a subsidiary as the accounting entity, adjustments are made from the perspective of the corporate group.

The portion of a subsidiary's shareholders' equity and the portion of a subsidiary's net profits and losses for the period are recognized as minority interests and minority shareholder profits and losses respectively and presented separately under shareholders' equity and net profits in the consolidation financial statements. The portion of a subsidiary's net profits and losses for the period that belong to minority interests is presented as the item of "minority shareholder profits and losses" under the bigger item of net profits in the consolidated financial statements.

Where the loss of a subsidiary shared by minority shareholders exceeds the portion enjoyed by minority shareholders in the subsidiary's opening owners' equity, minority interests are offset.

For subsidiaries acquired through business combinations under common control, adjustments to their financial statements are based on their assets, liabilities (including goodwill arising from the acquisition by the ultimate controller), and their carrying value in the financial statements of the ultimate controller.

For subsidiaries acquired through business combinations not under common control, adjustments to their financial statements are based on the fair value of identifiable net assets as of the acquisition date.

#### ① Addition of subsidiaries or businesses

If subsidiaries or businesses are added through business combinations under common control during the Reporting Period, adjustments are made to the opening balances of the consolidated balance sheet. The income, expenses, and profits of the subsidiaries or businesses from the beginning of the current period to the end of the Reporting Period are included in the consolidated income statement. The cash flows of the subsidiaries or businesses from the beginning of the current period to the end of the Reporting Period are included in the consolidated cash flow statement. Comparative items in the financial statements are adjusted accordingly, treating the reporting entity after the combination as if it had existed since the date when control was obtained by the ultimate controller.

If control over an investee under common control is achieved due to the reasons such as the additional investment, adjustments are made as if all parties participating in the merger existed in their current state from the date when control was obtained by the ultimate controller. For the equity investment held before acquiring the control right of the combined parties, the confirmed relevant gains and losses, other comprehensive income and the changes of other net assets since the date of the earlier one between the date when acquiring the original equity right and the date when the combine parties and combined ones were under the same control to the combination date, should be respectively written down and compared with the beginning balance of retained earnings or the current gains and losses during the statement period.

During the Reporting Period, if there is an increase in subsidiaries or businesses due to business combinations not under common control, the opening balances of the consolidated balance sheet are not adjusted. The income, expenses, and profits of the subsidiary or business from the acquisition date to the end of the Reporting Period are included in the consolidated income statement. The cash flows of the subsidiary or business from the acquisition date to the end of the Reporting Period are included in the consolidated cash flow statement.

In the event of acquiring control over an investee previously not under common control due to additional investments or similar reasons, as for the equity interests that the Group holds in the acquiree before the acquiring date, they shall be re-measured according to their fair values at the acquiring date; the positive difference between their fair values and carrying amounts shall be recorded into the investment gains for the period including the acquiring date. The equity held by the acquiree which involved with the other comprehensive income and the other owners' equities changes except for the net gains and losses, other comprehensive income and the profits distribution and other related comprehensive gains and other owners' equities which in relation to the equity interests that the Group holds in the acquiree before the acquiring date should be transferred into the current investment income on the acquiring date, except for the other comprehensive income occurred from the re-measurement of the net profits of the defined benefit plans or the changes of the net assets of the investees.

#### ② Disposal of subsidiaries or businesses

##### A. General disposal methods

During the Reporting Period, if the Company disposes of a subsidiary or business, the income, expenses, and profits of the subsidiary or business from the beginning of the period to the disposal date are included in the consolidated income statement. The cash flows of the subsidiary or business from the beginning of the period to the disposal date are included in the consolidated cash flow statement.

Where the Group loses control on its original subsidiaries due to disposal of some equity investments or other reasons, the residual equity interests are re-measured according to the fair value on the date when such control ceases. The summation of the consideration obtained from the disposal of equity interests and the fair value of the residual equity interests, minus the portion in the original subsidiary's net assets measured on a continuous basis

from the acquisition date that is enjoyable by the Group according to the original shareholding percentage in the subsidiary, is recorded in investment gains for the period when the Group's control on the subsidiary ceases. Other comprehensive incomes in relation to the equity investment and the other owners' equities changes except for the net gains and losses, other comprehensive income and profits distribution in the original subsidiary are treated on the same accounting basis as the acquiree directly disposes the relevant assets or liabilities (that is, except for the changes in the net liabilities or assets with a defined benefit plan resulted from re-measurement of the original subsidiary, the rest shall all be transferred into current investment gains) when such control ceases.

#### B. Disposal of subsidiaries step by step

If the clauses, conditions, and economic impact, by which the equity investments of a subsidiary were disposed of step by step through multiple transactions until the control was lost, and the various transactions in the equity investments of a subsidiary were disposed of, fell under one or more of the following circumstances, the multiple transactions were generally regarded as a "Package Deal":

- a. These transactions are reached concurrently or after the impact thereof on each other is taken into consideration.
- b. These transactions might achieve a complete business result only as a whole;
- c. The occurrence of a transaction depends on the occurrence of, at a minimum, one another transaction; and/or
- d. A transaction is considered uneconomical separately but is considered economical when other transactions are also taken into consideration.

For the disposal of equity investment belongs to a package deal, should be considered as a transaction and conduct accounting treatment. However, before losing control, every disposal cost and corresponding net assets balance of subsidiary of disposal investment are confirmed as other comprehensive income in consolidated financial statements, which together transferred into the current profits and losses in the loss of control, when the Group losing control on its subsidiary.

For the disposal of the equity investment not belongs to a package deal, should be executed accounting treatment according to the relevant policies of partly disposing the equity investment of the subsidiaries under the situation not lose the control right before losing the control right; when losing the control right, the former should be executed accounting treatment according to the general disposing method of the disposal of the subsidiaries.

#### ③ Acquisition of minority equity of subsidiaries

The balance existed between the long-term equity investment increased by acquiring shares of minority interest and the attributable net assets on the subsidiary calculated by the increased shares held since the purchase date (or combination date), the share premium of capital reserves within the consolidated balance sheet shall be adjusted, if the capital reserves are not sufficient to offset, the retained profits shall be adjusted.

#### ④ The Company disposed part of the long-term equity investment on subsidiaries without losing its controlling right on them

In the case of partial disposal of long-term equity investments in a subsidiary without loss of control, the difference between the disposal proceeds obtained and the proportionate share of net assets of the subsidiary continuously calculated from the purchase date or merger date corresponding to the disposal of long-term equity investments is adjusted in the share premium within the consolidated balance sheet. If the share premium in the capital reserve is insufficient to offset the difference, adjustments are made to retained earnings.

### 8. Classification of Joint Arrangements and Accounting Treatment of Joint Operations

The Group classifies joint arrangements into joint operations and joint ventures.

A joint operation refers to a joint arrangement where the Group is the joint operations party of the joint



arrangement and enjoys assets and has to bear liabilities related to the arrangement. The Company confirms the following items related to the interests share among the joint operations and executes accounting treatment according to the regulations of the relevant ASBE:

- (1) Recognizes the assets that it holds and bears in the joint operation and recognizes the jointly-held assets according to the Group's stake in the joint operation;
- (2) Recognizes the liabilities that it holds and bears in the joint operation and recognizes the jointly-held liabilities according to the Group's stake in the joint operation;
- (3) Recognizes the income from sale of the Group's share in the output of the joint operation
- (4) Recognizes the income from sale of the joint operation's outputs according to the Group's stake in it
- (5) Recognizes the expense solely incurred to the Group and the expense incurred to the joint operation according to the Group's stake in it.

### **9. Recognition Standard for Cash and Cash Equivalents**

In the Group's understanding, cash and cash equivalents include cash on hand, any deposit that can be used for cover, and short-term (usually due within 3 months since the day of purchase) and high circulating investments, which are easily convertible into known amount of cash and whose risks in change of value are minimal.

### **10. Foreign Currency Businesses and Translation of Foreign Currency Financial Statements**

#### **(1) Foreign currency business**

Concerning the foreign-currency transactions that occurred, the foreign currency shall be converted into the recording currency according to the middle price of the market exchange rate disclosed by the People's Bank of China on the date of the transaction. Among the said transactions that occurred, those involving foreign exchanges shall be converted according to the exchange rates adopted in the actual transactions.

On the balance sheet date, the foreign-currency monetary assets and the balance of the liability account shall be converted into the recoding currency according to the middle price of the market exchange rates disclosed by the People's Bank of China on the Balance Sheet Date. The difference between the recording-currency amount converted according to the exchange rate on the Balance Sheet Date and the original book recording-currency amount shall be recognized as gains/losses from foreign exchange. And the exchange gain/loss caused by the foreign-currency borrowings related to purchasing fixed assets shall be handled according to the principle of capitalizing borrowing expenses; the exchange gain/loss incurred in the establishment period shall be recorded into the establishment expense; others shall be recorded into the financial expenses for the current period.

On the balance sheet date, the foreign-currency non-monetary items measured by historical cost shall be converted according to the middle price of the market exchange disclosed by the People's Bank of China on the date of the transaction, with no changes in the original recording-currency amount; while the foreign-currency non-monetary items measured by fair value shall be converted according to the middle price of the market exchange disclosed by the People's Bank of China on the date when the fair value is recognized, and the exchange gain/loss caused thereof shall be recognized as the gain/loss from fair value changes and recorded into the gain/loss of the current period.

#### **(2) Translation of foreign currency**

The assets and liabilities items among the balance sheet of the foreign operation shall be translated at a spot exchange rate on the balance sheet date. Among the owner's equity items, except for the items as "undistributed profits", other items shall be translated at the spot exchange rate at the time when they are incurred. And the

revenues and expenses items among the balance sheet of the foreign operation shall be translated at the approximate exchange rate of the transaction date. The difference caused from the above transaction of the foreign currency statement should be listed in the other comprehensive income among the owners' equities.

## 11. Financial Instruments

### (1) Classification of Financial Instruments

The Company classifies the financial assets when initially recognized into the following three categories based on the business model for financial assets management and characteristics of contractual cash flow of financial assets: financial assets measured at amortized cost, financial assets at fair value through other comprehensive income (debt instruments) and financial assets at fair value through profit or loss

Financial liabilities were classified when initially recognized into financial liabilities at fair value through profit or loss and financial liabilities measured at amortized cost.

### (2) Recognition Basis and Measurement Method for Financial Instruments

#### ① Financial assets measured at amortized cost

Financial assets at amortized cost include notes receivable, accounts receivable, other receivables, long-term receivables, and investment in debt obligations which are initially measured at fair value and related transaction cost shall be recorded into the initial recognized amount. For accounts receivable excluding significant financing and accounts receivable that the Company decides not to consider financing components less than one year, the initial measurement shall be made at the contract transaction price. The interest calculated with actual rates for the holding period shall be recorded into the current profit or loss. When recovered or disposed, the difference between the price obtained and the carrying value of the financial assets shall be recorded into the current profit or loss.

#### ② Financial assets at fair value through other comprehensive income (debt instruments)

Financial assets at fair value through other comprehensive income (debt instruments) include accounts receivable financing and investment in other debt obligations which are initially measured at fair value and related transaction cost shall be recorded into the initial recognized amount. The subsequent measurement of the financial assets shall be at fair value and changes of fair value except for interest calculated with actual rates, impairment losses or gains and exchange gains or losses shall be recorded into other comprehensive income. When derecognized, the accumulated gains or losses originally recorded into other comprehensive income shall be transferred into the current profit or loss.

#### ③ Financial assets at fair value through other comprehensive income (equity instruments)

Financial assets at fair value through other comprehensive income (equity instruments) include investment in other equity instruments, etc. which are initially measured at fair value and related transaction cost shall be recorded into the initial recognized amount. The subsequent measurement of the financial assets shall be at fair value and changes of fair value shall be recorded into other comprehensive income. The dividends obtained shall be recorded into the current profit or loss. When derecognized, the accumulated gains or losses originally recorded into other comprehensive income shall be transferred into retained earnings.

#### ④ Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include held-for-trading financial assets, derivative financial assets and other non-current financial assets which are initially measured at fair value and the related transaction cost shall be recorded into the current profit or loss. The subsequent measurement of the financial assets shall be at fair value and the changes of fair value shall be recorded into the current profit or loss.

#### ⑤ Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include held-for-trading financial liabilities and derivative financial liabilities which are initially measured at fair value and the related transaction cost shall be recorded into the current profit or loss. The subsequent measurement of the financial liabilities shall be at fair value and the changes of fair value shall be recorded into the current profit or loss. When derecognized, the difference between the carrying value and the paid consideration shall be recorded into the current profit or loss.

#### ⑥ Financial liabilities at amortized cost

Financial liabilities at amortized cost include short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings, bonds payable and long-term payables which are initially measured at fair value and the related transaction cost shall be recorded into the initial recognized amount. The interest calculated with actual rates for the holding period shall be recorded into the current profit or loss. When derecognized, the difference between the paid consideration and the carrying value of the financial liabilities shall be recorded into the current profit or loss.

#### (3) Recognition Basis and Measurement of Transfer of Financial Assets

Where the Company has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset and separately recognize the rights and obligations generated retained from the transfer as assets or liabilities. If it retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall continue to recognize the transferred financial asset. Where the Company does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset, it shall deal with it according to the circumstances as follows, respectively: (1) If it gives up its control over the financial asset, it shall stop recognizing the financial asset and separately recognize the rights and obligations generated retained from the transfer as assets or liabilities; (2) If it does not give up its control over the financial asset, it shall, according to the extent of its continuous involvement in the transferred financial asset, recognize the related financial asset and recognize the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for stopping recognition, the difference between the amounts of the following 2 items shall be recorded in the profits and losses of the current period: (1) The carrying value of the transferred financial asset on the derecognition date; (2) The sum of consideration received from the transfer of financial assets, and derecognition amount among the accumulative amount of the changes of the fair value originally recorded in the other comprehensive income (the financial assets involve transfer are investments in debt instruments at fair value through other comprehensive income. If the transfer of partial financial asset satisfies the conditions to stop the recognition, the entire carrying value of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped, be apportioned according to their respective relative fair value on the transfer date, and the difference between the amounts of the following two items shall be included into the profits and losses of the current period: (1) The carrying value of the portion whose recognition has been stopped; (2) The sum of consideration of the portion whose recognition has been stopped, and derecognition amount among the accumulative amount of the changes of the fair value originally recorded in the other comprehensive income (the financial assets involve transfer are investments in debt instruments at fair value through other comprehensive income.

#### (4) Derecognition Basis of Financial Liabilities

A financial liability or part of it can be derecognized after its current obligation has been relieved in full or in part.

#### (5) Recognition of Fair Value of Financial Assets and Financial Liabilities

The fair value of financial instruments with an active market is determined by the quoted price in the active market. For financial instruments without active market, the fair value is determined by valuation techniques. The Company adopts the valuation techniques applicable to the current conditions which are supported by sufficient

data and other information for valuation, and selects the input values consistent with the characteristics of assets or liabilities considered by market participants in asset or liability transactions, with priority to observable input values. Unobservable input values are used only when relevant observable input values are not available or practical.

#### (6) Impairment of financial instrument

##### ① Impairment measurement and accounting handling of financial instrument

Based on expected credit loss, the Company conducts impairment handling and confirms credit impairment loss for financial assets which is measured by amortized cost, debt instrument investment which is measured by fair value and whose change is calculated into other comprehensive profits, financial guarantee contract.

Expected credit loss refers to weighted average of credit loss of financial instrument which takes the risk of contract breach occurrence as the weight. Credit loss refers to the difference between all contract cash flow which is converted into cash according to actual interest rate and receivable according to contract and all cash flow which to be charged as expected, i.e. current value of all cash shortage. Among it, as for financial asset purchased or original which has had credit impairment, it should be converted into cash according actual interest rate of this financial asset after credit adjustment.

Lifetime expected credit losses refer to those caused by possible defaults during the entire expected duration of a financial instrument.

The expected credit losses in the next 12 months refers to those caused by the default events of the financial instrument that may occur within 12 months (or the expected duration if the expected duration of the financial instrument is less than 12 months) after the balance sheet date, and is part of the expected credit losses in the entire duration.

On each balance sheet date, the Company respectively measured the expected credit losses of financial instruments in different stages. If the credit risk of a financial instrument has had no significant increase since its initial recognition, the instrument shall fall in the first stage, for which the Company would measure the loss reserves according to the expected credit losses in the future 12 months. If the credit risk of a financial instrument has had a significant increase since its initial recognition but no credit impairment has occurred, the instrument shall fall in the second stage, for which the Company would measure the loss reserves according to the expected credit losses in the entire duration of the instrument. If the credit impairment has occurred since its initial recognition, the financial instrument shall fall in the third stage, for which the Company would measure the loss reserves according to the expected credit losses in the entire duration of the instrument.

As for a financial instrument with low credit risks on the balance sheet date, the Company measured the loss reserves according to the expected credit losses in the future 12 months, assuming that its credit risk has had no significant increase since its initial recognition.

For financial instruments with low credit risks in stages 1 and 2, the Company calculated the interest income at the effective interest rate and on the carrying amount of the instruments without deductions for provisions for asset impairment. For financial instruments in stage 3, interest income was calculated at the effective interest rates and on the amortized cost by reducing the provisions for asset impairment from the carrying amount.

For notes receivables, accounts receivables, and financing receivables, whether there was a significant financial component or not, the Company measured the loss reserves based on the expected credit losses for the entire duration.

##### A. Accounts receivable

For notes receivable, accounts receivable, other receivables and accounts receivable financing with objective evidence indicating impairment and those suitable for individual evaluation, the Company carries out impairment test separately to confirm expected credit loss and prepare provision for impairment of single items. For notes receivable, accounts receivable, other receivables, accounts receivable financing, contract assets and long-term

receivables without objective evidence of impairment, or a single financial asset with expected credit loss impossible to be assessed at a reasonable cost, the Company divides the notes receivable, accounts receivable, other receivables and accounts receivable financing into groups according to the characteristics of credit risk, and calculates the expected credit loss based on receivable groups. The basis for recognizing groups is as follows:

| Item   | Recognition basis                                | Method of measuring expected credit losses   |
|--|--|--|
| Group 1 of notes receivable  | All commercial bills                             | Consulting historical experience in credit losses, combining current situation and prediction for future economic situation, the expected credit loss shall be accounted through exposure at default and the expected credit loss rate over the entire life  |
| Group 2 of notes receivable  | Bank's acceptance bills with low credit rating   |  |
| Accounts receivable financing  | Bank's acceptance bills with high credit rating  | Consulting historical experience in credit losses, combining current situation and prediction for future economic situation, the expected credit loss shall be accounted through exposure at default and the expected credit loss rate over the entire life  |
| Accounts receivable-credit risk characteristics group  | Accounts receivable portfolio with credit period | Prepare the comparative list between aging of accounts receivable and expected credit loss rate over the entire life and calculate the expected credit loss by consulting historical experience in credit losses, combining current situation and prediction for future economic situation. The Company takes aging as credit risk characteristics groups and calculates the expected credit loss for accounts receivable. |
| Accounts receivable-intercourse funds among related party group within the consolidation scope | Related party within the consolidation scope     | Consulting historical experience in credit losses, combining current situation and prediction for future economic situation, the expected credit loss shall be accounted through exposure at default and the expected credit loss rate over the entire life  |

Basis for recognizing groups of other receivables is as follows:

| Item                         | Recognition basis  | Method of measuring expected credit losses   |
|------------------------------|--|--|
| Group 1 of other receivables | Other receivables excluding those from related parties-aging group | Consulting historical experience in credit losses, combining current situation and prediction for future economic situation, the expected credit loss shall be accounted through exposure at default and the expected credit loss rate within the next 12 months or over the entire life |
| Group 2 of other receivables | Related party within the consolidation scope                       | Consulting historical experience in credit losses, combining current situation and prediction for future economic situation, the expected credit loss shall be accounted through exposure at default and the expected credit loss rate within the next 12 months or over the entire life |

## 12. Accounts Receivable

See “11. Financial Instruments”.

## 13. Accounts Receivable Financing

See “11. Financial Instruments”.

## 14. Other Receivables

See “11. Financial Instruments”.

## 15. Contract Assets

Contract Assets means that the Company is endowed with the right to charge the consideration through transferring any commodity or service to the client, and such right depends on other factors except the passing of time. The Company’s unconditional right (only depending on the passing of time) of charging the consideration from the client shall be separately presented as receivables.

The recognition method and accounting treatment method of the estimated credit loss of contract assets are consistent with that specified in Notes V.11.

## 16. Inventory

### (1) Category of Inventory

Inventory refers to the held-for-sale finished products or commodities, goods in process, materials consumed in the production process or the process providing the labor service etc. Inventory is mainly including the raw materials, low priced and easily worn articles, unfinished products, inventories and work in process—outsourced etc.

### (2) Pricing method

Purchasing and storage of the various inventories should be valued according to the planned cost and the dispatch be calculated according to the weighted average method; carried forward the cost of the finished products according to the actual cost of the current period and the sales cost according to the weighted average method.

### (3) Determination basis of the net realizable value of inventory and withdrawal method of the provision for falling price of inventory

At the balance sheet date, inventories are measured at the lower of the costs and net realizable value. When all the inventories are checked roundly, for those which were destroyed, outdated in all or in part, sold at a loss, etc, the Company shall estimate the irrecoverable part of its cost and withdrawal the inventory falling price reserve at the year-end. Where the cost of the single inventory item is higher than the net realizable value, the inventory falling price reserve shall be withdrawn and recorded into profits and losses of the current period. Of which: in the normal production and operating process, as for the commodities inventory directly for sales such as the finished products, commodities and the materials for sales, should recognize the net realizable value according to the amount of the estimated selling price of the inventory minuses the estimated selling expenses and the relevant taxes; as for the materials inventory needs to be processed in the normal production and operating process, should recognize its net realizable value according to the amount of the estimated selling price of the finished products

minuses the cost predicts to be occur when the production completes and the estimated selling expenses as well as the relevant taxes; on the balance sheet date, for the same inventory with one part agreed by the contract price and other parts not by the contract price, should be respectively recognized the net realizable value. For items of inventories relating to a product line that are produced and marketed in the same geographical area, have the same or similar end users or purposes, and cannot be practicably evaluated separately from other items in that product line provision for decline in value is determined on an aggregate basis; for large quantity and low value items of inventories, provision for decline in value is made based on categories of inventories.

(4) The perpetual inventory system is maintained for stock system.

(5) Amortization method of low-value consumables and packages

One time amortization method is adopted for low-value consumables and packages.

## 17. Assets Held for Sale

(1) Classification under held for sale recognition criteria

The Company confirms certain non-current assets or disposal groups as held for sale when they simultaneously meet the following conditions:

① They can be sold immediately in their current condition, following the customary practices observed in similar transactions; and

② The sale is highly probable, meaning the Company has resolved to execute a sales plan, obtained regulatory approval (where applicable), secured definite purchase commitments, and anticipates completion of the sale within one year.

A definite purchase commitment refers to a legally binding purchase agreement between the Company and another party. This agreement encompasses essential terms such as the transaction price, timing, and sufficiently stringent penalty clauses for breach, minimizing the likelihood of significant adjustments or cancellation.

(2) Accounting treatment for held for sale assets

The Company does not depreciate or amortize non-current assets or disposal groups classified as held for sale. If their carrying amount exceeds the net amount derived from subtracting the fair value less selling costs, the carrying amount should be written down to the net amount. The written-down amount is recognized as an impairment loss, reflected in the current period's income statement, while also establishing a provision for impairment of held for sale assets.

Non-current assets or disposal groups classified as held-for-sale on the date of acquisition shall be measured at the lower of net amount of initial measurement amount minus sales cost and that of fair value minus selling expenses, assuming they were not classified as held-for-sale during initial measurement.

The aforementioned principles apply to all non-current assets, excluding investment properties measured using the fair value model, biological assets measured at fair value less selling costs, assets arising from employee benefits, deferred tax assets, financial assets governed by accounting standards related to financial instruments, and rights arising from insurance contracts regulated by accounting standards related to insurance contracts.

## 18. Long-term Equity Investments

(1) Judgment standard of joint control and significant influences

Joint control, refers to the control jointly owned according to the relevant agreement on an arrangement by the Company and the relevant activities of the arrangement should be decided only after the participants which share the control right make consensus. Significant influence refers to the power of the Company which could anticipate in the finance and the operation polices of the investees, but could not control or jointly control the formulation of the policies with the other parties.

## (2) Recognition for initial investment cost

The initial investment cost of the long-term equity investment shall be recognized by adopting the following ways in accordance with different methods of acquisition:

1) As for those forms under the same control of the enterprise combine, if the combine party takes the cash payment, non-cash assets transformation, liabilities assumption or equity securities issuance as the combination consideration, should take the shares of the book value by the ultimate control party in the consolidate financial statement of the owners' equities of the combiners acquired on the merger date as the initial investment cost. The difference between the initial investment cost and the book value of the paid combination consideration or the total amount of the issued shares of the long-term equity investment should be adjusted the capital reserve; If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. To include each direct relevant expense occurred when executing the enterprise merger into the current gains and losses; while the handling charges and commission occurs from the issuing the equity securities or the bonds for the enterprise merger should be included in the initial measurement amount of the shareholders' equities or the liabilities.

2) As for long-term equity investment acquired through the merger of enterprises not under the same control, its initial investment cost shall regard as the combination cost calculated by the fair value of the assets, equity instrument issued and liabilities incurred or undertaken on the purchase date adding the direct cost related with the acquisition. The identifiable assets of the combined party and the liabilities (including contingent liability) undertaken on the combining date shall be measured at the fair value without considering the amount of minority interest. The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. The acquirer shall record the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree into the consolidated income statement directly. The agent expense and other relevant management expenses such as the audit, legal service and evaluation consultation occurs from the enterprise merger, should be included in the current gains and losses when occur; while the handling charges and commission occurs from the issuing the equity securities or the bonds for the enterprise merger should be included in the initial measurement amount of the shareholders' equities or the liabilities.

### 3) Long-term equity investment obtained by other means

The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid.

The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued.

The initial cost of a long-term equity investment of an investor shall be the value stipulated in the investment contract or agreement, the unfair value stipulated in the contract or agreement shall be measured at fair value.

As for long-term investment obtained by the exchange of non-monetary assets, where it is commercial in nature, the fair value of the assets surrendered shall be recognized as the initial cost of the long-term equity investment received; where it is not commercial in nature, the book value of the assets surrendered shall be recognized as the initial cost of the long-term equity investment received.

The initial cost of a long-term equity investment obtained by recombination of liabilities shall be recognized at fair value of long-term equity investment.

## (3) Subsequent measurement and recognition of profits and losses

### 1) An investment in the subsidiary company shall be measured by employing the cost method

Where the Company hold, and is able to do equity investment with control over an invested entity, the invested entity shall be its subsidiary company. Where the Company holds the shares of an entity over 50%, or, while the Company holds the shares of an entity below 50%, but has a real control to the said entity, then the said entity



shall be its subsidiary company.

2) An investment in the joint enterprise or associated enterprise shall be measured by employing the equity method

Where the Company hold, and is able to do equity investment with joint control with other parties over an invested entity, the invested entity shall be its joint enterprise. Where the Company hold, and is able to have equity investment with significant influences on an invested entity, the invested entity shall be its associated entity.

After the Company acquired the long-term equity investment, should respectively recognize investment income and other comprehensive income according to the net gains and losses as well as the portion of other comprehensive income which should be enjoyed or be shared, and at the same time adjust the book value of the long-term equity investment; corresponding reduce the book value of the long-term equity investment according to profits which be declared to distribute by the investees or the portion of the calculation of cash dividends which should be enjoyed; for the other changes except for the net gains and losses, other comprehensive income and the owners' equity except for the profits distribution of the investees, should adjust the book value of the long-term equity investment as well as include in the owners' equity .

The investing enterprise shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity.

If the accounting policy adopted by the investees is not accord with that of the Company, should be adjusted according to the accounting policies of the Company and the financial statement of the investees during the accounting period and according which to recognize the investment income as well as other comprehensive income.

For the transaction happened between the Company and associated enterprises as well as joint ventures, if the assets launched or sold not form into business, the portion of the unrealized gains and losses of the internal transaction, which belongs to the Company according to the calculation of the enjoyed proportion, should recognize the investment gains and losses on the basis. But the losses of the unrealized internal transaction happened between the Company and the investees which belongs to the impairment losses of the transferred assets, should not be neutralized.

The Company shall recognize the net losses of the invested enterprise according to the following sequence: first of all, to write down the book value of the long-term equity investment. Secondly, if the book value of the long-term equity investment is insufficient for written down, should be continued to recognized the investment losses limited to the book value of other long-term equity which forms of the net investment of the investees and to written down the book value of the long-term accounts receivable etc. Lastly, through the above handling, for those should still undertake the additional obligations according to the investment contracts or the agreements, it shall be recognized as the estimated liabilities in accordance with the estimated duties and then recorded into investment losses at current period. If the invested entity realizes any net profits later, the Company shall, after the amount of its attributable share of profits offsets against its attributable share of the un-recognized losses, resume recognizing its attributable share of profits.

In the preparation for the financial statements, the balance existed between the long-term equity investment increased by acquiring shares of minority interest and the attributable net assets on the subsidiary calculated by the increased shares held since the purchase date (or combination date), the capital reserves shall be adjusted, if the capital reserves are not sufficient to offset, the retained profits shall be adjusted; the Company disposed part of the long-term equity investment on subsidiaries without losing its controlling right on them, the balance between the disposed price and attributable net assets of subsidiaries by disposing the long-term equity investment shall be

recorded into owners' equity.

For other ways on disposal of long-term equity investment, the balance between the book value of the disposed equity and its actual payment gained shall be recorded into current profits and losses.

For the long-term equity investment measured by adopting equity method, if the remained equity after disposal still adopts the equity method for measurement, the other comprehensive income originally recorded into owners' equity should adopt the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees according to the corresponding proportion. The owners' equity recognized owing to the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution of the investees, should be transferred into the current gains and losses according to the proportion.

For the long-term equity investment which adopts the cost method of measurement, if the remained equity still adopt the cost method, the other comprehensive income recognized owing to adopting the equity method for measurement or the recognition and measurement standards of financial instrument before acquiring the control of the investees, should adopt the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees and should be carried forward into the current gains and losses according to the proportion; the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution among the net assets of the investees which recognized by adopting the equity method for measurement, should be carried forward into the current gains and losses according to the proportion.

For those the Company lost the control of the investees by disposing part of the equity investment as well as the remained equity after disposal could execute joint control or significant influences on the investees, should change to measure by equity method when compiling the individual financial statement and should adjust the measurement of the remained equity to equity method as adopted since the time acquired; if the remained equity after disposal could not execute joint control or significant influences on the investees, should change the accounting disposal according to the relevant regulations of the recognition and measurement standards of financial instrument, and its difference between the fair value and book value on the date lose the control right should be included in the current gains and losses. For the other comprehensive income recognized by adopting equity method for measurement or the recognition and measurement standards of financial instrument before the Company acquired the control of the investees, should execute the accounting disposal by adopting the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees when lose the control of them, while the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution among the net assets of the investees which recognized by adopting the equity method for measurement, should be carried forward into the current gains and losses according to the proportion. Of which, for the disposed remained equity which adopted the equity method for measurement, the other comprehensive income and the other owners' equity should be carried forward according to the proportion; for the disposed remained equity which changed to execute the accounting disposal according to the recognition and measurement standards of financial instrument, the other comprehensive income and the other owners' equity should be carried forward in full amount.

For those the Company lost the control of the investees by disposing part of the equity investment, the disposed remained equity should change to calculate according to the recognition and measurement standards of financial instrument, and difference between the fair value and book value on the date lose the control right should be included in the current gains and losses. For the other comprehensive income recognized from the original equity investment by adopting the equity method, should execute the accounting disposal by adopting the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees when terminate the equity method for measurement, while for the owners' equity recognized owing to the changes of the other owner's equity except for the net gains and losses, other comprehensive income and the profits distribution of the

investees, should be transferred into the current investment income with full amount when terminate adopting the equity method.

## 19. Investment Real Estate

Measurement mode of investment real estate:

Measurement of cost method

Depreciation or amortization method

The investment real estate shall be measured at its cost. Of which, the cost of an investment real estate by acquisition consists of the acquisition price, relevant taxes, and other expense directly relegated to the asset; the cost of a self-built investment real estate composes of the necessary expenses for building the asset to the hoped condition for use. The investment real estate invested by investors shall be recorded at the value stipulated in the investment contracts or agreements, but the unfair value appointed in the contract or agreement shall be entered into the account book at the fair value.

As for withdrawal basis of provision for impairment of investment real estates, please refer to withdrawal method for provision for impairment of fixed assets.

## 20. Fixed Assets

### (1) Recognition Conditions

Fixed assets refers to the tangible assets that simultaneously possess the features as follows: (a) they are held for the sake of producing commodities, rendering labor service, renting or business management; and (b) their useful life is in excess of one fiscal year. The fixed assets are only recognized when the relevant economic benefits probably flow in the Company and its cost could be reliable measured.

### (2) Depreciation Method

| Category of fixed assets | Method                        | Useful life | Annual depreciation |
|--------------------------|-------------------------------|-------------|---------------------|
| Housing and building     | Average method of useful life | 20-40 years | 2.50%-5%            |
| Machinery equipment      | Average method of useful life | 6-15 years  | 6.67%-16.67%        |
| Transportation equipment | Average method of useful life | 5-10 years  | 10%-20%             |
| Other equipment          | Average method of useful life | 5-10 years  | 10%-20%             |

### (3) Recognition Basis, Pricing and Depreciation Method of Fixed Assets by Finance Lease

The Company recognizes those meet with the following one or certain standards as the fixed assets by finance lease:

- 1) The leasing contract had agreed that (or made the reasonable judgment according to the relevant conditions on the lease starting date) when the lease term expires, the ownership of leasing the fixed assets could be transferred to the Company;
- 2) The Company owns the choosing right for purchasing and leasing the fixed assets, with the set purchase price which is estimated far lower than the fair value of the fixed assets by finance lease when executing the choosing right, so the Company could execute the choosing right reasonably on the lease starting date;
- 3) Even if the ownership of the fixed assets not be transferred, the lease period is of 75% or above of the useful life of the lease fixed assets;

4) The current value of the minimum lease payment on the lease starting date of the Company is equal to 90% or above of the fair value of the lease fixed assets on the lease starting date; the current value of the minimum lease receipts on the lease starting date of the leaser is equal to 90% or above of the fair value of the lease fixed assets on the lease starting date;

5) The nature of the lease assets is special that only the Company could use it if not execute large transformation. The fixed assets by finance lease should take the lower one between the fair value of the leasing assets and the current value of the minimum lease payment on the lease starting date as the entry value. As for the minimum lease payment which be regarded as the entry value of the long-term accounts payable, its difference should be regarded as the unrecognized financing expense. For the initial direct expenses occur in the lease negotiations and the signing process of the lease contracts that attribute to the handling expenses, counsel fees, travel expenses and stamp taxes of the lease items, should be included in the charter-in assets value. The unrecognized financing expenses should be amortized by adopting the actual interest rate during the period of the lease term.

The fixed assets by finance lease shall adopt the same depreciation policy for self-owned fixed assets. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life

## **21. Construction in Progress**

### **(1) Valuation of the progress in construction**

Construction in progress shall be measured at actual cost. Self-operating projects shall be measured at direct materials, direct wages and direct construction fees; construction contract shall be measured at project price payable; project cost for plant engineering shall be recognized at value of equipments installed, cost of installation, trail run of projects. Costs of construction in process also include borrowing costs and exchange gains and losses, which should be capitalized.

### **(2) Standardization on construction in process transferred into fixed assets and time point**

The construction in process, of which the fixed assets reach to the predicted condition for use, shall carry forward fixed assets on schedule. The one that has not audited the final accounting shall recognize the cost and make depreciation in line with valuation value. The construction in process shall adjust the original valuation value at its historical cost but not adjust the depreciation that has been made after auditing the final accounting.

## **22. Borrowing Costs**

### **(1) Recognition principle of capitalization of borrowing costs**

The borrowing costs shall include the interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange balance on foreign currency borrowings. Where the borrowing costs occurred belong to specifically borrowed loan or general borrowing used for the acquisition and construction of investment real estates and inventories over one year (including one year) shall be capitalized, and record into relevant assets cost. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and losses. The borrowing costs shall not be capitalized unless they simultaneously meet the following three requirements: (1) The asset disbursements have already incurred; (2) The borrowing costs have already incurred; and (3) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

### **(2) The period of capitalization of borrowing costs**

The borrowing costs arising from acquisition and construction of fixed assets, investment real estates and

inventories, if they meet the above-mentioned capitalization conditions, the capitalization of the borrowing costs shall be measured into asset cost before such assets reach to the intended use or sale, Where acquisition and construction of fixed assets, investment real estates and inventories is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended, and recorded into the current expense, till the acquisition and construction of the assets restarts. When the qualified asset is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased, the borrowing costs occurred later shall be included into the financial expense directly at the current period.

### (3) Measurement method of capitalization amount of borrowing costs

As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment.

Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the enterprise shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

## 23. Intangible Assets

### (1) Useful Life and the Basis for its Determination, Estimation, Amortization Methodology or Review Procedures

#### (1) Pricing method of intangible assets

Intangible assets purchased should take the actual payment and the relevant other expenses as the actual cost.

For the intangible assets invested by the investors should be recognized the actual cost according to the value of the investment contracts or agreements, however, for the value of the contracts or agreements is not fair, the actual cost should be recognized according to the fair value.

For the intangible assets acquires from the exchange of the non-currency assets, if own the commercial nature, should be recorded according to the fair value of the swap-out assets; for those not own the commercial nature, should be recorded according to the book value of the swap-out assets.

For the intangible assets acquires from the debts reorganization should be recognized by the fair value.

#### (2) Amortization method and term of intangible assets

As for the intangible assets with limited service life, which are amortized by straight-line method when it is available for use within the service period, shall be recorded into the current profits and losses. The Company shall, at least at the end of each year, check the service life and the amortization method of intangible assets with limited service life. When the service life and the amortization method of intangible assets are different from those before, the years and method of the amortization shall be changed.

Intangible assets with uncertain service life may not be amortized. However, the Company shall check the service life of intangible assets with uncertain service life during each accounting period. Where there are evidences to prove the intangible assets have limited service life, it shall be estimated of its service life, and be amortized according to the above method mentioned.

The rights to use land of the Company shall be amortized according to the rest service life.

## **(2) The Scope of R&D Expenditure Collection and the Related Accounting Treatment**

The internal research and development projects of an enterprise shall be classified into research phase and development phase: the term “research” refers to the creative and planned investigation to acquire and understand new scientific or technological knowledge; the term “development” refers to the application of research achievements and other knowledge to a certain plan or design, prior to the commercial production or use, so as to produce any new material, device or product, or substantially improved material, device and product.

The Company collects the costs of the corresponding phases according to the above standard of classifying the research phase and the development phase. The research expenditures for its internal research and development projects of an enterprise shall be recorded into the profit or loss for the current period. The development costs for its internal research and development projects of an enterprise may be capitalized when they satisfy the following conditions simultaneously: it is feasible technically to finish intangible assets for use or sale; it is intended to finish and use or sell the intangible assets; the usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally; it is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; the development costs of the intangible assets can be reliably measured.

### **24. Impairment of Long-term Assets**

For non-current financial Assets of fixed Assets, projects under construction, intangible Assets with limited service life, investing real estate with cost model, long-term equity investment of subsidiaries, cooperative enterprises and joint ventures, the Company should judge whether decrease in value exists on the date of balance sheet. Recoverable amounts should be tested for decrease in value if it exists. Other intangible Assets of reputation and uncertain service life and other non-accessible intangible assets should be tested for decrease in value no matter whether it exists.

If the recoverable amount is less than book value in impairment test results, the provision for impairment of differences should include in impairment loss. Recoverable amounts would be the higher of net value of asset fair value deducting disposal charges or present value of predicted cash flow. Asset fair value should be determined according to negotiated sales price of fair trade. If no sales agreement exists but with asset active market, fair value should be determined according to the Buyer’s price of the asset. If no sales agreement or asset active market exists, asset fair value could be acquired on the basis of best information available. Disposal expenses include legal fees, taxes, cartage or other direct expenses of merchantable Assets related to asset disposal. Present value of predicted asset cash flow should be determined by the proper discount rate according to Assets in service and predicted cash flow of final disposal. Asset depreciation reserves should be calculated on the basis of single Assets. If it is difficult to predict the recoverable amounts for single Assets, recoverable amounts should be determined according to the belonging asset group. Asset group is the minimum asset combination producing cash flow independently.

In impairment test, book value of the business reputation in financial report should be shared to beneficial asset group and asset group combination in collaboration of business merger. It is shown in the test that if recoverable amounts of shared business reputation asset group or asset group combination are lower than book value, it should determine the impairment loss. Impairment loss amount should firstly be deducted and shared to the book value of business reputation of asset group or asset group combination, then deduct book value of all assets according to proportions of other book value of above assets in asset group or asset group combination except business

reputation.

After the asset impairment loss is determined, recoverable value amounts would not be returned in future.

## **25. Long-term Deferred Expenses**

Long-term deferred expenses of the Company shall be recorded in light of the actual expenditure, and amortized averagely within benefit period. In case of no benefit in the future accounting period, the amortized value of such project that fails to be amortized shall be transferred into the profits and losses of the current period.

## **26. Contract Liabilities**

Contract liabilities refer to the Company's obligations in transferring commodities or services to the client for the received or predicted consideration. Contract assets and contract liabilities under the same contract shall be presented based on the net amount.

## **27. Employee Benefits**

### **(1) Accounting Treatment of Short-term Compensation**

Short-term compensation mainly including salary, bonus, allowances and subsidies, employee services and benefits, medical insurance premiums, birth insurance premium, industrial injury insurance premium, housing fund, labor union expenditure and personnel education fund, non-monetary benefits etc. The short-term compensation actually happened during the accounting period when the active staff offering the service for the Company should be recognized as liabilities and is included in the current gains and losses or relevant assets cost. Of which the non-monetary benefits should be measured according to the fair value.

### **(2) Accounting Treatment of the Welfare after Demission**

The Company classifies the welfare plans after demission into defined contribution plans and defined benefit plans. Welfare plans after demission refers to the agreement on the welfare after demission reaches between the Company and the employees, or the regulations or methods formulated by the Company for providing the welfare after demission for the employees. Of which, defined contribution plans refers to the welfare plans after demission that the Company no more undertake the further payment obligations after the payment of the fixed expenses for the independent funds; defined benefit plans, refers to the welfare plans after demission except for the defined contribution plans.

Defined contribution plans

During the accounting period that the Company providing the service for the employees, the Company should recognize the liabilities according to the deposited amount calculated by defined contribution plans, and should be included in the current gains and losses or the relevant assets cost.

### **(3) Accounting Treatment of the Demission Welfare**

The Company should recognize the payroll payment liabilities occur from the demission welfare according to the earlier date between the following two conditions and include which in the current gains and losses when providing the demission welfare for the employees: the Company could not unilaterally withdraw the demission welfare owing to the relieve plans of the labor relationship or reduction; when the Company recognizing the costs or expenses related to the reorganization involves with the demission welfare payments.

### **28. Provisions**

#### **(1) Criteria of provisions**

Only if the obligation pertinent to a contingencies shall be recognized as an estimated debts when the following conditions are satisfied simultaneously:

- 1) That obligation is a current obligation of the Company;
- 2) It is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation;
- 3) The amount of the obligation can be measured in a reliable way.

#### **(2) Measurement of provisions**

The Company shall measure the provisions in accordance with the best estimate of the necessary expenses for the performance of the current obligation.

The Company shall check the book value of the provisions on the Balance Sheet Date. If there is any conclusive evidence proving that the said book value can't truly reflect the current best estimate, the Company shall, subject to change, make adjustment to carrying value to reflect the current best estimate.

### **29. Revenue**

Accounting policies for recognition and measurement of revenue:

When the Company fulfills its due performance obligations (namely when the client obtains the control over related commodities or services), revenues shall be recognized based on the obligation's amortized transaction price. Performance Obligation refers to the Company's promise of transferring commodities or services that can be clearly defined to the client. Transaction Price refers to the consideration amount duly charged by the Company for transferring commodities or services to the client, excluding any amount charged by the third party and any amount predicted to be returned to the client. Control Over Relevant Commodities means that the use of commodities can be controlled and almost all economic interests can be obtained.

On the contract commencement day, the Company shall evaluate the contract, recognize individual performance obligation and confirm that individual performance obligation is fulfilled in a certain period. When one of the following conditions is met, such performance obligation shall be deemed as fulfilled in a certain period, and the Company shall recognize it as revenue within a certain period according to the performance schedule: (1) the client obtains and consumes the economic interests resulting from the Company's performance of contract while performing the contract; (2) the client is able to control the commodities under construction during the performance; (3) commodities produced by the Company during the performance possess the irreplaceable purpose, and the Company has the right to charge all finished parts during the contract period; otherwise, the Company shall recognize the revenue when the client obtains the control over relevant commodities or services.

The Company shall adopt the Input Method to determine the Performance Schedule. Namely, the Performance Schedule shall be determined according to the Company's input for fulfilling performance obligations. When the



Performance Schedule cannot be reasonably determined and all resulting costs are predicted to be compensated, the Company shall recognize the revenue based on the resulting cost amount till the Performance Schedule can be reasonably determined.

When the contract involves two or more than two performance obligations, the transaction price shall be amortized to each single performance obligation on the contract commencement day according to the relative proportion of the independent selling price of commodities or services under each single performance obligation. If any solid evidence proves that the contract discount or variable consideration only relates to one or more than one (not all) performance obligation under the contract, the Company shall amortize the contract discount or variable consideration to one or more than one related performance obligations. Independent selling price refers to the price adopted by the Company to independently sell commodities or services to the client. However, independent selling price cannot be directly observed. The Company shall estimate the independent selling price by comprehensively considering all related information that can be reasonably obtained and maximally adopting the observable input value.

#### Variable Consideration

If any variable consideration exists in the contract, the Company shall determine the optimal estimation of the variable consideration based on the expected values or the most possible amount. The variable consideration's transaction price shall be included without exceeding the total revenue amount recognized without the risk of significant restitution when all uncertainties are eliminated. On each balance sheet day, the Company shall re-estimate the variable consideration amount to be included in the transaction price.

#### Consideration Payable to the Client

If any consideration payable to the client exists in the contract, the Company shall use such consideration to offset the transaction price unless such consideration is paid for acquiring other clearly-defined commodities or services from the client, and write down the current revenue at the later time between the time of recognizing relevant revenues and the time of paying (or promising the payment) the consideration to the client.

#### Sales with the Quality Assurance

For sales with the Quality Assurance, if the Quality Assurance involves another separate service except for the guarantee of all sold commodities or services meeting all established standards, the Quality Assurance shall constitute a single Performance Obligation; otherwise, the Company shall make corresponding accounting treatment to the Quality Assurance according to ASBE No.13--Contingency.

#### Main Responsibility Person/Agent

According to whether the control over commodities or services is obtained before they are transferred to the client, the Company can judge whether it is Main Responsibility Person or Agent based on its status during the transaction. If the Company can control commodities or services before they are transferred to the client, the Company shall be Main Responsibility Person, and revenues shall be recognized according to the total consideration amount received or to be received; otherwise, the Company shall be Agent, and revenues shall be recognized according to the commission or service fees predicted to be duly charged. However, such amount shall be determined based on the net amount after deducting other amounts payable to other related parties from the total consideration received or to be duly received or the fixed commission amount or proportion.

#### Specific methods

The specific methods of the Company's revenue recognition are as follows:

The sale contract between the Company and its customers usually contains only the performance obligation for the transfer of goods, which is satisfied at a point in time.

The following requirements must be met to confirm the revenue of domestic products: The Company has

delivered the goods to the customer in accordance with the contract and the customer has accepted the goods. The payment has been recovered or the receipt voucher has been obtained, and the relevant economic benefits are likely to flow in. The customer has obtained control of the relevant goods. The main risks and rewards of product ownership have been transferred. The legal ownership of the goods has been transferred.

The following requirements must be met to confirm the revenue of export products: The Company has declared the products in accordance with the contract, obtained the bills of lading, and received the payment or obtained the receipt voucher and the related economic benefits are likely to flow in. The main risks and rewards of product ownership have been transferred. The legal ownership of the goods has been transferred.

#### Interest Revenue

Interest Revenue shall be determined according to the time of the Company's use of monetary capital and the actual interest rate.

### 30. Contract Costs

#### (1) Costs from Acquiring Contract

If the incremental cost resulting from the Company's acquiring of contract (namely costs merely resulting from the acquiring of contract) is predicted to be retrieved, it shall be recognized as an assets, amortized by adopting the same basis with the recognition of commodities or service revenues related to the assets and included into the current profit and loss. If the assets' amortization period does not exceed one year, it shall be immediately included into the current profit and loss. Other expenses resulting from the Company's acquiring of contract shall also be included into the current profit and loss unless it is explicitly borne by the client.

#### (2) Costs from Executing Contract

The Company's costs from executing contract is not covered by other ASBE except for Revenue Standards, and when the following situations are met, such costs can be recognized as an assets: ① the costs are directly related to a current or predicted contract; ② the costs increase the Company's resources applied to fulfill performance obligations in the future; ③ the costs are predicted to be retrieved. The recognized assets shall be amortized by adopting the same basis with the recognition of commodities or service revenues related to the assets and included into the current profit and loss.

If the book value of contract costs is higher than the difference of the following two items, corresponding depreciation reserves shall be counted and withdrawn and it shall be recognized as the assets depreciation loss: ① the residual consideration predicted to be acquired by transferring commodities related to the assets; ② the costs predicted to occur due to the transfer of related commodities.

If the difference between ① and ② is higher than the book value of contract costs due to any change in various factors causing depreciation in previous periods, it shall be restituted to the withdrawn assets depreciation reserves and included in the current profit and loss. However, the book value of restituted contract costs shall not exceed the book value of the assets on the day of restitution based on the hypothesis that depreciation reserves are not counted and withdrawn.

### 31. Government Grants

#### (1) Type

A government grant means the monetary or non-monetary assets obtained free by an enterprise from the government. Government grants consist of the government grants pertinent to assets and government grants pertinent to income according to the relevant government documents.

For those the government documents not definite stipulate the assistance object, the judgment basis of the Company classifies the government grants pertinent to assets and government subsidies pertinent to income is: whether are used for purchasing or constructing or for forming the long-term assets by other methods.

#### (2) Recognition of Government Subsidies

The government subsidies should be recognized only when meet with the attached conditions of the government grants as well as could be acquired.

If the government grants are the monetary assets, should be measured according to the received or receivable amount; and for the government grants are the non-monetary assets, should be measured by fair value.

#### (3) Accounting Treatment

The government grants pertinent to assets shall be recognized as deferred income, and included in the current gains and losses or offset the book value of related assets within the useful lives of the relevant assets with a reasonable and systematic method. Government grants pertinent to income used to compensate the relevant costs, expenses or losses of the Company in the subsequent period shall be recognized as deferred income, and shall be included in the current profit and loss during the period of confirming the relevant costs, expenses or losses; those used to compensate the relevant costs, expenses or losses of the Company already happened shall be included in the current gains and losses or used to offset relevant costs directly.

For government grants that include both assets-related and income-related parts, they should be distinguished separately for accounting treatment; for government subsidies that are difficult to be distinguished, they should be classified as income-related.

Government grants related to the daily activities of the Company shall be included into other income or used to offset relevant costs by the nature of economic business; those unrelated shall be included into non-operating income.

The government grants recognized with relevant deferred income balance but need to return shall be used to offset the book balance of relevant deferred income, the excessive part shall be included in the current gains and losses or adjusting the book value of assets for the government grants assets-related that offset the book value of relevant assets when they are initially recognized; those belong to other cases shall be directly included in the current gains and losses.

### **32. Deferred Income Tax Assets/Deferred Income Tax Liabilities**

#### (1) Basis of recognizing the deferred income tax assets

According to the difference between the book value of the assets and liabilities and their tax basis, a deferred tax asset shall be measured in accord with the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

The recognition of the deferred income tax assets is limited by the income tax payable that the Company probably gains for deducting the deductible temporary differences. At the balance sheet date, where there is strong evidence showing that sufficient taxable profit will be available against which the deductible temporary difference can be utilized, the deferred tax asset unrecognized in prior period shall be recognized.

The Company assesses the carrying amount of deferred tax asset at the balance sheet date. If it's probable that sufficient taxable profit will not be available against which the deductible temporary difference can be utilized, the Company shall write down the carrying amount of deferred tax asset, or reverse the amount written down later when it's probable that sufficient taxable profit will be available.

#### (2) Basis of recognizing the deferred income tax liabilities

According to the difference between the book value of the assets and liabilities and their tax basis, A deferred tax

liability shall be measured in accord with the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

### 33. Lease

#### (1) Accounting treatment for leases as the lessee

On the beginning date of the lease term, the Company will recognize the lease with a lease term not exceeding 12 months and exclude the purchase option as a short-term lease. Leases with lower value when a single leased asset is a brand-new asset are identified as low-value asset leases. If the Company sublets or expects to sublet the leased assets, the original lease shall not be deemed as a low-value asset lease.

The Company records the payments of short-term and low-value asset leases incurred during each period of the lease term in the relevant asset costs or the profit or loss for the current period by the straight-line method.

The Company will recognize right-of-use assets and lease liabilities on the inception date of the lease term, excluding the above short-term and low-value asset leases.

#### ① Right-of-use assets

The right-of-use asset is measured at cost and the cost shall comprise:

- A. the amount of the initial measurement of the lease liabilities;
- B. any lease payments made at or before the commencement date, less any lease incentives received;
- C. any initial direct costs incurred by the lessee;
- D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Company depreciates the right-of-use asset using the straight-line method. If it is reasonably certain that ownership of the leased asset(s) will be obtained at the end of the lease term, the Company depreciates the leased asset(s) over its/their remaining service life. If it is not reasonably certain that the ownership of the leasehold property will be obtained at the end of the lease term, the Company will depreciate the leased asset(s) over the lease term or the remaining service life, whichever is shorter.

#### ② Lease liabilities

At the commencement date, the Company measures the lease liabilities at the present value of the lease payments that are not paid at that date. The Company uses the interest rate implicit in lease as the rate of discount when calculating the present value of the lease payments. The incremental interest rate on borrowing of the lessee will be used as the rate of discount, if the interest rate implicit in lease cannot be determined. The difference between the lease payment and its present value is regarded as an unrecognized financing expense. Interest expense is recognized at the discount rate of the present value of the recognized lease payment during each period of the lease term and is recorded in the profit and loss for the current period. Variable lease payments that are not covered in the measurement of the lease liabilities are included in current profit or loss when actually incurred.

After the commencement date, if there is a change in the following items: (a) actual fixed payments; (b) amounts expected to be payable under residual value guarantees; (c) an index or a rate used to determine lease payments; (d) assessment result or exercise of purchase option, extension option or termination option., the Company remeasures the lease liabilities based on the present value of lease payments after changes, and adjusts the carrying amount of the right-of-use asset accordingly. If the carrying amount of the right-of-use asset is reduced to zero but there shall be a further reduction in the lease liabilities, the remaining amount shall be recognized into profit or loss.

## (2) Accounting treatment of leases as the lessor

The Company as lessor

On the start date of the lease term, the Company divides the lease that substantially transfers almost all risks and rewards related to the ownership of the leased assets into finance leases, except for operating leases.

### ① Operating lease

The Company recognizes the lease payments receivable as rental earnings in each period within the lease term on a straight-line basis. The initial direct costs related to the operating lease are capitalized, amortized within the lease term on the same basis as the recognition of rental earnings, and included in the profit or loss for the current period. Variable lease payments obtained by the Company in relation to operating leases that are not included in the lease receivable are included in the profit or loss for the current period when they are actually incurred.

### ② Financial lease

At the commencement date, the Company recognizes the finance lease payment receivable based on the net investment in the lease (sum of the present value of unguaranteed residual value and lease receipts that are not received at the commencement date, discounted by the interest rate implicit in the lease), and derecognizes assets held under the finance lease. The Company calculates and recognizes interest income using the interest rate implicit in the lease over the lease term.

Variable lease payments not included in the measurement of the net investment in the lease are charged as profit or loss in the periods in which they are incurred.

## **34. Other Significant Accounting Policies and Accounting Estimates**

The Company evaluates the important accounting estimates and key assumptions adopted on an ongoing basis, based on historical experience and other factors, including reasonable expectations of future events. Important accounting estimates and critical assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are listed as follows:

### (1) Classification of financial assets

The significant judgments involved when the Company determines the classification of financial assets include analysis of business models and contractual cash flow characteristics. The Company determines the business model for managing financial assets at the level of the financial asset portfolio, taking into account factors such as the approach of evaluating and reporting the performance of financial assets to key management personnel, the risks affecting the performance of financial assets and the manner in which they are managed, and way in which the relevant business management personnel are compensated.

The following main judgments exist in assessing whether the contractual cash flows of financial assets are consistent with the basic lending arrangements:

Whether the time distribution or amount of the principal amount during the duration may change due to early repayment or for other reasons; whether the interest includes only the time value of money, credit risk, other basic lending risks and consideration against costs and profits. For example, whether the amount of early repayment reflects only the outstanding principal and interest based on the outstanding principal, as well as reasonable compensation paid for early termination of the contract.

### (2) Measurement of expected credit losses of accounts receivable

The Company calculates the expected credit loss of accounts receivable using the exposure to default risk of accounts receivable and the expected credit loss ratio, and determines the expected credit loss ratio based on the probability of default and the default loss ratio. When determining the expected credit loss ratio, the Company uses data such as internal historical credit loss experience and adjusts historical data to take into account current

conditions and forward-looking information. When considering forward-looking information, the Company uses indicators such as the risk of economic downturn and changes in the external market environment, technological environment and customer profile. The Company regularly monitors and reviews the assumptions related to the calculation of expected credit losses.

### (3) Inventory falling price reserves

The Company follows the inventory accounting policy and carries out measurement based on which is smaller between the cost and the net realizable value. If the cost of inventories is higher than its net realizable value, then the inventory falling prices reserves were implemented. The impairment of inventories to net realizable value is based on an assessment of the marketability of the inventories and their net realizable value. The management shall determine the impairment of inventories after obtaining reliable evidence while taking into account the purpose of holding inventories, the effect of items after the balance sheet date, and other factors. Differences between actual results and original estimates will affect the carrying value of inventories and the provision or reversal of reverses for falling prices of inventories in the period in which the estimates are changed.

### (4) Determination of fair value of unlisted equity investment

The fair value of unlisted equity investment is the expected future cash flows discounted at the current discount rate for items with similar terms and risk characteristics. Such valuation requires the Company to estimate expected future cash flows and discount rates and is therefore subject to uncertainty. Under limited circumstances, if the information used to determine fair value is insufficient, or if the range of possible estimates of fair value is wide and the cost represents the best estimate of fair value within that range, the cost may represent its appropriate estimate of fair value within that range of distribution.

### (5) Reserves for long-term assets impairment

The Company determines at the balance sheet date whether there is any indication that a non-current asset, other than a financial asset, may be impaired. For intangible assets with an uncertain useful life, impairment tests shall be conducted when there is an indication of impairment besides the annual impairment test. Other non-current assets other than financial assets shall be tested for impairment when there is an indication that the carrying amount is irrecoverable.

An impairment is indicated when the carrying amount of an asset or asset group is greater than the recoverable amount, which is the higher of the fair value minus disposal expenses and the present value of estimated future cash flows.

The net value of the fair value minus disposal expenses is determined by referring to the negotiable sale price or observable market price of similar assets in a fair transaction and deducting incremental costs directly attributable to the disposal of the asset.

Estimating the present value of future cash flows requires significant judgments with respect to the production volume of the asset (or asset group), the selling price, the related operating costs and the discount rate used in calculating the present value. The Company uses all available relevant information in estimating recoverable amounts, including projections of volumes, selling prices and related operating costs based on reasonable and supportable assumptions.

### (6) Depreciation and amortization

The Company depreciates and amortizes investment properties, fixed assets and intangible assets on a straight-line basis within their service lives after taking into account their residual values. The Company regularly reviews service lives to determine the amount of depreciation and amortization expenses to be included in each reporting period. The service life is determined by the Company based on past experience with similar assets and expected technological updates. Depreciation and amortization expenses will be adjusted in the future period if there is a

significant change in previous estimates.

(7) Deferred income tax assets

To the extent that it is probable that sufficient taxable profit will be available to offset the losses, the Company recognizes deferred income tax assets for all unused tax losses. This requires the Company's management to use many judgments to estimate the timing and amount of future taxable profits, taking into account tax planning strategies, so as to determine the amount of deferred income tax assets to be recognized.

(8) Income tax

In the normal operating activities of the Company, the ultimate tax treatment and calculation of certain transactions are subject to certain uncertainties. Whether some items can be disbursed before tax requires the approval of the tax authorities. If the final determination of these tax matters differs from the amounts initially estimated, the difference will have an impact on current and deferred income taxes in the period in which they are finally determined.

### 35. Changes in Main Accounting Policies and Estimates

#### (1) Change of Accounting Policies

√ Applicable    □ Not applicable

Unit: RMB

| Changes to the accounting policies and why   | Name of report items that are significantly affected | Affected amount |
|--|--|-----------------|
| The Company starts to implement the “accounting treatment for deferred income tax relating to assets and liabilities arising from a single transaction that is not subject to the initial recognition exemption” stipulated in the Accounting Standards for Business Enterprises Interpretation No. 16 issued by the Ministry of Finance on 13 November 2022 since 1 January 2023. | N/A  | 0.00            |

Description of changes in accounting policies:

(1) The impact of implementing the Interpretation No. 16 of Accounting Standards for Business Enterprises on the Company

On 13 December 2022, the Ministry of Finance issued the *Interpretation No. 16 of Accounting Standards for Business Enterprises* (CaiKuai [2022] No. 31, hereinafter referred to as "Interpretation No. 16"). Since 1 January 2023, the stipulation of "the accounting processing of initial recognition exemption is not applicable to deferred income tax related to assets and liabilities arising from individual transactions" has been implemented, allowing enterprises to execute it ahead of schedule for their own annual release. The accounting processing related to this matter that was not implemented in advance by the Company in 2023 will be implemented from 1 January 2023.

Interpretation No. 16 stipulates that for single transactions that are not business combinations, that affect neither accounting profit nor taxable income (or deductible losses) at the time when the transaction occurs, and where the initial recognition of assets and liabilities results in taxable temporary differences and deductible temporary differences of equal amounts (including lease transactions in which the lessee recognises the initial lease liability and includes it in the right-of-use asset on the commencement date of the lease term, as well as single transactions in which estimated liabilities are recognised and included in the costs of related assets due to fixed assets' retirement obligations), exemption from initial recognition of deferred income tax liabilities and deferred income

tax assets shall not apply. Enterprises shall recognise the corresponding deferred income tax liabilities and deferred income tax assets, respectively, in accordance with *No. 18 of the Accounting Standards for Business Enterprises -- Income Taxes* when the transaction is affected.

For single transactions that occurred between the beginning of the earliest period presented in the financial statements and the date of initial application of this provision, as well as lease liabilities and right-of-use assets recognised at the beginning of the earliest period presented in the financial statements due to the application of this provision to single transactions, and recognised estimated liabilities related to retirement obligations and corresponding related assets, which create taxable temporary differences and deductible temporary differences, enterprises shall make adjustments in accordance with this provision.

The change in accounting policy has no impact on the Company's financial statements.

## (2) Changes in Accounting Estimates

Applicable  Not applicable

## (3) Adjustments to Financial Statement Items at the Beginning of the Year of the First Implementation of the New Accounting Standards Implemented since 2023

Applicable  Not applicable

## VI. Taxation

### 1. Main Taxes and Tax Rate

| Category of taxes                      | Tax basis                | Tax rate  |
|--|--------------------------|---|
| VAT                                    | Payable to sales revenue | 13%, 9%, 6%, 5%   |
| Urban maintenance and construction tax | Taxable turnover amount  | Tax paid in accordance with the tax regulations of tax units location |
| Enterprise income tax                  | Taxable income           | 25%, 15%, 5%  |
| Education surcharge                    | Taxable turnover amount  | 5%  |

Notes of the disclosure situation of the taxpaying bodies with different enterprises income tax rate

| Name   | Income tax rate |
|--|-----------------|
| Changchai Company, Limited                                   | 15%             |
| Changchai Wanzhou Diesel Engine Co., Ltd.                    | 15%             |
| Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.  | 25%             |
| Changzhou Horizon Investment Co., Ltd.                       | 25%             |
| Changzhou Changchai Horizon Agricultural Equipment Co., Ltd. | 25%             |
| Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.     | 15%             |
| Jiangsu Changchai Machinery Co., Ltd.                        | 25%             |
| Changzhou Xingsheng Real Estate Management Co., Ltd.         | 5%              |
| Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.       | 15%             |

### 2. Tax Preference

On 30 November 2021, the Company obtained the Certificates for High-tech Enterprises again, and it still



It enjoys 15-percent preferential rate for corporate income tax during the Reporting Period; the Company's controlling subsidiary-Changchai Wanzhou Diesel Engine Co., Ltd., the controlling subsidiary company, shall pay the corporate income tax at tax rate 15% from 1 January 2011 to 31 December 2030 in accordance with the Notice of the Ministry of Finance, the General Administration of Customs of PRC and the National Administration of Taxation about the Preferential Tax Policies for the Western Development and Ministry of Finance Announcement No. 23 [2020] Announcement of the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policy for the Great Western Development. On 6 November 2023, the wholly-owned subsidiary Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. obtained again the "High-tech Enterprise Certificate" and enjoyed a 15% preferential corporate income tax rate during the Reporting Period; The wholly-owned subsidiary Changzhou Xingsheng Real Estate Management Co., Ltd. is eligible small enterprise with low profits and shall pay the corporate income tax at tax rate 5% for small enterprises with low profits during the Reporting Period; The subsidiary Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. has obtained the "High-tech Enterprise Certificate" and enjoyed a 15% preferential corporate income tax rate during the Reporting Period.

## VII. Notes to Major Items in the Consolidated Financial Statements of the Company

### 1. Monetary Assets

Unit: RMB

| Item                  | Ending balance   | Beginning balance |
|-----------------------|------------------|-------------------|
| Cash on hand          | 157,238.05       | 251,965.06        |
| Bank deposits         | 999,604,998.68   | 830,914,999.19    |
| Other monetary assets | 84,105,730.14    | 98,846,386.72     |
| Total                 | 1,083,867,966.87 | 930,013,350.97    |

Other notes: At the period-end, the restricted monetary assets of the Company was RMB76,238,443.41, of which RMB74,453,641.92 was the cash deposit for bank acceptance bills, RMB897,966.00 was cash deposit for L/G, and RMB886,835.49 was cash deposit for environment.

### 2. Trading Financial Assets

Unit: RMB

| Item  | Ending balance | Beginning balance |
|---|----------------|-------------------|
| Financial assets at fair value through profit or loss | 225,641,429.94 | 370,103,602.57    |
| Of which:   |                |                   |
| Stocks  | 85,295,021.00  | 78,739,311.00     |
| Financial products                                    | 140,346,408.94 | 291,364,291.57    |
| Of which:   |                |                   |
| Total   | 225,641,429.94 | 370,103,602.57    |

### 3. Notes Receivable

#### (1) Notes Receivable Listed by Category

Unit: RMB

| Item                 | Ending balance | Beginning balance |
|----------------------|----------------|-------------------|
| Bank acceptance bill | 161,632,567.94 | 297,125,872.54    |
| Total                | 161,632,567.94 | 297,125,872.54    |

#### (2) Disclosure by Withdrawal Methods for Bad Debts

Unit: RMB

| Category   | Ending balance  |            |                    |                       |                | Beginning balance |            |                    |                       |                |
|--|-----------------|------------|--------------------|-----------------------|----------------|-------------------|------------|--------------------|-----------------------|----------------|
|  | Carrying amount |            | Bad debt provision |                       | Carrying value | Carrying amount   |            | Bad debt provision |                       | Carrying value |
|  | Amount          | Proportion | Amount             | Withdrawal proportion |                | Amount            | Proportion | Amount             | Withdrawal proportion |                |
| Notes receivable for which bad debt provision separately accrued |                 |            |                    |                       |                |                   |            |                    |                       |                |
| Of which:  |                 |            |                    |                       |                |                   |            |                    |                       |                |
| Notes receivable for which bad debt provision accrued by group   | 161,632,567.94  | 100.00%    |                    |                       | 161,632,567.94 | 297,125,872.54    | 100.00%    |                    |                       | 297,125,872.54 |
| Of which:  |                 |            |                    |                       |                |                   |            |                    |                       |                |
| Bank acceptance bills  | 161,632,567.94  | 100.00%    |                    |                       | 161,632,567.94 | 297,125,872.54    | 100.00%    |                    |                       | 297,125,872.54 |
| Total  | 161,632,567.94  | 100.00%    |                    |                       | 161,632,567.94 | 297,125,872.54    | 100.00%    |                    |                       | 297,125,872.54 |

If adopting the general mode of expected credit loss to withdraw bad debt provision of notes receivable:

Applicable  Not applicable

#### (3) Notes Receivable Pledged by the Company at the Period-end: None

#### (4) Notes Receivable which Had Endorsed by the Company or had Discounted but had not Due on the Balance Sheet Date at the Period-end

Unit: RMB

| Item | Amount of recognition termination at the period-end | Amount of not terminated recognition at the period-end |
|------|---|--|
|------|---|--|

|                      |  |               |
|----------------------|--|---------------|
| Bank acceptance bill |  | 55,979,832.64 |
| Total                |  | 55,979,832.64 |

#### 4. Accounts Receivable

##### (1) Disclosure by Aging

Unit: RMB

| Aging                            | Ending carrying amount | Beginning carrying amount |
|----------------------------------|------------------------|---------------------------|
| Within 1 year (including 1 year) | 313,597,375.85         | 343,017,134.79            |
| 1 to 2 years                     | 1,873,298.19           | 25,903,580.29             |
| 2 to 3 years                     | 4,436,548.28           | 6,917,677.75              |
| Over 3 years                     | 144,403,241.11         | 146,329,907.31            |
| 3 to 4 years                     | 5,278,022.33           | 3,465,761.24              |
| 4 to 5 years                     | 1,815,570.52           | 3,840,453.02              |
| Over 5 years                     | 137,309,648.26         | 139,023,693.05            |
| Total                            | 464,310,463.43         | 522,168,300.14            |

##### (2) Disclosure by Withdrawal Methods for Bad Debts

Unit: RMB

| Category  | Ending balance  |            |                    |                       |                | Beginning balance |            |                    |                       |                |
|---|-----------------|------------|--------------------|-----------------------|----------------|-------------------|------------|--------------------|-----------------------|----------------|
|   | Carrying amount |            | Bad debt provision |                       | Carrying value | Carrying amount   |            | Bad debt provision |                       | Carrying value |
|   | Amount          | Proportion | Amount             | Withdrawal proportion |                | Amount            | Proportion | Amount             | Withdrawal proportion |                |
| Accounts receivable withdrawal of bad debt provision separately accrued | 33,805,182.71   | 7.28%      | 33,805,182.71      | 100.00%               | 0.00           | 51,757,257.99     | 9.91%      | 34,367,361.83      | 66.40%                | 17,389,896.16  |
| Of which:   |                 |            |                    |                       |                |                   |            |                    |                       |                |
| Accounts receivable withdrawal of bad debt provision of by group        | 430,505,280.72  | 92.72%     | 113,962,120.81     | 26.47%                | 316,543,159.91 | 470,411,042.15    | 90.09%     | 117,478,758.54     | 24.97%                | 352,932,283.61 |
| Of which:   |                 |            |                    |                       |                |                   |            |                    |                       |                |

|  |                |         |                |        |                |                |         |                |        |                |
|--|----------------|---------|----------------|--------|----------------|----------------|---------|----------------|--------|----------------|
| Accounts receivable for which bad debt provision accrued by credit risk features group | 430,505,280.72 | 92.72%  | 113,962,120.81 | 26.47% | 316,543,159.91 | 470,411,042.15 | 90.09%  | 117,478,758.54 | 24.97% | 352,932,283.61 |
| Total  | 464,310,463.43 | 100.00% | 147,767,303.52 | 31.83% | 316,543,159.91 | 522,168,300.14 | 100.00% | 151,846,120.37 | 29.08% | 370,322,179.77 |

Number of categories of bad debt provision by individual item: 1

Bad debt provision separately accrued: RMB33,805,182.71, of which: RMB31,609,904.23 for large impairment items, the breakdown is as follows:

Unit: RMB

| Name        | Beginning balance |                    | Ending balance  |                    |                       |                       |
|-------------|-------------------|--------------------|-----------------|--------------------|-----------------------|-----------------------|
|             | Carrying amount   | Bad debt provision | Carrying amount | Bad debt provision | Withdrawal proportion | Reason for withdrawal |
| Customer 1  | 1,470,110.64      | 1,470,110.64       | 1,470,110.64    | 1,470,110.64       | 100.00%               | Difficult to recover  |
| Customer 2  | 1,902,326.58      | 1,902,326.58       | 1,902,326.58    | 1,902,326.58       | 100.00%               | Difficult to recover  |
| Customer 3  | 6,215,662.64      | 6,215,662.64       | 6,215,662.64    | 6,215,662.64       | 100.00%               | Difficult to recover  |
| Customer 4  | 2,797,123.26      | 2,194,980.28       | 2,797,123.26    | 2,797,123.26       | 100.00%               | Difficult to recover  |
| Customer 5  | 3,633,081.23      | 2,122,165.73       | 2,322,278.50    | 2,322,278.50       | 100.00%               | Difficult to recover  |
| Customer 6  | 2,584,805.83      | 2,584,805.83       | 2,584,805.83    | 2,584,805.83       | 100.00%               | Difficult to recover  |
| Customer 7  | 1,731,493.71      | 1,731,493.71       | 1,726,935.65    | 1,726,935.65       | 100.00%               | Difficult to recover  |
| Customer 8  | 2,025,880.18      | 2,025,880.18       | 2,025,880.18    | 2,025,880.18       | 100.00%               | Difficult to recover  |
| Customer 9  | 5,972,101.90      | 5,972,101.90       | 5,972,101.90    | 5,972,101.90       | 100.00%               | Difficult to recover  |
| Customer 10 | 4,592,679.05      | 4,592,679.05       | 4,592,679.05    | 4,592,679.05       | 100.00%               | Difficult to recover  |
| Total       | 32,925,265.02     | 30,812,206.54      | 31,609,904.23   | 31,609,904.23      | --                    | --                    |

Number of categories of bad debt provision by group: 1

Withdrawal of bad debt provision by group: Provision for bad debts by credit risk characteristic group was RMB113,962,120.81

Unit: RMB

| Name          | Ending balance  |                    |                       |
|---------------|-----------------|--------------------|-----------------------|
|               | Carrying amount | Bad debt provision | Withdrawal proportion |
| Within 1 year | 313,597,375.85  | 6,271,947.50       | 2.00%                 |
| 1 to 2 years  | 1,873,298.19    | 93,664.91          | 5.00%                 |
| 2 to 3 years  | 3,894,285.62    | 584,142.84         | 15.00%                |
| 3 to 4 years  | 5,278,022.33    | 1,583,406.70       | 30.00%                |
| 4 to 5 years  | 1,083,349.67    | 650,009.80         | 60.00%                |
| Over 5 years  | 104,778,949.06  | 104,778,949.06     | 100.00%               |
| Total         | 430,505,280.72  | 113,962,120.81     | --                    |

Please refer to the relevant information of disclosure of bad debt provision of other accounts receivable if adopting the general mode of expected credit loss to withdraw bad debt provision of accounts receivable.

Applicable  Not applicable

### (3) Bad Debt Provision Withdrawal, Reversed or Recovered in the Current Period

Withdrawal of bad debt provision:

Unit: RMB

| Category                                  | Beginning balance | Changes in the current period |                       |              |        | Ending balance |
|---|-------------------|-------------------------------|-----------------------|--------------|--------|----------------|
|   |                   | Withdrawal                    | Reversed or recovered | Verification | Others |                |
| Bad debt provision separately accrued     | 34,367,361.83     | 177,368.28                    | 37,668.24             | 701,879.16   |        | 33,805,182.71  |
| Withdrawal of bad debt provision by group | 117,478,758.54    | 294,284.60                    | 3,395,028.39          | 415,893.94   |        | 113,962,120.81 |
| Total                                     | 151,846,120.37    | 471,652.88                    | 3,432,696.63          | 1,117,773.10 |        | 147,767,303.52 |

Of which bad debt provision reversed or recovered with significant amount in the Reporting Period: No.

### (4) Accounts Receivable Written-off in Current Period

Unit: RMB

| Item   | Written-off amount |
|--|--------------------|
| Accounts receivable with actual verification | 1,117,773.10       |

Of which the verification of significant accounts receivable:

Unit: RMB

| Name of the entity | Nature of the accounts receivable | Verified amount | Reason for verification | Verification procedures performed | Arising from related-party transactions or not |
|--------------------|-----------------------------------|-----------------|-------------------------|-----------------------------------|--|
| Customer 1         | Account                           | 42,099.41       | Debt reorganisation     | Reorganization                    | Not  |

|  |                                   |              |   |  |  |
|--|-----------------------------------|--------------|---|--|--|
|  | ts<br>receiva<br>ble for<br>goods |              |   | agreement                                |  |
| Customer 2                                 |                                   | 659,779.75   | Debt reorganisation   | Reorganiz<br>ation<br>agreement          |  |
| Long term receivables from<br>94 customers |                                   | 415,893.94   | With accounts receivable<br>aging over 5 years, the<br>debtors have no assets for<br>debt extinguishment due<br>to the counterpart<br>company being revoked<br>or cancelled, or debt<br>reorganisation,<br>bankruptcy clearing. | Minutes<br>of the<br>Executive<br>Office |  |
| Total                                      |                                   | 1,117,773.10 |   |  |  |

**(5) Top 5 of the Ending Balance of the Accounts Receivable and the Contract Assets Collected according to Arrears Party**

Unit: RMB

| Name of the entity | Ending balance of accounts receivable | Ending balance of contract assets | Ending balance of accounts receivable and contract assets | Proportion to total ending balance of accounts receivable and contract assets | Ending balance of bad debt provision of accounts receivable and impairment provision for contract assets |
|--------------------|---------------------------------------|-----------------------------------|---|---|--|
| Customer 1         | 155,981,057.12                        | 0.00                              | 155,981,057.12  | 33.59%  | 3,119,621.14   |
| Customer 2         | 35,865,520.31                         | 0.00                              | 35,865,520.31   | 7.72%   | 717,310.41   |
| Customer 3         | 30,056,545.72                         | 0.00                              | 30,056,545.72   | 6.47%   | 601,130.91   |
| Customer 4         | 18,140,927.66                         | 0.00                              | 18,140,927.66   | 3.91%   | 362,818.55   |
| Customer 5         | 13,769,193.20                         | 0.00                              | 13,769,193.20   | 2.97%   | 275,383.86   |
| Total              | 253,813,244.01                        | 0.00                              | 253,813,244.01  | 54.66%  | 5,076,264.87   |

**5. Accounts Receivable Financing**

**(1) Accounts Receivable Financing Listed by Category**

Unit: RMB

| Item                  | Ending balance | Beginning balance |
|-----------------------|----------------|-------------------|
| Bank acceptance bills | 195,875,948.92 | 242,813,392.79    |
| Total                 | 195,875,948.92 | 242,813,392.79    |

**(2) Disclosure by Withdrawal Methods for Bad Debts**

Unit: RMB

| Catego | Ending balance | Beginning balance |
|--------|----------------|-------------------|
|--------|----------------|-------------------|

| Category                              | Carrying amount |            | Bad debt provision |                       | Carrying value | Carrying amount |            | Bad debt provision |                       | Carrying value |
|---------------------------------------|-----------------|------------|--------------------|-----------------------|----------------|-----------------|------------|--------------------|-----------------------|----------------|
|                                       | Amount          | Proportion | Amount             | Withdrawal proportion |                | Amount          | Proportion | Amount             | Withdrawal proportion |                |
| Bad debt provision separately accrued |                 |            |                    |                       |                |                 |            |                    |                       |                |
| Of which:                             |                 |            |                    |                       |                |                 |            |                    |                       |                |
| Bad debt provision accrued by group   | 195,875,948.92  | 100.00%    |                    |                       | 195,875,948.92 | 242,813,392.79  | 100.00%    |                    |                       | 242,813,392.79 |
| Of which:                             |                 |            |                    |                       |                |                 |            |                    |                       |                |
| Bank acceptance bills                 | 195,875,948.92  | 100.00%    |                    |                       | 195,875,948.92 | 242,813,392.79  | 100.00%    |                    |                       | 242,813,392.79 |
| Total                                 | 195,875,948.92  | 100.00%    |                    |                       | 195,875,948.92 | 242,813,392.79  | 100.00%    |                    |                       | 242,813,392.79 |

(3) Notes Receivable Pledged by the Company at the Period-end: None

(4) Accounts receivable financing which had endorsed by the Company or had discounted but had not due at the period-end

Unit: RMB

| Category             | Amount of recognition termination at the period-end | Amount of not terminated recognition at the period-end |
|----------------------|---|--|
| Bank acceptance bill | 567,763,410.38                                      |  |
| Total                | 567,763,410.38                                      |  |

6. Other Receivables

Unit: RMB

| Item                | Ending balance | Beginning balance |
|---------------------|----------------|-------------------|
| Interest receivable |                |                   |
| Dividend receivable |                |                   |
| Other receivables   | 49,699,753.61  | 32,938,305.16     |
| Total               | 49,699,753.61  | 32,938,305.16     |

### (1) Other Receivables

#### 1) Other Receivables Classified by Accounts Nature

Unit: RMB

| Nature                                 | Ending carrying value | Beginning carrying value |
|--|-----------------------|--------------------------|
| Margin and cash pledge                 | 595,723.55            | 2,028,096.87             |
| Intercourse funds                      | 69,845,564.95         | 48,701,034.90            |
| Petty cash and borrowings by employees | 922,370.54            | 742,075.76               |
| Other                                  | 13,638,079.94         | 13,635,867.60            |
| Total                                  | 85,001,738.98         | 65,107,075.13            |

#### 2) Disclosure by Aging

Unit: RMB

| Aging                            | Ending carrying amount | Beginning carrying amount |
|----------------------------------|------------------------|---------------------------|
| Within 1 year (including 1 year) | 56,704,032.54          | 16,050,004.29             |
| 1 to 2 years                     | 115,776.00             | 15,783,825.92             |
| 2 to 3 years                     | 12,802.00              | 1,164,476.00              |
| Over 3 years                     | 28,169,128.44          | 32,108,768.92             |
| 3 to 4 years                     | 30,000.00              | 420,716.17                |
| 4 to 5 years                     |                        | 338,457.65                |
| Over 5 years                     | 28,139,128.44          | 31,349,595.10             |
| Total                            | 85,001,738.98          | 65,107,075.13             |

#### 3) Disclosure by Withdrawal Methods for Bad Debts

√Applicable Not applicable

Provision for bad debts based on general model of expected credit losses

Unit: RMB

| Bad debt provision        | First stage                                | Second stage   | Third stage  | Total         |
|---------------------------|--|--|--|---------------|
|                           | Expected credit loss of the next 12 months | Expected loss in the duration (credit impairment not occurred) | Expected loss in the duration (credit impairment occurred) |               |
| Balance of 1 January 2023 | 373,682.65                                 | 2,908,755.15   | 28,886,332.17  | 32,168,769.97 |



|   |            |              |               |               |
|---|------------|--------------|---------------|---------------|
| Balance of 1 January 2023 in the Current Period |            |              |               |               |
| --Transfer to Second stage                      |            |              |               |               |
| -- Transfer to Third stage                      |            |              |               |               |
| -- Reverse to Second stage                      |            |              |               |               |
| -- Reverse to First stage                       |            |              |               |               |
| Withdrawal of the Current Period                | 20,686.21  | 118.44       | 3,488,275.48  | 3,509,080.13  |
| Reversal of the Current Period                  | 182,697.13 | 193,167.60   |               | 375,864.73    |
| Write-offs of the Current Period                |            |              |               |               |
| Verification of the Current Period              |            |              |               |               |
| Other changes                                   |            |              |               |               |
| Balance of 31 December 2023                     | 211,671.73 | 2,715,705.99 | 32,374,607.65 | 35,301,985.37 |

The basis for the division of each stage and the withdrawal proportion of bad debt provision: None  
Changes of carrying amount with significant amount changed of loss provision in the current period  
 Applicable  Not applicable

#### 4) Bad Debt Provision Withdrawn, Reversed or Recovered in the Current Period

Withdrawal of bad debt provision:

Unit: RMB

| Category                                  | Beginning balance    | Changes in the current period |                       |                          |         | Ending balance       |
|---|----------------------|-------------------------------|-----------------------|--------------------------|---------|----------------------|
|   |                      | Withdrawal                    | Reversed or recovered | Charged-off /Written-off | Other s |                      |
| Bad debt provision separately accrued     | 5,536,285.44         |                               | 254,122.09            |                          |         | 5,282,163.35         |
| Withdrawal of bad debt provision by group | 26,632,484.53        | 3,387,337.49                  |                       |                          |         | 30,019,822.02        |
| <b>Total</b>                              | <b>32,168,769.97</b> | <b>3,387,337.49</b>           | <b>254,122.09</b>     |                          |         | <b>35,301,985.37</b> |

**5) There Were No Particulars of the Actual Verification of Other Receivables during the Reporting Period****6) Top 5 of the Ending Balance of Other Receivables Collected according to the Arrears Party**

Unit: RMB

| Name of the entity   | Nature  | Ending balance       | Aging         | Proportion to total ending balance of other receivables % | Ending balance of bad debt provision |
|--|---|----------------------|---------------|---|--------------------------------------|
| Changzhou Zhonglou District Housing and Urban-Rural Development Bureau | Compensation for land acquisition of Wuxing bus plant area plot | 47,000,000.00        | Within 1 year | 55.29%  | 0.00                                 |
| Changzhou Compressor Factory   | Intercourse funds   | 2,940,000.00         | Over 5 years  | 3.46%   | 2,940,000.00                         |
| Changchai Group Imp. & Exp. Co., Ltd.                                  | Intercourse funds   | 2,853,188.02         | Over 5 years  | 3.36%   | 2,853,188.02                         |
| Changzhou New District Accounting Center                               | Intercourse funds   | 1,626,483.25         | Over 5 years  | 1.91%   | 1,626,483.25                         |
| Changchai Group Settlement Center                                      | Intercourse funds   | 1,128,676.16         | Over 5 years  | 1.33%   | 1,128,676.16                         |
| <b>Total</b>   |   | <b>55,548,347.43</b> |               | <b>65.35%</b>   | <b>8,548,347.43</b>                  |

**7. Prepayments****(1) Prepayment Listed by Aging Analysis**

Unit: RMB

| Aging         | Ending balance       |            | Beginning balance   |            |
|---------------|----------------------|------------|---------------------|------------|
|               | Amount               | Proportion | Amount              | Proportion |
| Within 1 year | 11,196,498.47        | 90.78%     | 5,941,708.21        | 93.86%     |
| 1 to 2 years  | 840,617.01           | 6.82%      | 289,373.60          | 4.57%      |
| 2 to 3 years  | 289,345.37           | 2.35%      | 71,654.18           | 1.13%      |
| Over 3 years  | 6,850.00             | 0.05%      | 27,466.70           | 0.44%      |
| <b>Total</b>  | <b>12,333,310.85</b> | <b>--</b>  | <b>6,330,202.69</b> | <b>--</b>  |

Notes of the reasons of the prepayment aging over 1 year with significant amount but failed settled in time: There was no prepayment with significant amount aging over one year as of the period-end.

**(2) Top 5 Prepayment in Ending Balance Collected according to the Prepayment Target**

At the period-end, the total top 5 of the ending balance of the prepayments collected according to the prepayment target was RMB8,775,900 accounting for 71.16% of the total ending balance of prepayments.

**8. Inventories**

Whether the Company needs to comply with the disclosure requirements for the real estate industry

No

**(1) Category of Inventory**

Unit: RMB

| Item                                | Ending balance  |   |                | Beginning balance |   |                |
|-------------------------------------|-----------------|---|----------------|-------------------|---|----------------|
|                                     | Carrying amount | Depreciation reserves of inventories or impairment provision for contract performance costs | Carrying value | Carrying amount   | Depreciation reserves of inventories or impairment provision for contract performance costs | Carrying value |
| Raw materials                       | 199,751,010.25  | 7,529,878.82  | 192,221,131.43 | 163,954,131.27    | 5,982,286.51  | 157,971,844.76 |
| Materials processed on commission   | 12,422,107.02   | 0.00  | 12,422,107.02  | 12,299,968.98     | 0.00  | 12,299,968.98  |
| Goods in process                    | 90,202,210.05   | 6,761,129.14  | 83,441,080.91  | 110,883,778.58    | 10,725,860.43   | 100,157,918.15 |
| Finished goods                      | 527,412,149.21  | 27,690,142.42   | 499,722,006.79 | 322,959,181.08    | 22,755,460.80   | 300,203,720.28 |
| Low priced and easily worn articles | 1,413,859.53    | 0.00  | 1,413,859.53   | 1,363,429.57      | 0.00  | 1,363,429.57   |
| Total                               | 831,201,336.06  | 41,981,150.38   | 789,220,185.68 | 611,460,489.48    | 39,463,607.74   | 571,996,881.74 |

**(2) Falling Price Reserves of Inventory and Impairment Reserves for Contract Performance Costs**

Unit: RMB

| Item             | Beginning balance | Increase     |        | Decrease                        |        | Ending balance |
|------------------|-------------------|--------------|--------|---------------------------------|--------|----------------|
|                  |                   | Withdrawal   | Others | Transferred-back or charged-off | Others |                |
| Raw materials    | 5,982,286.51      | 4,292,094.21 |        | 2,744,501.90                    |        | 7,529,878.82   |
| Goods in process | 10,725,860.43     | 466,905.79   |        | 4,431,637.08                    |        | 6,761,129.14   |

|                |               |               |  |               |  |               |
|----------------|---------------|---------------|--|---------------|--|---------------|
| Finished goods | 22,755,460.80 | 23,134,895.75 |  | 18,200,214.13 |  | 27,690,142.42 |
| Total          | 39,463,607.74 | 27,893,895.75 |  | 25,376,353.11 |  | 41,981,150.38 |

**(3) There Was No Capitalized Borrowing Expense in the Ending Balance of Inventories.**

**(4) There Was No Inventory Pledged for Guarantee at the Period-end**

## 9. Current Portion of Non-current Assets

| Item  | Ending balance | Beginning balance |
|---|----------------|-------------------|
| Investments in debt obligations due within one year | 40,773,509.75  |                   |
| Total   | 40,773,509.75  |                   |

**(1) Investments in Debt Obligations Due within One Year**

Applicable Not applicable

**1) Investments in Debt Obligations Due within One Year**

Unit: RMB

| Group name                    | Ending balance  |                        |                | Beginning balance |                        |                |
|-------------------------------|-----------------|------------------------|----------------|-------------------|------------------------|----------------|
|                               | Carrying amount | Falling price reserves | Carrying value | Carrying amount   | Falling price reserves | Carrying value |
| Three-year fixed term deposit | 40,773,509.75   |                        | 40,773,509.75  | 0.00              |                        | 0.00           |
| Total                         | 40,773,509.75   |                        | 40,773,509.75  | 0.00              |                        | 0.00           |

**2) Significant Investments in Debt Obligations Due within One Year at the Period-end**

Unit: RMB

| Item                          | Par value     | Coupon rate | Maturity date | Actual interest rate |                   | Overdue principal |                   |
|-------------------------------|---------------|-------------|---------------|----------------------|-------------------|-------------------|-------------------|
|                               |               |             |               | Ending balance       | Beginning balance | Ending balance    | Beginning balance |
| Three-year fixed term deposit | 37,000,000.00 | 3.80%       | 26 April 2024 | 3.72%                | 0.00%             | 0.00              | 0.00              |
| Total                         | 37,000,000.00 |             |               |                      |                   | 0.00              | 0.00              |

## 10. Other Current Assets

Unit: RMB

| Item                         | Ending balance | Beginning balance |
|------------------------------|----------------|-------------------|
| The VAT tax credits          | 19,940,871.92  | 47,682,930.23     |
| Prepaid corporate income tax | 908,233.33     | 1,505,424.80      |
| Prepaid expense              | 61,399.59      | 90,667.46         |
| Total                        | 20,910,504.84  | 49,279,022.49     |

## 11. Investments in Debt Obligations

### (1) List of Investments in Debt Obligations

Unit: RMB

| Item                          | Ending balance  |                      |                | Beginning balance |                      |                |
|-------------------------------|-----------------|----------------------|----------------|-------------------|----------------------|----------------|
|                               | Carrying amount | Impairment provision | Carrying value | Carrying amount   | Impairment provision | Carrying value |
| Three-year fixed term deposit | 0.00            |                      | 0.00           | 39,309,587.93     |                      | 39,309,587.93  |
| Total                         | 0.00            |                      | 0.00           | 39,309,587.93     |                      | 39,309,587.93  |

## 12. Other Equity Instrument Investment

Unit: RMB

| Item  | Ending balance | Beginning balance | Gains recorded in other comprehensive income in the current period | Losses recorded in other comprehensive income in the current period | Accumulative gains recorded in other comprehensive income in the current period | Accumulative losses recorded in other comprehensive income in the current period | Dividend income recognized in current year | Reason for assigning to measure in fair value of which changes included other comprehensive income |
|---|----------------|-------------------|--|---|---|--|--|--|
| Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership) | 418,457,025.67 | 378,929,240.08    | 39,527,785.59  |   | 318,457,025.67  |  |  | Non-trading equity investment  |
| Other   | 551,031,0      | 576,631,0         |  | 25,600,00   | 466,461,0   |  | 11,482,38                                  | Non-tradi  |

|   |                |                |               |               |                |  |               |                      |
|---|----------------|----------------|---------------|---------------|----------------|--|---------------|----------------------|
| equity instrument investment measured by fair value | 00.00          | 00.00          |               | 0.00          | 00.00          |  | 0.00          | ng equity investment |
| Total   | 969,488,025.67 | 955,560,240.08 | 39,527,785.59 | 25,600,000.00 | 784,918,025.67 |  | 11,482,380.00 |                      |

Non-trading equity instrument investment disclosed by category

Unit: RMB

| Item  | Dividend income recognized | Accumulative gains | Accumulative losses | Amount of other comprehensive transferred to retained earnings | Reason for assigning to measure by fair value of which changes be included to other comprehensive income | Reason for other comprehensive income transferred to retained earnings |
|---|----------------------------|--------------------|---------------------|--|--|--|
| Foton Motor Co., Ltd.   |                            | 352,701,000.00     |                     |  | Non-trading equity investment  |  |
| Bank of Jiangsu   | 11,482,380.00              | 113,760,000.00     |                     |  | Non-trading equity investment  |  |
| Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership) |                            | 318,457,025.67     |                     |  | Non-trading equity investment  |  |

Other notes:

The corporate securities of accommodation business still on lending at the period-end: 931,800 shares of Foton Motor Co., Ltd.

### 13. Long-term Equity Investment

Unit: RMB

| Investees | Beginning | Beginning | Increase/decrease |      |      |       |      |      |       | Ending | Ending |
|-----------|-----------|-----------|-------------------|------|------|-------|------|------|-------|--------|--------|
|           |           |           | Addit             | Redu | Gain | Adjus | Chan | Cash | Withd |        |        |

|   | balance<br>(carry<br>ing<br>value) | balance of<br>depre-<br>ciation<br>reserv-<br>es | ional<br>invest-<br>ment | ced<br>invest-<br>ment | or<br>loss<br>recog-<br>nized<br>under<br>the<br>equity<br>metho-<br>d | tment<br>of<br>other<br>com-<br>prehen-<br>sive<br>incom-<br>e | ges in<br>other<br>equity | bonus<br>or<br>profit<br>annou-<br>nced<br>to<br>issue | rawal<br>of<br>depre-<br>ciation<br>reserv-<br>es |  | balance<br>(carry<br>ing<br>value) | balance of<br>depre-<br>ciation<br>reserv-<br>es |
|---|------------------------------------|--|--------------------------|------------------------|--|--|---------------------------|--|---|--|------------------------------------|--|
| I. Joint venture  |                                    |  |                          |                        |  |  |                           |  |   |  |                                    |  |
| Subtotal  | 0.00                               | 0.00   |                          |                        |  |  |                           |  |   |  | 0.00                               | 0.00   |
| II. Associated enterprises  |                                    |  |                          |                        |  |  |                           |  |   |  |                                    |  |
| Beijing<br>Tsinghua<br>Industrial<br>Investment<br>Management<br>Co.,<br>Ltd. | 0.00                               | 44,182.50  |                          |                        |  |  |                           |  |   |  | 0.00                               | 44,182.50  |
| Subtotal  | 0.00                               | 44,182.50  |                          |                        |  |  |                           |  |   |  | 0.00                               | 44,182.50  |
| Total   | 0.00                               | 44,182.50  |                          |                        |  |  |                           |  |   |  | 0.00                               | 44,182.50  |

The recoverable amount is determined based on the net amount of the fair value minus disposal costs

Applicable  Not applicable

The recoverable amount is determined by the present value of the forecasted future cash flow.

Applicable  Not applicable

The reason for the discrepancy between the foregoing information and the information used in the impairment tests in prior years or external information: Not applicable

The reason for the discrepancy between the information used in the Company's impairment tests in prior years and the actual situation of those years: Not applicable

#### 14. Other Non-current Financial Assets

Unit: RMB

| Item | Ending balance | Beginning balance |
|------|----------------|-------------------|
|------|----------------|-------------------|

|   |                       |                       |
|---|-----------------------|-----------------------|
| Jiangsu Horizon New Energy Technology Co., Ltd. | 412,914,576.80        | 373,500,000.00        |
| <b>Total</b>                                    | <b>412,914,576.80</b> | <b>373,500,000.00</b> |

## 15. Investment Property

### (1) Investment Property Adopting the Cost Measurement Mode

√ Applicable □ Not applicable

Unit: RMB

| Item  | Houses and buildings | Total         |
|---|----------------------|---------------|
| I. Original carrying value  |                      |               |
| 1. Beginning balance  | 93,077,479.52        | 93,077,479.52 |
| 2. Increased amount of the period                                   |                      |               |
| (1) Outsourcing   |                      |               |
| (2) Transfer from inventories/fixed assets/construction in progress |                      |               |
| (3) Enterprise combination increase                                 |                      |               |
| 3. Decreased amount of the period                                   |                      |               |
| (1) Disposal  |                      |               |
| (2) Other transfer  |                      |               |
| 4. Ending balance   | 93,077,479.52        | 93,077,479.52 |
| II. Accumulative depreciation and accumulative amortization         |                      |               |
| 1. Beginning balance  | 50,916,699.87        | 50,916,699.87 |
| 2. Increased amount of the period                                   | 2,323,221.54         | 2,323,221.54  |
| (1) Withdrawal or amortization                                      | 2,323,221.54         | 2,323,221.54  |
| 3. Decreased amount of the period                                   |                      |               |
| (1) Disposal  |                      |               |
| (2) Other transfer  |                      |               |
| 4. Ending balance   | 53,239,921.41        | 53,239,921.41 |
| III. Depreciation reserves  |                      |               |
| 1. Beginning balance  |                      |               |
| 2. Increased amount of the period                                   |                      |               |
| (1) Withdrawal  |                      |               |
| 3. Decreased amount of the period                                   |                      |               |
| (1) Disposal  |                      |               |
| (2) Other transfer  |                      |               |
| 4. Ending balance   |                      |               |
| IV. Carrying value  |                      |               |
| 1. Ending carrying value  | 39,837,558.11        | 39,837,558.11 |
| 2. Beginning carrying value   | 42,160,779.65        | 42,160,779.65 |

The recoverable amount is determined based on the net amount of the fair value minus disposal costs



Applicable  Not applicable

The recoverable amount is determined by the present value of the forecasted future cash flow.

Applicable  Not applicable

The reason for the discrepancy between the foregoing information and the information used in the impairment tests in prior years or external information: Not applicable

The reason for the discrepancy between the information used in the Company's impairment tests in prior years and the actual situation of those years: Not applicable

## 16. Fixed Assets

Unit: RMB

| Item                     | Ending balance | Beginning balance |
|--------------------------|----------------|-------------------|
| Fixed assets             | 675,596,920.95 | 720,061,387.76    |
| Disposal of fixed assets |                |                   |
| Total                    | 675,596,920.95 | 720,061,387.76    |

### (1) List of Fixed Assets

Unit: RMB

| Item                                       | Houses and buildings | Machinery equipment | Transportation equipment | Other equipment | Total            |
|--|----------------------|---------------------|--------------------------|-----------------|------------------|
| I. Original carrying value                 |                      |                     |                          |                 |                  |
| 1. Beginning balance                       | 710,604,039.88       | 1,118,697,686.65    | 19,132,190.47            | 57,025,921.99   | 1,905,459,838.99 |
| 2. Increased amount of the period          | 1,834,818.27         | 38,989,742.83       | 1,987,770.58             | 8,118,776.09    | 50,931,107.77    |
| (1) Purchase                               | 26,548.67            | 2,982,332.29        | 174,778.77               | 658,300.25      | 3,841,959.98     |
| (2) Transfer from construction in progress | 1,808,269.60         | 36,007,410.54       | 1,812,991.81             | 7,460,475.84    | 47,089,147.79    |
| (3) Enterprise combination increase        |                      |                     |                          |                 |                  |
| 3. Decreased amount of the period          | 28,465,330.35        | 40,568,592.59       | 4,592,712.12             | 3,324,523.35    | 76,951,158.41    |
| (1) Disposal or scrap                      | 28,465,330.35        | 40,568,592.59       | 4,592,712.12             | 3,324,523.35    | 76,951,158.41    |
| 4. Ending balance                          | 683,973,527.80       | 1,117,118,836.89    | 16,527,248.93            | 61,820,174.73   | 1,879,439,788.35 |

|                                   |                |                |               |               |                  |
|-----------------------------------|----------------|----------------|---------------|---------------|------------------|
| II. Accumulative depreciation     |                |                |               |               |                  |
| 1. Beginning balance              | 330,845,140.13 | 803,945,702.56 | 13,446,223.77 | 36,738,140.74 | 1,184,975,207.20 |
| 2. Increased amount of the period | 22,013,333.90  | 57,662,526.29  | 1,228,111.91  | 5,752,924.77  | 86,656,896.87    |
| (1) Withdrawal                    | 22,013,333.90  | 57,662,526.29  | 1,228,111.91  | 5,752,924.77  | 86,656,896.87    |
| (2) Transfer from combination     |                |                |               |               |                  |
| 3. Decreased amount of the period | 21,079,535.16  | 39,127,527.89  | 4,572,617.88  | 3,306,776.44  | 68,086,457.37    |
| (1) Disposal or scrap             | 21,079,535.16  | 39,127,527.89  | 4,572,617.88  | 3,306,776.44  | 68,086,457.37    |
| 4. Ending balance                 | 331,778,938.87 | 822,480,700.96 | 10,101,717.80 | 39,184,289.07 | 1,203,545,646.70 |
| III. Depreciation reserves        |                |                |               |               |                  |
| 1. Beginning balance              |                | 423,244.03     |               |               | 423,244.03       |
| 2. Increased amount of the period |                |                |               |               |                  |
| (1) Withdrawal                    |                |                |               |               |                  |
| 3. Decreased amount of the period |                | 126,023.33     |               |               | 126,023.33       |
| (1) Disposal or scrap             |                | 126,023.33     |               |               | 126,023.33       |
| 4. Ending balance                 |                | 297,220.70     |               |               | 297,220.70       |
| IV. Carrying value                |                |                |               |               |                  |
| 1. Ending carrying value          | 352,194,588.93 | 294,340,915.23 | 6,425,531.13  | 22,635,885.66 | 675,596,920.95   |
| 2. Beginning carrying value       | 379,758,899.75 | 314,328,740.06 | 5,685,966.70  | 20,287,781.25 | 720,061,387.76   |

**(2) List of Temporarily Idle Fixed Assets**

Unit: RMB

| Item                | Original carrying value | Accumulative depreciation | Depreciation reserves | Carrying value | Note |
|---------------------|-------------------------|---------------------------|-----------------------|----------------|------|
| Machinery equipment | 309,407.50              | 12,186.80                 | 297,220.70            |                |      |

### 17. Construction in Progress

Unit: RMB

| Item                     | Ending balance | Beginning balance |
|--------------------------|----------------|-------------------|
| Construction in progress | 4,253,721.78   | 30,259,647.16     |
| Engineering materials    | 21,900.40      | 21,900.40         |
| Total                    | 4,275,622.18   | 30,281,547.56     |

#### (1) List of Construction in Progress

Unit: RMB

| Item  | Ending balance  |                       |                | Beginning balance |                       |                |
|---|-----------------|-----------------------|----------------|-------------------|-----------------------|----------------|
|   | Carrying amount | Depreciation reserves | Carrying value | Carrying amount   | Depreciation reserves | Carrying value |
| Innovation capacity construction of technology center | 981,532.17      |                       | 981,532.17     | 5,443,764.33      |                       | 5,443,764.33   |
| Relocation project of light engine and casting        | 0.00            |                       | 0.00           | 11,155,119.70     |                       | 11,155,119.70  |
| Equipment to be installed and payment for projects    | 3,272,189.61    |                       | 3,272,189.61   | 13,660,763.13     |                       | 13,660,763.13  |
| Total   | 4,253,721.78    |                       | 4,253,721.78   | 30,259,647.16     |                       | 30,259,647.16  |

#### (2) Changes in Significant Construction in Progress during the Reporting Period

Unit: RMB

| Item | Budget | Beginning balance | Increased amount | Transferred in fixed assets | Other decreased amount | Ending balance | Job schedule | Accumulated amount of | Of which: Amount of capital | Capitalization rate of interest | Capital resources |
|------|--------|-------------------|------------------|-----------------------------|------------------------|----------------|--------------|-----------------------|-----------------------------|---------------------------------|-------------------|
|------|--------|-------------------|------------------|-----------------------------|------------------------|----------------|--------------|-----------------------|-----------------------------|---------------------------------|-------------------|

|  |                        |                       |                       |                       |                  |                |           | interest<br>capital<br>ization | ized<br>interests<br>for<br>the<br>Report<br>ing<br>Period | ts for<br>the<br>Report<br>ing<br>Period |                                       |
|--|------------------------|-----------------------|-----------------------|-----------------------|------------------|----------------|-----------|--------------------------------|--|--|---------------------------------------|
| Innovation<br>capacity<br>construction<br>of<br>technology<br>center | 96,066<br>,200.0<br>0  | 5,443,<br>764.33      | 4,245,<br>219.52      | 8,707,<br>451.68      |                  | 981,53<br>2.17 | Completed |                                |  |  | Self-raised<br>and<br>raised<br>funds |
| Relocation<br>project of<br>light<br>engine and<br>casting           | 474,70<br>6,000.<br>00 | 11,155<br>,119.7<br>0 | 7,427,<br>088.87      | 13,568<br>,085.5<br>3 | 5,014,<br>123.04 | 0.00           | Completed |                                |  |  | Self-raised<br>and<br>raised<br>funds |
| Total  | 570,77<br>2,200.<br>00 | 16,598<br>,884.0<br>3 | 11,672<br>,308.3<br>9 | 22,275<br>,537.2<br>1 | 5,014,<br>123.04 | 981,53<br>2.17 | --        |                                |  |  | --                                    |

**(3) Impairment Test of Construction in Progress**

Applicable Not applicable

**(4) Engineering Materials**

Unit: RMB

| Item                     | Ending balance     |                         |                   | Beginning balance  |                         |                   |
|--------------------------|--------------------|-------------------------|-------------------|--------------------|-------------------------|-------------------|
|                          | Carrying<br>amount | Impairment<br>provision | Carrying<br>value | Carrying<br>amount | Impairment<br>provision | Carrying<br>value |
| Engineering<br>materials | 21,900.40          |                         | 21,900.40         | 21,900.40          |                         | 21,900.40         |
| Total                    | 21,900.40          |                         | 21,900.40         | 21,900.40          |                         | 21,900.40         |

## 18. Intangible Assets

### (1) List of Intangible Assets

Unit: RMB

| Item                              | Land use right | Software      | License fee  | Trademark use right | Total          |
|-----------------------------------|----------------|---------------|--------------|---------------------|----------------|
| I. Original carrying value        |                |               |              |                     |                |
| 1. Beginning balance              | 214,187,775.71 | 17,847,202.14 | 5,538,000.00 | 1,650,973.47        | 239,223,951.32 |
| 2. Increased amount of the period |                | 2,572,402.01  |              |                     | 2,572,402.01   |
| (1) Purchase                      |                | 2,572,402.01  |              |                     | 2,572,402.01   |
| (2) Internal R&D                  |                |               |              |                     |                |
| (3) Business combination increase |                |               |              |                     |                |
| 3. Decreased amount of the period | 9,000,000.00   |               |              |                     | 9,000,000.00   |
| (1) Disposal                      | 9,000,000.00   |               |              |                     | 9,000,000.00   |
| 4. Ending balance                 | 205,187,775.71 | 20,419,604.15 | 5,538,000.00 | 1,650,973.47        | 232,796,353.33 |
| II. Accumulated amortization      |                |               |              |                     |                |
| 1. Beginning balance              | 63,832,525.74  | 14,396,059.27 | 3,246,750.17 | 356,398.60          | 81,831,733.78  |
| 2. Increased amount of the period | 4,215,896.42   | 2,145,112.60  | 553,382.93   | 167,041.92          | 7,081,433.87   |
| (1) Withdrawal                    | 4,215,896.42   | 2,145,112.60  | 553,382.93   | 167,041.92          | 7,081,433.87   |
| (2) Combination increase          |                |               |              |                     |                |
| 3. Decreased amount of the period | 4,575,000.00   |               |              |                     | 4,575,000.00   |
| (1) Disposal                      | 4,575,000.00   |               |              |                     | 4,575,000.00   |
| 4. Ending balance                 | 63,473,422.16  | 16,541,171.87 | 3,800,133.10 | 523,440.52          | 84,338,167.65  |
| III. Depreciation reserves        |                |               |              |                     |                |
| 1. Beginning balance              |                |               |              |                     |                |
| 2. Increased amount of the period |                |               |              |                     |                |
| (1) Withdrawal                    |                |               |              |                     |                |
| 3. Decreased amount of the period |                |               |              |                     |                |
| (1) Disposal                      |                |               |              |                     |                |
| 4. Ending balance                 |                |               |              |                     |                |
| IV. Carrying value                |                |               |              |                     |                |

|                             |                |              |              |              |                |
|-----------------------------|----------------|--------------|--------------|--------------|----------------|
| 1. Ending carrying value    | 141,714,353.55 | 3,878,432.28 | 1,737,866.90 | 1,127,532.95 | 148,458,185.68 |
| 2. Beginning carrying value | 150,355,249.97 | 3,451,142.87 | 2,291,249.83 | 1,294,574.87 | 157,392,217.54 |

Intangible assets formed through internal R&D accounted for 0% of the intangible asset balance at the end of the period.

### 19. Long-term Prepaid Expenses

Unit: RMB

| Item   | Beginning balance   | Increase            | Amortized amount  | Decrease | Ending balance      |
|--|---------------------|---------------------|-------------------|----------|---------------------|
| Trademark renewal fee  | 201,970.32          | 92,108.91           | 25,871.11         |          | 268,208.12          |
| External power line access project                               | 3,078,000.00        |                     | 324,000.00        |          | 2,754,000.00        |
| Processing reserved floor paving and lighting installation works |                     | 5,205,750.54        |                   |          | 5,205,750.54        |
| <b>Total</b>   | <b>3,279,970.32</b> | <b>5,297,859.45</b> | <b>349,871.11</b> |          | <b>8,227,958.66</b> |

### 20. Deferred Income Tax Assets/Deferred Income Tax Liabilities

#### (1) Deferred Income Tax Assets that Had not Been Off-set

Unit: RMB

| Item                             | Ending balance                  |                            | Beginning balance               |                            |
|----------------------------------|---------------------------------|----------------------------|---------------------------------|----------------------------|
|                                  | Deductible temporary difference | Deferred income tax assets | Deductible temporary difference | Deferred income tax assets |
| Bad debt provision               | 6,427,652.90                    | 967,779.48                 | 6,853,948.19                    | 1,048,165.04               |
| Deductible loss                  |                                 |                            | 149,230,051.55                  | 24,713,867.00              |
| Inventory falling price reserves | 2,707,033.40                    | 506,633.20                 | 2,633,715.26                    | 395,057.29                 |
| Impairment of fixed assets       | 297,220.70                      | 44,583.11                  | 423,244.03                      | 63,486.60                  |
| <b>Total</b>                     | <b>9,431,907.00</b>             | <b>1,518,995.79</b>        | <b>159,140,959.03</b>           | <b>26,220,575.93</b>       |

#### (2) Deferred Income Tax Liabilities Had Not Been Off-set

Unit: RMB

| Item | Ending balance | Beginning balance |
|------|----------------|-------------------|
|------|----------------|-------------------|

|  | Taxable temporary difference | Deferred income tax liabilities | Taxable temporary difference | Deferred income tax liabilities |
|--|------------------------------|---------------------------------|------------------------------|---------------------------------|
| Assets evaluation appreciation for business combination not under the same control | 5,489,891.06                 | 823,483.65                      | 5,677,718.36                 | 851,657.75                      |
| Changes of fair value of other equity instrument investments                       | 1,102,931,935.12             | 171,019,971.87                  | 1,039,472,114.80             | 160,508,593.58                  |
| Total  | 1,108,421,826.18             | 171,843,455.52                  | 1,045,149,833.16             | 161,360,251.33                  |

### (3) List of Unrecognized Deferred Income Tax Assets

Unit: RMB

| Item                                  | Ending balance | Beginning balance |
|---------------------------------------|----------------|-------------------|
| Bad debt provision                    | 176,641,635.99 | 177,160,942.15    |
| Falling price reserves of inventories | 39,274,116.98  | 36,829,892.48     |
| Deductible loss                       | 137,917,562.93 | 22,257,409.96     |
| Total                                 | 353,833,315.90 | 236,248,244.59    |

### (4) Deductible Losses of Unrecognized Deferred Income Tax Assets will Due in the Following Years

Unit: RMB

| Years | Ending amount  | Beginning amount | Note |
|-------|----------------|------------------|------|
| 2023  |                | 1,146,746.13     |      |
| 2024  | 3,605,384.25   | 3,605,384.25     |      |
| 2025  | 5,250,820.81   | 5,250,820.81     |      |
| 2026  | 9,546,495.23   | 7,372,277.94     |      |
| 2027  | 68,877,350.74  | 4,882,180.83     |      |
| 2028  | 50,637,511.90  |                  |      |
| Total | 137,917,562.93 | 22,257,409.96    |      |

## 21. Other Non-current Assets

Unit: RMB

| Item | Ending balance  |                         |                | Beginning balance |                         |                |
|------|-----------------|-------------------------|----------------|-------------------|-------------------------|----------------|
|      | Carrying amount | Depreciated on reserves | Carrying value | Carrying amount   | Depreciated on reserves | Carrying value |

|                                |              |  |              |            |  |            |
|--------------------------------|--------------|--|--------------|------------|--|------------|
| Advances payment of equipments | 2,578,776.77 |  | 2,578,776.77 | 670,735.93 |  | 670,735.93 |
| Total                          | 2,578,776.77 |  | 2,578,776.77 | 670,735.93 |  | 670,735.93 |

## 22. Assets with Restricted Ownership or Right of Use

Unit: RMB

| Item  | Period-end      |                |   |   | Period-beginning |                |  |   |
|---|-----------------|----------------|---|---|------------------|----------------|--|---|
|   | Carrying amount | Carrying value | Type of restriction                           | Status of restriction   | Carrying amount  | Carrying value | Type of restriction                                | Status of restriction   |
| Monetary funds -- other monetary funds            | 76,238,443.41   | 76,238,443.41  | Occupied as cash deposit                      | Bank acceptance deposit, environmental performance bond, etc. | 95,662,384.92    | 95,662,384.92  | Occupied as cash deposit                           | Bank acceptance deposit, environmental performance bond, etc.                     |
| Fixed assets -- houses and buildings              | 1,332,812.48    | 1,332,812.48   | Mortgaged                                     | Mortgaged for issuing bank acceptance bills                   | 1,530,890.90     | 1,530,890.90   | Mortgaged  | Mortgaged for bank loans  |
| Intangible assets -- land use rights              | 847,162.28      | 847,162.28     | Mortgaged                                     | Mortgaged for issuing bank acceptance bills                   | 879,275.35       | 879,275.35     | Mortgaged  | Mortgaged for bank loans  |
| Fixed assets -- machinery and equipment           | 23,728,733.18   | 23,728,733.18  | Mortgaged                                     | Mortgaged for issuing bank acceptance bills                   | 31,222,420.22    | 31,222,420.22  | Mortgaged  | Mortgaged for bank loans  |
| Notes receivable -- outstanding discounted notes  |                 |                |   |   | 110,000,000.00   | 110,000,000.00 | Obligation to pay bills discounted before maturity | Discounted by the Company at the period-end and not due on the balance sheet date |
| Notes receivable -- outstanding transferred notes | 55,979,832.64   | 55,979,832.64  | Obligation to pay unexpired transferred notes | Endorsed by the Company at the period-end and not due on the  | 66,395,231.83    | 66,395,231.83  | Obligation to pay unexpired transferred notes      | Endorsed by the Company at the period-end and not due on the                      |



|       |                    |                    |  |                       |                    |                    |  |                       |
|-------|--------------------|--------------------|--|-----------------------|--------------------|--------------------|--|-----------------------|
|       |                    |                    |  | balance<br>sheet date |                    |                    |  | balance<br>sheet date |
| Total | 158,126,9<br>83.99 | 158,126,9<br>83.99 |  |                       | 305,690,2<br>03.22 | 305,690,2<br>03.22 |  |                       |

### 23. Short-term Borrowings

#### (1) Category of Short-term Borrowings

Unit: RMB

| Item   | Ending balance | Beginning balance |
|--|----------------|-------------------|
| Mortgage loans                                     | 0.00           | 7,000,000.00      |
| Obligation to pay bills discounted before maturity | 0.00           | 108,437,700.65    |
| Total  | 0.00           | 115,437,700.65    |

### 24. Notes Payable

Unit: RMB

| Category             | Ending balance | Beginning balance |
|----------------------|----------------|-------------------|
| Bank acceptance bill | 528,139,582.33 | 471,876,397.72    |
| Total                | 528,139,582.33 | 471,876,397.72    |

At the end of the current period, there were no notes payable due and not paid.

### 25. Accounts Payable

#### (1) List of Accounts Payable

Unit: RMB

| Item              | Ending balance | Beginning balance |
|-------------------|----------------|-------------------|
| Payment for goods | 641,484,184.05 | 747,010,098.88    |
| Total             | 641,484,184.05 | 747,010,098.88    |

#### (2) Significant Accounts Payable Aging over One Year or Overdue

Unit: RMB

| Item                  | Ending balance | Unpaid/ Un-carry-over reason                                   |
|-----------------------|----------------|--|
| Payment for goods     | 38,821,047.06  | Suspending cooperation with suppliers to liquidate the payment |
| Payment for equipment | 4,684,372.75   | Equipment warranty   |
| Total                 | 43,505,419.81  |  |

**26. Other Payables**

Unit: RMB

| Item              | Ending balance | Beginning balance |
|-------------------|----------------|-------------------|
| Interest payable  |                |                   |
| Dividends payable | 3,891,433.83   | 3,891,433.83      |
| Other payables    | 155,131,948.98 | 156,155,449.10    |
| Total             | 159,023,382.81 | 160,046,882.93    |

**(1) Dividends Payable**

Unit: RMB

| Item   | Ending balance | Beginning balance |
|--|----------------|-------------------|
| Ordinary share dividends   | 3,243,179.97   | 3,243,179.97      |
| Interest of preferred shares/<br>perpetual bond classified as equity<br>instrument |                |                   |
| Dividends for non-controlling<br>shareholders                                      | 648,253.86     | 648,253.86        |
| Other  |                |                   |
| Total  | 3,891,433.83   | 3,891,433.83      |

The reason for non-payment for over one year: Not gotten by shareholders yet.

**(2) Other Payables****1) Other Payables Listed by Nature of Account**

Unit: RMB

| Item                                   | Ending balance | Beginning balance |
|--|----------------|-------------------|
| Margin & cash pledged                  | 2,671,042.33   | 4,293,474.88      |
| Intercourse funds among units          | 11,107,514.80  | 7,831,477.01      |
| Intercourse funds among<br>individuals | 398,761.04     | 397,761.04        |
| Sales discount and three<br>guarantees | 125,096,632.36 | 126,787,544.75    |
| Other                                  | 15,857,998.45  | 16,845,191.42     |
| Total                                  | 155,131,948.98 | 156,155,449.10    |

**2) Significant Other Payables Aging over One Year**

The significant other payables aging over one year at the period-end mainly referred to the unsettled temporary credits and charges owned.

**27. Advances from Customers****(1) List of Advances from Customers**

Unit: RMB

| Item                                  | Ending balance      | Beginning balance |
|---------------------------------------|---------------------|-------------------|
| Rent received in advance              | 647,441.22          | 837,425.55        |
| Land compensation received in advance | 1,000,000.00        |                   |
| <b>Total</b>                          | <b>1,647,441.22</b> | <b>837,425.55</b> |

**(2) There were no significant advances from customers aging over one year or overdue.****28. Contract Liabilities**

Unit: RMB

| Item                 | Ending balance       | Beginning balance    |
|----------------------|----------------------|----------------------|
| Contract liabilities | 33,352,877.66        | 32,843,692.83        |
| <b>Total</b>         | <b>33,352,877.66</b> | <b>32,843,692.83</b> |

There were no significant contract liabilities aging over one year at the end of the period.

**29. Payroll Payable****(1) List of Payroll Payable**

Unit: RMB

| Item   | Beginning balance    | Increase              | Decrease              | Ending balance       |
|--|----------------------|-----------------------|-----------------------|----------------------|
| I. Short-term salary                                   | 49,151,022.47        | 276,664,221.67        | 278,076,360.57        | 47,738,883.57        |
| II. Post-employment benefit-defined contribution plans |                      | 32,642,608.82         | 32,642,608.82         |                      |
| III. Termination benefits                              | 200,000.00           |                       | 200,000.00            |                      |
| IV. Current portion of other benefits                  |                      |                       |                       |                      |
| <b>Total</b>   | <b>49,351,022.47</b> | <b>309,306,830.49</b> | <b>310,918,969.39</b> | <b>47,738,883.57</b> |

**(2) List of Short-term Salary**

Unit: RMB

| Item | Beginning balance | Increase | Decrease | Ending balance |
|------|-------------------|----------|----------|----------------|
|------|-------------------|----------|----------|----------------|

|   |               |                |                |               |
|---|---------------|----------------|----------------|---------------|
| 1. Salary, bonus, allowance, subsidy                | 40,883,518.77 | 230,395,729.07 | 231,082,308.43 | 40,196,939.41 |
| 2. Employee welfare                                 | 1,592.74      | 3,770,067.21   | 3,770,067.21   | 1,592.74      |
| 3. Social insurance                                 |               | 17,930,988.64  | 17,930,988.64  |               |
| Of which: Medical insurance premiums                |               | 14,582,048.07  | 14,582,048.07  |               |
| Work-related injury insurance                       |               | 1,822,382.77   | 1,822,382.77   |               |
| Maternity insurance                                 |               | 1,526,557.80   | 1,526,557.80   |               |
| 4. Housing fund                                     |               | 19,978,775.41  | 19,978,775.41  |               |
| 5. Labor union budget and employee education budget | 8,265,910.96  | 4,476,279.74   | 5,201,839.28   | 7,540,351.42  |
| 6. Short-term absence with salary                   |               |                |                |               |
| 7. Short-term profit sharing scheme                 |               |                |                |               |
| Other short-term compensation                       |               | 112,381.60     | 112,381.60     |               |
| Total   | 49,151,022.47 | 276,664,221.67 | 278,076,360.57 | 47,738,883.57 |

### (3) List of Defined Contribution Plans

Unit: RMB

| Item                      | Beginning balance | Increase      | Decrease      | Ending balance |
|---------------------------|-------------------|---------------|---------------|----------------|
| 1. Basic pension benefits |                   | 31,658,782.33 | 31,658,782.33 |                |
| 2. Unemployment insurance |                   | 983,826.49    | 983,826.49    |                |
| 3. Enterprise annuities   |                   |               |               |                |
| Total                     |                   | 32,642,608.82 | 32,642,608.82 |                |

### 30. Taxes Payable

Unit: RMB

| Item                                   | Ending balance | Beginning balance |
|--|----------------|-------------------|
| VAT                                    | 189,045.23     | 2,240,512.82      |
| Corporate income tax                   | 1,686,812.32   | 1,272,876.86      |
| Personal income tax                    | 312,930.09     | 68,629.73         |
| Urban maintenance and construction tax | 881,885.27     | 1,151,395.75      |
| Property tax                           | 1,678,590.95   | 1,172,973.71      |
| Land use tax                           | 943,261.64     | 1,041,594.39      |
| Stamp duty                             | 349,554.08     | 286,018.61        |

|                              |                     |                     |
|------------------------------|---------------------|---------------------|
| Education Surcharge          | 36,841.50           | 229,345.14          |
| Comprehensive fees           | 120,291.58          | 1,075,134.76        |
| Environmental protection tax | 31,957.08           | 31,693.62           |
| <b>Total</b>                 | <b>6,231,169.74</b> | <b>8,570,175.39</b> |

### 31. Other Current Liabilities

Unit: RMB

| Item  | Ending balance       | Beginning balance    |
|---|----------------------|----------------------|
| Sale service fee                                    | 393,790.53           | 806,555.29           |
| Transportation storage fee                          | 830,881.27           | 597,090.12           |
| Electric charge                                     | 1,457,500.39         | 1,467,332.18         |
| Tax to be transferred                               | 2,830,696.17         | 2,821,340.54         |
| Estimated share value added tax                     | 2,230,084.52         | 1,909,715.09         |
| Obligation to pay bills transferred before maturity | 55,979,832.64        | 66,395,231.83        |
| Other withholding expenses                          | 3,347,180.44         | 4,648,476.11         |
| <b>Total</b>  | <b>67,069,965.96</b> | <b>78,645,741.16</b> |

### 32. Deferred Income

Unit: RMB

| Item              | Beginning balance    | Increase | Decrease            | Ending balance       | Reason for formation     |
|-------------------|----------------------|----------|---------------------|----------------------|--------------------------|
| Government grants | 36,205,625.94        |          | 3,409,729.46        | 32,795,896.48        | Government appropriation |
| <b>Total</b>      | <b>36,205,625.94</b> |          | <b>3,409,729.46</b> | <b>32,795,896.48</b> | <b>--</b>                |

Liability items involving government grants

| Item  | Beginning balance | Amount of new subsidy | Amount recorded into other income in the Reporting Period | Ending balance | Related to assets/related income |
|---|-------------------|-----------------------|---|----------------|----------------------------------|
| National major project special allocations- Flexible processing production line for cylinders of diesel engines | 11,521,101.00     |                       | 1,519,266.00  | 10,001,835.00  | Related to assets                |
| Remove compensation   | 17,847,790.36     |                       | 665,973.62  | 17,181,816.74  | Related to assets                |
| Research and development and industrialization allocations of national III/IV                                   | 6,836,734.58      |                       | 1,224,489.84  | 5,612,244.74   | Related to assets                |

|  |               |  |              |               |  |
|--|---------------|--|--------------|---------------|--|
| standard high-powered efficient diesel engine for agricultural use |               |  |              |               |  |
| Total  | 36,205,625.94 |  | 3,409,729.46 | 32,795,896.48 |  |

### 33. Share Capital

Unit: RMB

|                   | Beginning balance | Increase/decrease (+/-) |              |                         |       |          | Ending balance |
|-------------------|-------------------|-------------------------|--------------|-------------------------|-------|----------|----------------|
|                   |                   | New shares issued       | Bonus shares | Bonus issue from profit | Other | Subtotal |                |
| The sum of shares | 705,692,507.00    |                         |              |                         |       |          | 705,692,507.00 |

### 34. Capital Reserves

Unit: RMB

| Item                               | Beginning balance | Increase   | Decrease | Ending balance |
|------------------------------------|-------------------|------------|----------|----------------|
| Capital premium (premium on stock) | 620,338,243.21    |            |          | 620,338,243.21 |
| Other capital reserves             | 19,795,719.80     | 375,712.83 |          | 20,171,432.63  |
| Total                              | 640,133,963.01    | 375,712.83 |          | 640,509,675.84 |

Other notes, including changes and reasons thereof:

Increase in this period: The parent company acquired 7.5% equity of its subsidiary Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. The difference of RMB375,712.83 between the long-term equity investment cost newly acquired by the parent company and the identifiable net asset share that should be enjoyed by the subsidiary from the purchase date (or merger date) calculated based on the new shareholding percentage was debited to capital reserve.

### 35. Other Comprehensive Income

Unit: RMB

| Item | Beginning balance | Reporting Period                             |  |  |                          |   |   | Ending balance |
|------|-------------------|--|--|--|--------------------------|---|---|----------------|
|      |                   | Income before taxation in the Current Period | Less: Recorded in other comprehensive income in prior period and transferred | Less: Recorded in other comprehensive income in prior period | Less: Income tax expense | Attributable to the Company as the parent after tax | Attributable to non-controlling interests after |                |

|  |                |               | d in<br>profit or<br>loss in<br>the<br>Current<br>Period | and<br>transfe<br>rred in<br>retaine<br>d<br>earnin<br>gs in the<br>Curren<br>t<br>Period |              |               | tax |                |
|--|----------------|---------------|--|---|--------------|---------------|-----|----------------|
| I. Other comprehensive income that will not be reclassified to profit or loss  | 655,341,704.07 | 13,927,785.59 |  |   | 2,089,167.84 | 11,838,617.75 |     | 667,180,321.82 |
| Of which: Changes caused by re-measurements on defined benefit pension schemes   |                |               |  |   |              |               |     |                |
| Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method       |                |               |  |   |              |               |     |                |
| Changes in fair value of other equity instrument investment  | 655,341,704.07 | 13,927,785.59 |  |   | 2,089,167.84 | 11,838,617.75 |     | 667,180,321.82 |
| Changes in fair value of corporate credit risk   |                |               |  |   |              |               |     |                |
| II. Other comprehensive income that may subsequently be reclassified to profit or loss                                     |                |               |  |   |              |               |     |                |
| Of which: Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method |                |               |  |   |              |               |     |                |
| Changes in fair value of investment in other debt obligations  |                |               |  |   |              |               |     |                |
| Amount of financial assets reclassified to other comprehensive income  |                |               |  |   |              |               |     |                |
| Credit depreciation reserves of investment in  |                |               |  |   |              |               |     |                |

|   |                |               |  |  |              |               |  |                |
|---|----------------|---------------|--|--|--------------|---------------|--|----------------|
| other debt obligations  |                |               |  |  |              |               |  |                |
| Reserves for cash flow hedges   |                |               |  |  |              |               |  |                |
| Differences arising from translation of foreign currency-denominated financial statements |                |               |  |  |              |               |  |                |
| Total of other comprehensive income   | 655,341,704.07 | 13,927,785.59 |  |  | 2,089,167.84 | 11,838,617.75 |  | 667,180,321.82 |

Other notes, including the adjustment of the effective gain/loss on cash flow hedges to the initial recognized amount: None

### 36. Specific Reserve

Unit: RMB

| Item                   | Beginning balance | Increase     | Decrease     | Ending balance |
|------------------------|-------------------|--------------|--------------|----------------|
| Safety production cost | 18,848,856.75     | 5,136,988.70 | 4,553,755.93 | 19,432,089.52  |
| Total                  | 18,848,856.75     | 5,136,988.70 | 4,553,755.93 | 19,432,089.52  |

### 37. Surplus Reserves

Unit: RMB

| Item                           | Beginning balance | Increase      | Decrease | Ending balance |
|--------------------------------|-------------------|---------------|----------|----------------|
| Statutory surplus reserves     | 336,040,867.82    | 14,497,866.62 |          | 350,538,734.44 |
| Discretionary surplus reserves | 13,156,857.90     |               |          | 13,156,857.90  |
| Total                          | 349,197,725.72    | 14,497,866.62 |          | 363,695,592.34 |

### 38. Retained Earnings

Unit: RMB

| Item   | Reporting Period | Same period of last year |
|--|------------------|--------------------------|
| Beginning balance of retained earnings before adjustments  | 915,495,909.35   | 872,212,354.88           |
| Total retained earnings at the beginning of the adjustment period (“+” means up, “-” means down) |                  |                          |
| Beginning balance of retained earnings after adjustments   | 915,495,909.35   | 872,212,354.88           |



|   |                  |                |
|---|------------------|----------------|
| Add: Net profit attributable to owners of the Company as the parent | 108,495,607.05   | 76,684,796.91  |
| Less: Withdrawal of statutory surplus reserves                      | 14,497,866.62    | 15,053,237.26  |
| Withdrawal of discretionary surplus reserves                        |                  |                |
| Withdrawal of general reserve                                       |                  |                |
| Dividend of ordinary shares payable                                 | 7,056,925.07     | 18,348,005.18  |
| Dividends of ordinary shares transferred as share capital           |                  |                |
| Ending retained earnings  | 1,002,436,724.71 | 915,495,909.35 |

List of adjustment of beginning retained earnings:

- (1) RMB0.00 beginning retained earnings was affected by retrospective adjustment conducted according to the Accounting Standards for Business Enterprises and relevant new regulations.
- (2) RMB0.00 beginning retained earnings was affected by changes in accounting policies.
- (3) RMB0.00 beginning retained earnings was affected by correction of significant accounting errors.
- (4) RMB0.00 beginning retained earnings was affected by changes in combination scope arising from same control.
- (5) RMB0.00 beginning retained earnings was affected totally by other adjustments.

### 39. Operating Revenue and Cost of Sales

Unit: RMB

| Item             | Reporting Period  |                  | Same period of last year |                  |
|------------------|-------------------|------------------|--------------------------|------------------|
|                  | Operating revenue | Cost of sales    | Operating revenue        | Cost of sales    |
| Main operations  | 2,110,376,920.43  | 1,813,233,693.78 | 2,145,567,983.95         | 1,924,209,350.48 |
| Other operations | 45,321,867.06     | 25,522,137.63    | 36,475,111.66            | 24,467,686.04    |
| Total            | 2,155,698,787.49  | 1,838,755,831.41 | 2,182,043,095.61         | 1,948,677,036.52 |

Whether the lower of the audited net profit before and after deduction of non-recurring gains and losses is negative

Yes  No

Unit: RMB

| Item   | 2023             | Specific deduction  | 2022             | Specific deduction  |
|--|------------------|---|------------------|---|
| Operating revenue  | 2,155,698,787.49 | The main business of the Company is the production and sales of diesel engines and gasoline engines | 2,182,043,095.61 | The main business of the Company is the production and sales of diesel engines and gasoline engines |
| Total operating income with deduction  | 45,321,867.06    | Other business income other than main operations  | 36,475,111.66    | Other business income other than main operations  |
| The proportion of total operating income with deduction in operating revenue | 2.10%            |   | 1.67%            |   |
| I. Business income not   |                  |   |                  |   |

|  |                  |   |                  |   |
|--|------------------|---|------------------|---|
| related to the main business   |                  |   |                  |   |
| 1. Other business income outside normal business. E.g., income from the lease of fixed assets, intangible assets, packaging materials, sales materials, non-monetary asset exchange with materials and operation of entrusted management business, and income that is included in the income from primary business but is outside the normal business of the listed company. | 45,321,867.06    | Income from sales of materials, housing rental fees, property and utility charges | 36,475,111.66    | Income from sales of materials, housing rental fees, property and utility charges |
| Subtotal of business income not related to the main business   | 45,321,867.06    | Income from sales of materials, housing rental fees, property and utility charges | 36,475,111.66    | Income from sales of materials, housing rental fees, property and utility charges |
| II. Income without commercial substance  |                  |   |                  |   |
| Subtotal of income without commercial substance  | 0.00             | None  | 0.00             | None  |
| III. Other income not related to the main business or without commercial substance   | 0.00             | None  | 0.00             | None  |
| Operating revenue after deduction  | 2,110,376,920.43 | Sales of diesel and gasoline engines and other products and accessories           | 2,145,567,983.95 | Sales of diesel and gasoline engines and other products and accessories           |

Breakdown information of operating income and operating cost:

Unit: RMB

| Category of contracts              | Segment 1         |                | Total             |                |
|------------------------------------|-------------------|----------------|-------------------|----------------|
|                                    | Operating Revenue | Operating cost | Operating Revenue | Operating cost |
| Business Type                      |                   |                |                   |                |
| Of which:                          |                   |                |                   |                |
| Single-cylinder diesel engines     | 898,804,550.09    | 777,396,329.47 | 898,804,550.09    | 777,396,329.47 |
| Multi-cylinder diesel engines      | 796,114,105.16    | 713,613,118.19 | 796,114,105.16    | 713,613,118.19 |
| Other products                     | 246,884,141.39    | 189,693,819.70 | 246,884,141.39    | 189,693,819.70 |
| Fittings                           | 124,949,724.48    | 132,530,426.42 | 124,949,724.48    | 132,530,426.42 |
| Classification by operating region |                   |                |                   |                |

|                          |                  |                  |                  |                  |
|--------------------------|------------------|------------------|------------------|------------------|
| Of which:                |                  |                  |                  |                  |
| Sales in domestic market | 1,732,696,737.12 | 1,465,335,809.67 | 1,732,696,737.12 | 1,465,335,809.67 |
| Export sales             | 377,680,183.31   | 347,897,884.11   | 377,680,183.31   | 347,897,884.11   |
| Total                    | 2,110,376,920.43 | 1,813,233,693.78 | 2,110,376,920.43 | 1,813,233,693.78 |

Information in relation to the transaction price apportioned to the residual contract performance obligation:

The amount of revenue corresponding to performance obligations of contracts signed but not performed or not fully performed yet was RMB0 at the period-end.

#### 40. Taxes and Surtaxes

Unit: RMB

| Item                                   | Reporting Period | Same period of last year |
|--|------------------|--------------------------|
| Urban maintenance and construction tax | 1,195,680.92     | 2,905,289.19             |
| Education surcharge                    | 854,061.84       | 2,073,990.11             |
| Property tax                           | 7,027,411.47     | 6,312,819.28             |
| Land use tax                           | 4,209,985.02     | 4,474,736.13             |
| Vehicle and vessel use tax             | 2,803.52         | 3,092.64                 |
| Stamp duty                             | 1,546,467.17     | 898,751.20               |
| Environment tax                        | 204,264.65       | 293,572.90               |
| Other                                  | 16,723.66        | 10,944.81                |
| Total                                  | 15,057,398.25    | 16,973,196.26            |

#### 41. Administrative Expense

Unit: RMB

| Item  | Reporting Period | Same period of last year |
|---|------------------|--------------------------|
| Employee benefits                           | 51,674,294.80    | 62,242,258.03            |
| Office expenses                             | 10,787,236.38    | 9,510,389.69             |
| Depreciation and amortization               | 24,825,227.36    | 16,116,539.74            |
| Safety expenses                             | 4,782,552.29     | 4,877,232.12             |
| Repair charge                               | 741,750.01       | 1,736,442.58             |
| Inventory scrap and inventory loss (profit) | 6,291,477.71     | -333,858.14              |
| Other                                       | 24,878,795.44    | 25,362,185.70            |
| Total                                       | 123,981,333.99   | 119,511,189.72           |

#### 42. Selling Expense

Unit: RMB

| Item              | Reporting Period | Same period of last year |
|-------------------|------------------|--------------------------|
| Employee benefits | 42,024,752.56    | 41,414,480.36            |

|                  |                      |                       |
|------------------|----------------------|-----------------------|
| Office expenses  | 10,212,761.75        | 9,191,582.99          |
| Three guarantees | 45,920,031.28        | 50,709,187.02         |
| Other            | 1,445,736.57         | 1,314,973.34          |
| <b>Total</b>     | <b>99,603,282.16</b> | <b>102,630,223.71</b> |

#### 43. Development Costs

Unit: RMB

| Item                          | Reporting Period     | Same period of last year |
|-------------------------------|----------------------|--------------------------|
| Direct input expense          | 51,504,815.69        | 43,996,939.37            |
| Employee benefits             | 24,744,156.04        | 24,608,063.95            |
| Depreciation and amortization | 4,895,983.48         | 4,570,577.95             |
| Entrusted development charges | 684,195.77           | 6,509,898.89             |
| Other                         | 8,509,953.35         | 1,554,116.90             |
| <b>Total</b>                  | <b>90,339,104.33</b> | <b>81,239,597.06</b>     |

#### 44. Finance Costs

Unit: RMB

| Item                                 | Reporting Period      | Same period of last year |
|--------------------------------------|-----------------------|--------------------------|
| Interest expense                     | 1,825,195.98          | 1,993,453.71             |
| Less: Interest income                | 9,008,657.82          | 12,804,077.19            |
| Net foreign exchange gains or losses | -4,234,188.82         | -10,929,750.57           |
| Other                                | 132,973.74            | 150,669.42               |
| <b>Total</b>                         | <b>-11,284,676.92</b> | <b>-21,589,704.63</b>    |

#### 45. Other Income

Unit: RMB

| Sources   | Reporting Period | Same period of last year |
|---|------------------|--------------------------|
| Government grants directly recorded into the current profit or loss | 3,009,573.87     | 3,749,273.00             |
| Government grants related to deferred income                        | 3,409,729.46     | 3,409,729.46             |
| Others  | 368,808.64       | 25,025.59                |

List of other income:

| Category  | Reporting Period | Same period of last year |
|---|------------------|--------------------------|
| Subsidies for stabilizing, increasing and retaining job positions | 771,481.00       | 2,396,713.00             |

| Category  | Reporting Period | Same period of last year |
|---|------------------|--------------------------|
| Membership dues return  | 4,860.00         | 4,760.00                 |
| Special funds for high-quality industrial development   | 25,000.00        |                          |
| Subsidies for skill enhancement training and technical improvement reward                               | 20,000.00        | 50,000.00                |
| Special funds for promoting high-quality development through technological innovation                   | 513,000.00       |                          |
| Special funds for talents   | 60,000.00        | 170,000.00               |
| Incentives and subsidies for earlier phase-out and scrapping of high-emission old cars in Changzhou     | 19,500.00        | 59,800.00                |
| Employment and apprenticeship subsidies   | 49,706.25        | 11,000.00                |
| High-tech enterprise recognition bonus and R&D investment incentives                                    | 80,000.00        | 247,000.00               |
| Municipal science and technology innovation and incentive funds, Science and Technology Program Funding | 543,026.62       | 341,000.00               |
| Subsidies for high-quality invention  | 30,000.00        | 2,000.00                 |
| Special funds for business development  | 841,500.00       | 104,300.00               |
| Intellectual property funding and rewards   | 1,500.00         |                          |
| Rewards for district engineering technology research centre in 2023                                     | 50,000.00        |                          |
| Support Funds for Agricultural Machinery Guild in Zhonglou District of Changzhou in 2022                |                  | 250,000.00               |
| Municipal special funds for environmental protection  |                  | 10,000.00                |
| Incentives for provincial technology transfer acceptor  |                  | 27,700.00                |
| Tax Contribution Award  |                  | 30,000.00                |

| Category  | Reporting Period | Same period of last year |
|---|------------------|--------------------------|
| Subsidies for work-based training   |                  | 45,000.00                |
| Demolition compensation (replacing Zou Village with Hehai Road)   | 267,333.48       | 267,333.48               |
| Demolition compensation - main workshops in the base in Hehai Road  | 398,640.14       | 398,640.14               |
| The national major special project - the flexible processing production line for diesel engine cylinder blocks  | 1,519,266.00     | 1,519,266.00             |
| National III/IV Appropriation for the research and development and industrialization of standard high-horsepower high-efficiency agricultural diesel engine | 1,224,489.84     | 1,224,489.84             |
| Value Added Tax (VAT) Deductions and Benefits   | 294,256.13       |                          |
| Individual tax handling fees  | 74,552.51        | 25,025.59                |
| Total   | 6,788,111.97     | 7,184,028.05             |

#### 46. Gain on Changes in Fair Value

Unit: RMB

| Sources                            | Reporting Period | Same period of last year |
|------------------------------------|------------------|--------------------------|
| Held-for-trading financial assets  | 10,401,521.88    | -40,756,542.83           |
| Other non-current financial assets | 39,414,576.80    | 186,000,000.00           |
| Total                              | 49,816,098.68    | 145,243,457.17           |

#### 47. Investment Income

Unit: RMB

| Item   | Reporting Period | Same period of last year |
|--|------------------|--------------------------|
| Long-term equity investment income accounted by equity method  |                  |                          |
| Investment income from disposal of long-term equity investment |                  |                          |
| Investment income from holding of trading financial assets     |                  |                          |
| Investment income from disposal of trading financial assets    | 3,820,476.37     | 12,262.47                |

|  |               |               |
|--|---------------|---------------|
| Dividend income from holding of other equity instrument investment                           | 11,482,380.00 | 9,360,000.00  |
| Income from re-measurement of residual stock rights at fair value after losing control power |               |               |
| Interest income from holding of investment in debt obligations                               | 1,463,921.82  | 1,411,361.54  |
| Interest income from holding of investment in other debt obligations                         |               |               |
| Investment income from disposal of investment in other debt obligations                      |               |               |
| Income from debt reorganization  |               |               |
| Dividend income from holding of held-for-trading financial assets                            | 343,730.00    | 296,740.00    |
| Income from refinancing operations   | 28,498.48     | 136,003.96    |
| Investment income from financial products  | 7,673,218.19  | 5,995,552.35  |
| Accounts receivable financing-discount interest of bank acceptance bills                     | -5,709,875.91 | -9,242,453.13 |
| Total  | 19,102,348.95 | 7,969,467.19  |

#### 48. Credit Impairment Loss

Unit: RMB

| Item                                 | Reporting Period | Same period of last year |
|--------------------------------------|------------------|--------------------------|
| Bad debt loss of other receivables   | -3,133,215.40    | 172,411.52               |
| Bad debt loss of accounts receivable | 2,961,043.75     | -3,126,152.25            |
| Total                                | -172,171.65      | -2,953,740.73            |

#### 49. Asset Impairment Loss

Unit: RMB

| Item   | Reporting Period | Same period of last year |
|--|------------------|--------------------------|
| I. Loss on inventory valuation and contract performance cost | -27,893,895.75   | -14,367,197.27           |
| Total  | -27,893,895.75   | -14,367,197.27           |

#### 50. Asset Disposal Income

Unit: RMB

| Sources   | Reporting Period | Same period of last year |
|---|------------------|--------------------------|
| Disposal income of fixed assets and intangible assets | 105,702,551.01   | 393,161.73               |

Other notes: The People's Government of Zhonglou District, Changzhou City has decided to expropriate the houses within the expropriation scope of the bus plant area (Phases 1 and 2) project, including Changzhou Wuxing

Branch of Changchai Co., Ltd., in accordance with the *Announcement of the People's Government of Zhonglou District, Changzhou City on the Decision on the Housing Expropriation on State-owned Land* (ChangZhongZhengGao [2023] No. 10). On 14 June 2023, the Company signed the *Agreement on Housing Expropriation on Changzhou State-owned Land and Compensation* with the Housing and Urban-Rural Development Bureau of Zhonglou District, Changzhou City, with a total compensation amount of RMB117 million. The Company received compensation of RMB70 million on 28 June 2023 and RMB47 million on 9 January 2024, respectively. The Company transferred a net fixed asset value of RMB7,761,500 (including RMB7,376,600 for real estate property and RMB384,900 for equipment), a net intangible asset value of RMB4,425,000, and a revenue of RMB571,800 from equipment sales due to the demolition project, resulting in a disposal income of RMB105,385,300.

## 51. Non-operating Income

Unit: RMB

| Item   | Reporting Period  | Same period of last year | Amount recorded in the current non-recurring profit or loss |
|--|-------------------|--------------------------|---|
| Income from disposal of fixed assets                       | 222,436.80        | 236,284.29               | 222,436.80  |
| Income from penalty  | 10,840.00         | 93,140.00                | 10,840.00   |
| Accounts not required to be paid                           | 263,791.00        | 1,714,502.08             | 263,791.00  |
| Negative goodwill generated from consolidated subsidiaries |                   | 1,904,132.58             |   |
| Other  | 430,925.85        | 309,883.70               | 430,925.85  |
| <b>Total</b>   | <b>927,993.65</b> | <b>4,257,942.65</b>      | <b>927,993.65</b>   |

## 52. Non-operating Expense

Unit: RMB

| Item                             | Reporting Period    | Same period of last year | Amount recorded in the current non-recurring profit or loss |
|----------------------------------|---------------------|--------------------------|---|
| Loss on disposal of fixed assets | 206,219.59          | 148,926.11               | 206,219.59  |
| Compensation for quality         |                     | 208,884.78               |   |
| Donation                         | 150,000.00          | 168,300.00               | 150,000.00  |
| Other                            | 826,317.95          | 92,352.67                | 826,317.95  |
| <b>Total</b>                     | <b>1,182,537.54</b> | <b>618,463.56</b>        | <b>1,182,537.54</b>   |



**53. Income Tax Expense****(1) List of Income Tax Expense**

Unit: RMB

| Item                                    | Reporting Period | Same period of last year |
|---|------------------|--------------------------|
| Current income tax expense              | 3,737,806.63     | 1,267,934.70             |
| Deferred income tax expense             | 33,095,616.49    | 1,930,017.97             |
| Adjustment of income tax of prior years | 803,234.91       | -733,872.93              |
| Total                                   | 37,636,658.03    | 2,464,079.74             |

**(2) Adjustment Process of Accounting Profit and Income Tax Expense**

Unit: RMB

| Item   | Reporting Period |
|--|------------------|
| Profit before taxation   | 152,335,013.59   |
| Current income tax expense accounted at statutory/applicable tax rate  | 22,850,252.04    |
| Influence of applying different tax rates by subsidiaries  | -4,659,894.28    |
| Influence of income tax before adjustment  | 803,234.91       |
| Influence of non-taxable income  | -1,824,729.50    |
| Influence of non-deductible costs, expenses and losses   | 3,084,261.69     |
| Influence of deductible losses of unrecognized deferred income tax at the beginning of the Reporting Period                          | 11,073,313.06    |
| Influence of deductible temporary difference or deductible losses of unrecognized deferred income tax assets in the Reporting Period | 12,433,943.21    |
| Tax preference from eligible expenditures  | -6,123,723.10    |
| Income tax expense   | 37,636,658.03    |

**54. Other Comprehensive Income**

See Note 35 for details.

**55. Cash Flow Statement****(1) Cash Related to Operating Activities**

Cash Generated from Other Operating Activities

Unit: RMB

| Item                       | Reporting Period | Same period of last year |
|----------------------------|------------------|--------------------------|
| Subsidy and appropriation  | 3,084,694.38     | 3,751,451.59             |
| Other intercourses in cash | 2,744,200.31     | 4,962,530.66             |
| Interest income            | 9,008,657.82     | 12,804,077.19            |

|                                       |                      |                      |
|---------------------------------------|----------------------|----------------------|
| Recovery of time deposits at maturity | 24,000,000.00        |                      |
| Other                                 | 1,245,299.28         | 1,472,234.00         |
| <b>Total</b>                          | <b>40,082,851.79</b> | <b>22,990,293.44</b> |

## Cash Used in Other Operating Activities

Unit: RMB

| Item  | Reporting Period      | Same period of last year |
|---|-----------------------|--------------------------|
| Selling and administrative expense paid in cash | 113,682,364.61        | 89,311,871.19            |
| Handling charges                                | 1,235,742.92          | 1,212,912.33             |
| Other   | 1,632,848.89          | 16,260,652.67            |
| Time deposits withdrawn                         | 36,000,000.00         |                          |
| Other transactions                              | 1,580,265.70          | 1,405,188.05             |
| <b>Total</b>                                    | <b>154,131,222.12</b> | <b>108,190,624.24</b>    |

**(2) Cash Related to Investing Activities**

## Cash Generated from Other Investing Activities

Unit: RMB

| Item   | Reporting Period | Same period of last year |
|--|------------------|--------------------------|
| Cash and cash equivalents from consolidated subsidiary |                  | 11,400,123.61            |
| <b>Total</b>   |                  | <b>11,400,123.61</b>     |

**(3) Cash Related to Financing Activities**

## Cash Generated from Other Financing Activities

Unit: RMB

| Item   | Reporting Period | Same period of last year |
|--|------------------|--------------------------|
| Discount of bank acceptance bills with low credit rating |                  | 128,437,700.65           |
| <b>Total</b>   |                  | <b>128,437,700.65</b>    |

## Cash Used in Other Financing Activities

Unit: RMB

| Item  | Reporting Period      | Same period of last year |
|---|-----------------------|--------------------------|
| Cash paid for acquiring equity of minority shareholders of subsidiaries | 7,170,000.00          |                          |
| Discount of bank acceptance bills with low credit rating                | 110,000,000.00        | 83,623,545.07            |
| <b>Total</b>  | <b>117,170,000.00</b> | <b>83,623,545.07</b>     |

## Changes in liabilities arising from financing activities

√Applicable □Not applicable

Unit: RMB

| Item                             | Beginning balance | Increase     |                  | Decrease       |                  | Ending balance |
|----------------------------------|-------------------|--------------|------------------|----------------|------------------|----------------|
|                                  |                   | Cash changes | Non-cash changes | Cash changes   | Non-cash changes |                |
| Short-term borrowings            | 115,437,700.65    |              | 1,700,774.35     | 117,138,475.00 |                  |                |
| Other payables-dividends payable | 3,891,433.83      |              | 7,056,925.07     | 7,056,925.07   |                  | 3,891,433.83   |
| Total                            | 119,329,134.48    |              | 8,757,699.42     | 124,195,400.07 |                  | 3,891,433.83   |

**(4) Significant Activities and Financial Impact that Do Not Involve Current Cash Receipts and Disbursements but Affect the Company's Financial Position or May Affect the Company's Cash Flows in the Future**

Unit: RMB

| Item   | Reporting Period | Same period of last year |
|--|------------------|--------------------------|
| Amount of endorsed and transferred notes receivable                | 389,860,848.07   | 464,117,398.34           |
| Of which: payment for goods  | 374,911,776.69   | 454,244,525.52           |
| Payment for acquisition of long-term assets including fixed assets | 14,949,071.38    | 9,872,872.82             |

**56. Supplemental Information for Cash Flow Statement**

**(1) Supplemental Information for Cash Flow Statement**

Unit: RMB

| Supplemental information   | Reporting Period | Same period of last year |
|--|------------------|--------------------------|
| 1. Reconciliation of net profit to net cash flows generated from operating activities            | --               | --                       |
| Net profit   | 114,698,355.56   | 79,246,132.46            |
| Add: Provision for impairment of assets  | 28,066,067.40    | 17,320,938.00            |
| Depreciation of fixed assets, of oil and gas assets, of productive living assets                 | 88,980,118.41    | 79,926,656.97            |
| Depreciation of right-of-use assets  |                  |                          |
| Amortization of intangible assets  | 7,081,433.87     | 5,824,591.44             |
| Amortization of long-term deferred expenses  | 349,871.11       | 175,893.01               |
| Losses on disposal of fixed assets, intangible assets and other long-term assets (gains by "--") | -105,702,551.01  | -393,161.73              |
| Losses on the scrapping of fixed assets (gains by "--")  | -16,217.21       | -87,358.18               |

|  |                 |                 |
|--|-----------------|-----------------|
| Losses on the changes in fair value (gains by “-”)                                     | -49,816,098.68  | -145,243,457.17 |
| Financial expenses (gains by “-”)  | -644,213.13     | 2,146,237.77    |
| Investment losses (gains by “-”)   | -24,812,224.86  | -17,211,920.32  |
| Decrease in deferred income tax assets (increase by “-”)                               | 24,701,580.14   | -15,400,115.80  |
| Increase in deferred income tax liabilities (decrease by “-”)                          | 8,394,036.35    | 17,330,133.77   |
| Decrease in inventory (increase by “-”)  | -245,117,199.69 | 89,813,152.96   |
| Decrease in accounts receivable from operating activities (increase by “-”)            | 27,662,484.38   | -33,140,187.50  |
| Increase in payables from operating activities (decrease by “-”)                       | 263,364,384.71  | 286,526,874.74  |
| Other  |                 | -1,904,132.58   |
| Net cash flows generated from operating activities                                     | 137,189,827.35  | 364,930,277.84  |
| 2. Investing and financing activities that do not involving cash receipts and payment: |                 |                 |
| Debt transferred as capital  |                 |                 |
| Convertible corporate bond due within one year   |                 |                 |
| Fixed assets from financing lease  |                 |                 |
| 3. Net increase in cash and cash equivalents   |                 |                 |
| Ending balance of cash   | 971,629,523.46  | 810,350,966.05  |
| Less: Beginning balance of cash  | 810,350,966.05  | 562,402,221.59  |
| Add: Ending balance of cash equivalents  |                 |                 |
| Less: Beginning balance of cash equivalents  |                 |                 |
| Net increase in cash and cash equivalents  | 161,278,557.41  | 247,948,744.46  |

## (2) Cash and Cash Equivalents

Unit: RMB

| Item   | Ending balance | Beginning balance |
|--|----------------|-------------------|
| I. Cash  | 971,629,523.46 | 810,350,966.05    |
| Including: Cash on hand                                      | 157,238.05     | 251,965.06        |
| Bank deposit on demand                                       | 963,604,998.68 | 806,914,999.19    |
| Other monetary assets on demand                              | 7,867,286.73   | 3,184,001.80      |
| Accounts deposited in the central bank available for payment |                |                   |
| Deposits in other banks                                      |                |                   |
| Accounts of interbank  |                |                   |
| II. Cash equivalents   |                |                   |
| Of which: Bond investment expired within three months        |                |                   |
| III. Ending balance of cash and cash equivalents             | 971,629,523.46 | 810,350,966.05    |

|  |  |  |
|--|--|--|
| Of which: Cash and cash equivalents with restriction in use for the Company as the parent or subsidiaries of the Group |  |  |
|--|--|--|

### (3) Monetary Assets Not Classified as Cash and Cash Equivalents

Unit: RMB

| Item  | Amount during the current period | Previous period | Reason for not classifying the item as cash and cash equivalents                           |
|---|----------------------------------|-----------------|--|
| Bank deposits-fixed time deposits over 3 months | 36,000,000.00                    | 24,000,000.00   | Time deposits in banks not held to meet short-term cash requirements for external payments |
| Other monetary assts-cash deposit               | 76,238,443.41                    | 95,662,384.92   | Banker's acceptance deposit, environmental performance bonds, etc.                         |
| Total   | 112,238,443.41                   | 119,662,384.92  |  |

## 57. Foreign Currency Monetary Items

### (1) Foreign Currency Monetary Items

Unit: RMB

| Item                 | Ending foreign currency balance | Exchange rate | Ending balance converted to RMB |
|----------------------|---------------------------------|---------------|---------------------------------|
| Monetary assets      | --                              | --            |                                 |
| Of which: USD        | 13,417,315.17                   | 7.0827        | 95,030,818.16                   |
| HKD                  | 330,722.07                      | 0.9062        | 299,700.34                      |
| Accounts receivable  |                                 |               |                                 |
| Of which: USD        | 7,812,701.09                    | 7.0827        | 55,335,018.01                   |
| GBP                  | -67,212.27                      | 9.0411        | -607,672.85                     |
| Accounts payable     |                                 |               |                                 |
| Of which: USD        | 302.60                          | 7.0827        | 2,143.23                        |
| Contract liabilities |                                 |               |                                 |
| Of which: USD        | 521,382.67                      | 7.0827        | 3,692,797.06                    |
| EUR                  | 117,145.84                      | 7.8592        | 920,672.58                      |

**(2) Notes to Overseas Entities Including: for Significant Overseas Entities, Main Operating Place, Recording Currency and Selection Basis Shall Be Disclosed; if there Are Changes in Recording Currency, Relevant Reasons Shall Be Disclosed.**

Applicable  Not applicable

**58. Lease****(1) The Company Was Lessee:**

Applicable Not applicable

Variable lease payments not included in the measurement of lease liabilities

Applicable Not applicable

Simplified handling of short-term leasing or leasing costs for low value assets

Applicable Not applicable

The simplified leasing method adopted by our company is mainly for leased properties. Due to the short lease term and low individual leasing costs, in accordance with the new leasing standards, our company has not recognized the right of use assets and leasing liabilities for the aforementioned leasing activities.

Situations involving after-sales leaseback transactions: Not applicable

**(2) The Company Was Lessor:**

Operating leases with the Company as lessor

Applicable Not applicable

Unit: RMB

| Item         | Rental income | Of which: income related to variable lease payments not included in lease receipts |
|--------------|---------------|--|
| Lease income | 3,279,654.67  |  |
| Total        | 3,279,654.67  |  |

Finance leases with the Company as lessor

Applicable Not applicable

Undiscounted lease receipts for each of the next five years

Applicable Not applicable

Reconciliation of undiscounted lease receipts to net investment in leases: Not applicable

**(3) Recognition of Gain or Loss on Sales under Finance Leases with the Company as a Manufacturer or Distributor**

Applicable Not applicable

**VIII. Research and Development Expenditure**

Unit: RMB

| Item                          | Amount for the current period | Amount for the previous period |
|-------------------------------|-------------------------------|--------------------------------|
| Direct input                  | 51,504,815.69                 | 43,996,939.37                  |
| Employee remuneration         | 24,744,156.04                 | 24,608,063.95                  |
| Depreciation and amortization | 4,895,983.48                  | 4,570,577.95                   |
| Outsourcing development fees  | 684,195.77                    | 6,509,898.89                   |
| Others                        | 8,509,953.35                  | 1,554,116.90                   |
| Total                         | 90,339,104.33                 | 81,239,597.06                  |

|   |               |               |
|---|---------------|---------------|
| Of which: Expensed research and development expenditure | 90,339,104.33 | 81,239,597.06 |
| Capitalized research and development expenditure        |               |               |

## IX. Equity in Other Entities

### 1. Equity in Subsidiary

#### (1) Subsidiaries

| Name   | Registered capital | Main operating place | Registration place | Nature of business | Holding percentage (%) |            | Way of gaining                         |
|--|--------------------|----------------------|--------------------|--------------------|------------------------|------------|--|
|  |                    |                      |                    |                    | Directly               | Indirectly |  |
| Changchai Wanzhou Diesel Engine Co., Ltd.                    | 85,000,000.00      | Chongqing            | Chongqing          | Industry           | 60.00%                 |            | Set-up                                 |
| Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.  | 55,063,000.00      | Changzhou            | Changzhou          | Industry           | 99.00%                 | 1.00%      | Set-up                                 |
| Changzhou Horizon Investment Co., Ltd.                       | 40,000,000.00      | Changzhou            | Changzhou          | Service            | 100.00%                |            | Set-up                                 |
| Changzhou Changchai Horizon Agricultural Equipment Co., Ltd. | 10,000,000.00      | Changzhou            | Changzhou          | Industry           | 75.00%                 | 25.00%     | Set-up                                 |
| Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.     | 37,250,000.00      | Changzhou            | Changzhou          | Industry           | 100.00%                |            | Combination not under the same control |
| Jiangsu Changchai Machinery Co., Ltd.                        | 300,000,000.00     | Changzhou            | Changzhou          | Industry           | 100.00%                |            | Set-up                                 |
| Changzhou Xingsheng Property Management Co., Ltd.            | 1,000,000.00       | Changzhou            | Changzhou          | Service            | 100.00%                |            | Set-up                                 |
| Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.       | 2,000,000.00       | Zhenjiang            | Zhenjiang          | Industry           | 49.00%                 |            | Combination not under the same control |

Explanation: the Company originally holds 41.5% of the shares in Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd., and currently holds 49% of shares in it after acquisition of 7.5% of shares originally held by other shareholders in this year. Our company is the largest shareholder, and the other shareholders are relatively scattered. Among the 7 members of the board of directors of Zhenjiang Siyang, 4 are dispatched by our company. The chairman of Zhenjiang Siyang is dispatched by our company, and our company is the actual controller of Zhenjiang Siyang, which constitutes the conditions for merger.

## (2) Significant Non-wholly-owned Subsidiary

Unit: RMB

| Name   | Shareholding proportion of non-controlling interests | The profit or loss attributable to the non-controlling interests | Declaring dividends distributed to non-controlling interests | Balance of non-controlling interests at the period-end |
|--|--|--|--|--|
| Changchai Wanzhou Diesel Engine Co., Ltd.              | 40.00%   | 104,717.86   |  | 19,810,361.11  |
| Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. | 51.00%   | 6,098,030.65   |  | 51,310,847.24  |

Holding proportion of non-controlling interests in subsidiary different from voting proportion: Not applicable

## (3) The Main Financial Information of Significant Not Wholly-owned Subsidiary

Unit: RMB

| Name                                      | Ending balance |                    |               |                     |                       |                   | Beginning balance |                    |               |                     |                       |                   |
|---|----------------|--------------------|---------------|---------------------|-----------------------|-------------------|-------------------|--------------------|---------------|---------------------|-----------------------|-------------------|
|   | Current assets | Non-current assets | Total assets  | Current liabilities | Non-current liability | Total liabilities | Current assets    | Non-current assets | Total assets  | Current liabilities | Non-current liability | Total liabilities |
| Changchai Wanzhou Diesel Engine Co., Ltd. | 41,179,375.84  | 22,351,977.78      | 63,531,353.62 | 13,584,154.77       |                       | 13,584,154.77     | 47,133,617.16     | 23,228,110.09      | 70,361,727.25 | 21,097,619.13       |                       | 21,097,619.13     |



|  |       |       |       |       |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. | 94,74 | 26,46 | 121,2 | 20,29 | 310,8 | 20,60 | 82,69 | 28,04 | 110,7 | 20,23 | 322,7 | 20,55 |
|  | 7,199 | 8,620 | 15,82 | 5,436 | 79.17 | 6,316 | 7,983 | 5,494 | 43,47 | 5,256 | 01.42 | 7,957 |
|  | .90   | .63   | 0.53  | .96   |       | .13   | .58   | .39   | 7.97  | .17   |       | .59   |

Unit: RMB

| Name   | Reporting Period  |                   |                            |                                      | Same period of last year |                  |                            |                                      |
|--|-------------------|-------------------|----------------------------|--------------------------------------|--------------------------|------------------|----------------------------|--------------------------------------|
|  | Operating revenue | Net profit        | Total comprehensive income | Cash flows from operating activities | Operating revenue        | Net profit       | Total comprehensive income | Cash flows from operating activities |
| Changchai Wanzhou Diesel Engine Co., Ltd.              | 43,364,24<br>6.66 | 261,794.6<br>4    | 261,794.6<br>4             | -8,451,01<br>3.52                    | 34,281,25<br>2.72        | -652,107.<br>80  | -652,107.<br>80            | 650,437.0<br>3                       |
| Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. | 66,935,15<br>6.33 | 10,423,98<br>4.02 | 10,423,98<br>4.02          | 1,349,693<br>.24                     | 35,440,98<br>3.37        | 4,824,237<br>.05 | 4,824,237<br>.05           | -9,291,53<br>7.82                    |

## 2. The Transaction of the Company with Its Owner's Equity Share Changing but the Company Still Controls the Subsidiary

### (1) Note to the Owner's Equity Share Changed in Subsidiary

The Company's shareholding in Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. was originally 41.5%, and now stands at 49% after acquiring 7.5% of other shareholders' equity during the Reporting Period.

### (2) The Transaction's Influence on the Equity of Non-controlling Interests and the Owner's Equity Attributable to the Company as the Parent

Unit: RMB

| Item                                 | Amount       |
|--------------------------------------|--------------|
| Purchase cost/disposal consideration | 7,170,000.00 |
| -Cash                                | 7,170,000.00 |

|  |              |
|--|--------------|
| -Fair value of non-cash assets   |              |
| Total purchase cost/disposal consideration   | 7,170,000.00 |
| Less: Share of net assets of subsidiaries based on percentage of equity acquired/disposed of | 7,545,712.83 |
| Difference   | -375,712.83  |
| Of which: Adjusting capital reserve  | -375,712.83  |
| Adjusting surplus reserve  |              |
| Adjusting retained earnings  |              |

### 3. Equity in the Structured Entity Excluded in the Scope of Consolidated Financial Statements

Notes to the structured entity excluded in the scope of consolidated financial statements:

In 2017, the Company set up Changzhou Xietong Private Equity Fund (Limited Partnership) together with Synergetic Innovation Fund Management Co., Ltd. through joint investment. On 18 October 2018 and 3 December 2020, new partners were respectively added. Partnership Shares transfer was made on 29 December 2022 and 10 October 2023. In line with the revised Partnership Agreement, the general partner is Synergetic Innovation Fund Management Co., Ltd., and the limited partners are Changchai Company, Limited, Changzhou Zhongyou Petroleum Sales Co., Ltd., Changzhou Fuel Co., Ltd., Tong Yinzhu, Tong Yinxin, Anhui Haiyunzhou Equity Investment Partnership Enterprise (Limited), Shenzhen Jiaxin One Venture Capital Partnership (limited partnership), Zhong Wende and Qingdao Yinjiahui Industrial Investment Partnership Enterprise (Limited Partnership). In accordance with the Partnership Agreement, the limited partner does not execute the partnership affairs. Thus, the Company does not control Changzhou Xietong Private Equity Fund (Limited Partnership) and did not include it into the scope of consolidated financial statements.

## X. Government Grants

### 1. Government Grants Recognized at the End of the Reporting Period at the Amount Receivable

Applicable Not applicable

Reasons for failing to receive government grants in the estimated amount at the estimated point in time

Applicable Not applicable

### 2. Liability Items Involving Government Grants

Applicable Not applicable

| Accounting items | Beginning balance | Amount of new subsidy | Amount recorded into non-operating income in the Reporting Period | Amount recorded into other income in the Reporting Period | Other changes | Ending balance | Related to assets/related income |
|------------------|-------------------|-----------------------|---|---|---------------|----------------|----------------------------------|
| Deferred         | 36,205,625        |                       |   | 3,409,729.  |               | 32,795,896     | Related to                       |

|        |     |  |    |     |        |
|--------|-----|--|----|-----|--------|
| income | .94 |  | 46 | .48 | assets |
|--------|-----|--|----|-----|--------|

### 3. Government Grants Recognized as Current Profit or Loss

Applicable Not applicable

Unit: RMB

| Accounting items | Amount for the current period | Amount for the previous period |
|------------------|-------------------------------|--------------------------------|
| Other income     | 6,419,303.33                  | 7,159,002.46                   |

## XI. The Risk Related to Financial Instruments

### 1. Various Types of Risks Arising from Financial Instruments

The goal of the Company's risk management was gaining the balance between the risk and income, and reduced the negative impact to the operation performance of the Company in the lowest level and maximized the interests of shareholders and other equity investors. Base on the risk management goal, the basis strategy of the Company's risk management was to recognized and analyze all kinds of risk that the Company faced, set up suitable risk bottom line and conduct risk management, and supervised the risks timely and reliably and control the risk within the limited scope.

The main risks of the Company due to financial instruments were credit risk, liquidity risk and market risk. The management level had reviewed and approved the policies to manage the risks, which summarized as follows:

#### (I) Credit Risk

Credit risk was one party of the contract failed to fulfill the obligations and causes loss of financial assets of the other party.

The credit of risk of the Company mainly was related to account receivable, in order to control the risk, the Company conduct the following methods.

The Company only conducts related transaction with approved and reputable third party, in line with the policy of the Company, the Company need to conduct credit-check for the clients adopting way of credit to conduct transaction. In addition, the Company continuously monitors the balance of account receivable to ensure the Company would not face the significant bad debt risk.

#### (II) Liquidity Risk

Liquidity risk is referred to the risk of incurring capital shortage when performing settlement obligation in the way of cash payment or other financial assets. The policies of the Company are to ensure that there was sufficient cash to pay the due liabilities.

The liquidity risk was centralized controlled by the financial department of the Company. The financial departments through supervising the balance of the cash and securities can be convert to cash at any time and the rolling prediction of cash flow in future 12 months to ensure the Company has sufficient cash to pay the liabilities under the case of all reasonable prediction.

#### (III) Market Risk

Market risk is refer to risk of the fair value or future cash flow of financial instrument changed due to the change of market price, including foreign exchange rate risk, interest rate risk.

##### 1. Interest Rate Risk

Interest rate risk is refers to fluctuation risk of the fair value or future cash flow of financial instrument change due to the change of market price.

## 2. Foreign Exchange Risk

Foreign exchange rate risk is referred to the risk incurred from the change of exchange rate. As for the Company's export business, customers will be given a certain credit term, if the RMB appreciates against the dollar, the company's accounts receivable will incur foreign currency exchange loss.

## 2. Financial Assets

### (1) Classification of Transfer Methods

Applicable Not applicable

Unit: RMB

| Transfer method       | Nature of transferred financial assets | Amount of transferred financial assets | Recognition termination or not | Basis for recognition termination   |
|-----------------------|--|--|--------------------------------|---|
| Endorsement /discount | Notes receivable                       | 55,979,832.64                          | Not derecognized               | The Company retains substantially all of the risks and rewards, including the risk of default associated with its |
| Endorsement /discount | Accounts receivable financing          | 567,763,410.38                         | Derecognized                   | The Company transfers almost all the risks and rewards  |
| Total                 |  | 623,743,243.02                         |                                |   |

### (2) Financial Assets Derecognized due to Transfer

Applicable Not applicable

Unit: RMB

| Item                          | Transfer method of financial assets | Amount of derecognized financial assets | Gains or losses related to derecognition |
|-------------------------------|-------------------------------------|---|--|
| Accounts receivable financing | Endorsement                         | 163,147,260.38                          |  |
| Accounts receivable financing | Discount                            | 404,616,150.00                          | -5,709,875.91                            |
| Total                         |                                     | 567,763,410.38                          | -5,709,875.91                            |

### (3) Continued Involvement in the Transfer of Assets Financial Assets

Applicable Not applicable

Unit: RMB

| Item             | Transfer method of assets | Amount of assets resulting from continued involvement | Amount of liabilities resulting from continued involvement |
|------------------|---------------------------|---|--|
| Notes receivable | Endorsement               | 55,979,832.64   | 55,979,832.64  |
| Total            |                           | 55,979,832.64   | 55,979,832.64  |

## XII. The Disclosure of Fair Value

### 1. Ending Fair Value of Assets and Liabilities at Fair Value

Unit: RMB

| Item   | Ending fair value                       |   |   |                |
|--|---|---|---|----------------|
|  | Fair value measurement items at level 1 | Fair value measurement items at level 2 | Fair value measurement items at level 3 | Total          |
| I. Consistent fair value measurement   | --                                      | --                                      | --                                      | --             |
| (I) Trading financial assets   | 85,295,021.00                           | 140,346,408.94                          |   | 225,641,429.94 |
| 1. Financial assets at fair value through profit or loss   | 85,295,021.00                           | 140,346,408.94                          |   | 225,641,429.94 |
| (1) Debt instrument investment   |   |   |   |                |
| (2) Equity instrument investment   | 85,295,021.00                           |   |   | 85,295,021.00  |
| (3) Derivative financial assets  |   |   |   |                |
| Wealth management investments  |   | 140,346,408.94                          |   | 140,346,408.94 |
| 2. Financial assets designated to be measured at fair value and the changes included into the current profit or loss |   |   |   |                |
| (1) Debt instrument investment   |   |   |   |                |
| (2) Equity instrument investment   |   |   |   |                |
| (II) Other investments in debt obligations   |   |   |   |                |
| (III) Other equity instrument investment   | 551,031,000.00                          |   | 418,457,025.67                          | 969,488,025.67 |
| (IV) Investment  |   |   |   |                |

|  |                |                |                  |                  |
|--|----------------|----------------|------------------|------------------|
| property   |                |                |                  |                  |
| 1. Land use right for lease  |                |                |                  |                  |
| 2. Buildings leased out  |                |                |                  |                  |
| 3. Land use right held and planned to be transferred once appreciating   |                |                |                  |                  |
| (V) Living assets  |                |                |                  |                  |
| 1. Consumptive living assets   |                |                |                  |                  |
| 2. Productive living assets  |                |                |                  |                  |
| Accounts receivable financing  |                |                | 195,875,948.92   | 195,875,948.92   |
| Other non-current financial assets   |                |                | 412,914,576.80   | 412,914,576.80   |
| Total assets consistently measured by fair value   | 636,326,021.00 | 140,346,408.94 | 1,027,247,551.39 | 1,803,919,981.33 |
| (VI) Trading financial liabilities   |                |                |                  |                  |
| Of which: Issued trading bonds   |                |                |                  |                  |
| Derivative financial liabilities   |                |                |                  |                  |
| Other  |                |                |                  |                  |
| (VII) Financial liabilities designated to be measured at fair value and the changes recorded into the current profit or loss |                |                |                  |                  |
| Total liabilities consistently measured by fair value  |                |                |                  |                  |
| II. Inconsistent fair value measurement  | --             | --             | --               | --               |
| (1) Assets held for sale   |                |                |                  |                  |

|  |  |  |  |  |
|--|--|--|--|--|
| Total assets<br>inconsistently<br>measured by fair<br>value      |  |  |  |  |
| Total liabilities<br>inconsistently<br>measured by fair<br>value |  |  |  |  |

## 2. Market Price Recognition Basis for Consistent and Inconsistent Fair Value Measurement Items at Level 1

For the listed company stocks held by the company in the held-for-trading financial assets measured at fair value, the closing market price on the balance sheet date was the basis for the measurement of fair value.

## 3. Valuation Technique Adopted and Nature and Amount Determination of Important Parameters for Consistent and Inconsistent Fair Value Measurement Items at Level 2

Wealth management and investment: The underlying assets of investment in wealth management products include bond assets, deposit assets, fund assets, etc. The portfolio of investment assets should be dynamically managed. The fair value of wealth management products should be adjusted according to the yield of similar products provided by the counterparty.

## 4. Valuation Technique Adopted and Nature and Amount Determination of Important Parameters for Consistent and Inconsistent Fair Value Measurement Items at Level 3

(1) Accounts receivable financing: Accounts receivable financing is a bank acceptance with high credit rating, short maturity and low risk. The par amount is close to the fair value and is used as the fair value.

(2) Among the other non-current financial assets: for the investments in equity instrument of Jiangsu Horizon New Energy Technology Co., Ltd., Jiangsu Horizon New Energy Technology Co., Ltd. entrusted an appraisal agency to evaluate the value of all its shareholders' equity due to the need for capital increase and share expansion in 2023, and confirmed the premium rate of capital increase based on the appreciation rate of the equity value. The company's new investors signed the capital increase agreements on 27 September 2023. Therefore, the fair value of the equity investment had been adjusted and confirmed accordingly based on the premium rate of the new round of financing. And an appraisal agency was hired to conduct an appraisal to confirm

(3) Among other equity investment instruments, the total investment in Chengdu Changwan Diesel Engine Distribution Co., Ltd., Chongqing Wanzhou Changwan Diesel Engine Parts Co., Ltd., Changzhou Economic and Technological Development Company, Changzhou Tractor Company, Changzhou Economic Commission Industrial Capital Mutual Aid Association, Beijing Engineering Machinery Agricultural Machinery Company was RMB 1.21 million, and the fair value was RMB 0.00 due to the difficulty in recovering the investment.

Since its establishment in October 2017, Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership) had increased the equity of partners at the end of the year due to the change in fair value of the equity held by it. In addition, the company's business environment, operating conditions, and financial status had not undergone major changes. Therefore, the company determined its fair value on the basis of the net book assets of

the partnership at the end of the period.

#### **5. Sensitiveness Analysis on Unobservable Parameters and Adjustment Information between Beginning and Ending Carrying Value of Consistent Fair Value Measurement Items at Level 3**

Not applicable

#### **6. Explain the Reason for Conversion and the Governing Policy when the Conversion Happens if Conversion Happens among Consistent Fair Value Measurement Items at Different Levels**

Not applicable

#### **7. Changes in the Valuation Technique in the Current Period and the Reason for Such Changes**

Not applicable

#### **8. Fair Value of Financial Assets and Liabilities Not Measured at Fair Value**

The financial assets and liabilities measured at amortization cost mainly include notes receivable, accounts receivable, other receivables, short-term borrowings, accounts payable, other payables, etc. The difference between the carrying value and fair value for financial assets and liabilities not measured at fair value is small.

#### **9. Other**

During the year, there was no conversion between Level 1 and Level 2, nor was there any transfer to or from Level 3 for the fair value measurement of the Company's financial assets and financial liabilities.

### **XIII. Related Party and Related-party Transactions**

#### **1. Information Related to the Company as the Parent of the Company**

| Name                                 | Registration place | Nature of business   | Registered capital | Proportion of share held by the Company as the parent against the Company | Proportion of voting rights owned by the Company as the parent against the Company |
|--------------------------------------|--------------------|--|--------------------|---|--|
| Changzhou Investment Group Co., Ltd. | Changzhou          | Investment and operations of state-owned assets, assets management | RMB1.2 billion     | 32.26%  | 32.26%   |



|  |  |  |  |  |  |
|--|--|--|--|--|--|
|  |  | (excluding financial business), investment consulting (excluding consulting on investment in securities and options), etc. |  |  |  |
|--|--|--|--|--|--|

Notes: Information on the Company as the parent

The parent company of the Company is Changzhou Investment Group Co., Ltd. According to the guiding principle of the Notice of Provincial Government on Issuing the Implementation Plan for Transferring Part of State-owned Capital to Boost Social Security Fund in Jiangsu Province (SZF [2020] No. 27), the Notice on Transferring Part of State-owned Capital to Cities and Counties to Boost Social Security Fund (SCGM [2020] No. 139) from the Department of Finance of Jiangsu Province and other five departments and the Notice on Transferring Part of State-owned Capital at Urban (District) Level to Boost Social Security Fund (CCGM [2020] No. 4) from Changzhou Finance Bureau and other four departments, the 10% state-owned equity of the Investment Group held by Changzhou Municipal People's Government is transferred to the Department of Finance of Jiangsu Province free of charge. After the share transfer, Changzhou People's Government holds 90% state-owned equity of the Investment Group and the Department of Finance of Jiangsu Province holds 10% state-owned equity of the Investment Group. In accordance with Changzhou People's Government Document (CZF [2006] No. 62), Changzhou Investment Group Co., Ltd. is an enterprise which Changzhou People's Government authorizes Changzhou Government State-owned Assets Supervision and Administration Commission to perform duties of investors. Thus, Changzhou Investment Group Co., Ltd. is the controlling shareholder of the Company and Changzhou Government State-owned Assets Supervision and Administration Commission is still the actual controller of the Company. The final controller of the Company is Changzhou Government State-owned Assets Supervision and Administration Commission.

## 2. Subsidiaries of the Company

Refer to Note IX for details.

## 3. Situation of joint ventures and associated enterprises of the company

None

## 4. Information on Other Related Parties

| Name  | Relationship with the Company                               |
|---|---|
| Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership) | Participated in establishing the industrial investment fund |
| Jiangsu Horizon New Energy Technology Co., Ltd.                           | Shareholding enterprise of the Company                      |

## 5. Related Party Transactions

### (1) Compensation for key management personnel

Unit: RMB

| Item                                      | Current amount incurred | Amount incurred in the previous period |
|---|-------------------------|--|
| Compensation for key management personnel | 7,820,700.00            | 7,110,100.00                           |

## XIV. Commitments and Contingency

### 1. Significant Commitments

Significant commitments on balance sheet date

As of 31 December 2023, there was no significant commitment for the Company to disclose.

### 2. Contingency

#### (1) Significant Contingency on Balance Sheet Date

None

#### (2) In Despite of no Significant Contingency to Disclose, the Company Shall Also Make Relevant Statements

There was no significant contingency in the Company.

## XV. Events after Balance Sheet Date

### 1. Profit Distribution

Unit: RMB

|   |   |
|---|---|
| Dividend to be distributed for every 10 shares (RMB)  | 0.47  |
| Bonus shares to be distributed for every 10 shares (share)  | 0   |
| Additional shares to be converted from capital reserve for every 10 shares (share)                                    | 0   |
| Dividend for every 10 shares (RMB) declared after review and approval   | 0.47  |
| Bonus shares to be distributed for every 10 shares (share) declared after review and approval                         | 0   |
| Additional shares to be converted from capital reserve for every 10 shares (share) declared after review and approval | 0   |
| Profit distribution plan  | Based on the total share capital of the company as of December 31, 2023, a cash dividend of RMB0.47 (including tax) will be distributed to all shareholders |

|  |   |
|--|---|
|  | for every 10 shares. A total of RMB33167547.83 (including tax) will be distributed without bonus shares or conversion of reserve funds to share capital. The above plan still requires approval from the shareholders' meeting. |
|--|---|

## 2. Sales Return

None

## 3. Notes to Other Events after Balance Sheet Date

There was no other event after balance sheet date.

## XVI. Other Significant Events

### 1. The Accounting Errors Correction in Previous Period

(1) Retrospective Restatement

None

(2) Prospective Application

None

### 2. Debt Restructuring

Not applicable

### 3. Assets Replacement

Not applicable

### 4. Pension Plans

Not applicable

### 5. Discontinued Operations

Not applicable

### 6. Segment Information

#### (1) Determination Basis and Accounting Policies of Reportable Segment

Due to the operation scope of the Company and subsidiaries were similar, the Company conducts common

management, and did not divide business unit, so the Company only made single branch report.

## 7. Other Significant Transactions and Events with Influence on Investors' Decision-making

The People's Government of Xinbei District, Changzhou City decided to expropriate the houses within the expropriation scope of the old city renovation project on the land of the single-cylinder engine plant of Changchai Co., Ltd. (hereinafter referred to as the "Company"), namely, Changzhou Sanjing Branch of Changchai Co., Ltd., in accordance with the *Announcement of the People's Government of Xinbei District, Changzhou City on the Decision on the Housing Expropriation on State-owned Land* (ChangZhongZhengGao [2022] No. 6). On 29 November 2023, the Company signed the compensation agreement with the Housing and Urban-Rural Development Bureau of Changzhou National High-tech Industrial Development Zone and the Housing Expropriation and Compensation Service Centre of Sanjing Street, Xinbei District, Changzhou City (hereinafter referred to as "Sanjing Street"). The total compensation amount under the agreement was RMB99,929,868. According to the payment method stipulated in the compensation agreement, the Company received the first compensation payment (30% of the compensation) of RMB30,000,000 (including RMB1,000,000 received on 29 December 2023 (Presented in advance receipts on account) and RMB29,000,000 received on 3 January 2024).

## XVII. Notes of Main Items in the Financial Statements of the Company as the Parent

### 1. Accounts Receivable

#### (1) Disclosure by Aging

Unit: RMB

| Aging                              | Ending carrying amount | Beginning carrying amount |
|------------------------------------|------------------------|---------------------------|
| Within one year (including 1 year) | 289,665,029.12         | 304,249,429.01            |
| One to two years                   | 1,642,898.19           | 25,731,843.18             |
| Two to three years                 | 4,274,309.13           | 4,391,594.73              |
| More than three years              | 103,238,762.39         | 105,760,358.81            |
| Three to four years                | 4,376,325.51           | 2,917,847.46              |
| Four to five years                 | 1,398,123.34           | 2,658,953.02              |
| Over 5 years                       | 97,464,313.54          | 100,183,558.33            |
| Total                              | 398,820,998.83         | 440,133,225.73            |

#### (2) Disclosure by Withdrawal Methods for Bad Debts

Unit: RMB

| Category | Ending balance  |            |                    |                       |                | Beginning balance |            |                    |                       |                |
|----------|-----------------|------------|--------------------|-----------------------|----------------|-------------------|------------|--------------------|-----------------------|----------------|
|          | Carrying amount |            | Bad debt provision |                       | Carrying value | Carrying amount   |            | Bad debt provision |                       | Carrying value |
|          | Amount          | Proportion | Amount             | Withdrawal proportion |                | Amount            | Proportion | Amount             | Withdrawal proportion |                |

|  |                |         |                |         |                |                |         |                |        |                |
|--|----------------|---------|----------------|---------|----------------|----------------|---------|----------------|--------|----------------|
| Accounts receivable withdrawal of Bad debt provision separately accrued                | 21,058,702.18  | 5.28%   | 21,058,702.18  | 100.00% |                | 27,364,067.34  | 6.22%   | 21,607,429.50  | 78.96% | 5,756,637.84   |
| Of which:  |                |         |                |         |                |                |         |                |        |                |
| Accounts receivable withdrawal of bad debt provision of by group                       | 377,762,296.65 | 94.72%  | 85,765,458.71  | 22.70%  | 291,996,837.94 | 412,769,158.39 | 93.78%  | 89,464,855.73  | 21.67% | 323,304,302.66 |
| Of which:  |                |         |                |         |                |                |         |                |        |                |
| Accounts receivable for which bad debt provision accrued by credit risk features group | 377,762,296.65 | 94.72%  | 85,765,458.71  | 22.70%  | 291,996,837.94 | 412,769,158.39 | 93.78%  | 89,464,855.73  | 21.67% | 323,304,302.66 |
| Total  | 398,820,998.83 | 100.00% | 106,824,160.89 | 26.78%  | 291,996,837.94 | 440,133,225.73 | 100.00% | 111,072,285.23 | 25.24% | 329,060,940.50 |

Number of categories of bad debt provision by individual item: 1

Bad debt provision separately accrued: RMB21,058,702.18, of which: RMB19,019,243.10 for large impairment risk items

Unit: RMB

| Name       | Beginning balance |                    | Ending balance  |                    |                       |                       |
|------------|-------------------|--------------------|-----------------|--------------------|-----------------------|-----------------------|
|            | Carrying amount   | Bad debt provision | Carrying amount | Bad debt provision | Withdrawal proportion | Reason for withdrawal |
| Customer 1 | 1,470,110.64      | 1,470,110.64       | 1,470,110.64    | 1,470,110.64       | 100.00%               | Difficult to recover  |
| Customer 2 | 1,902,326.58      | 1,902,326.58       | 1,902,326.58    | 1,902,326.58       | 100.00%               | Difficult to recover  |
| Customer 3 | 6,215,662.64      | 6,215,662.64       | 6,215,662.64    | 6,215,662.64       | 100.00%               | Difficult to recover  |
| Customer 4 | 2,797,123.26      | 2,194,980.28       | 2,797,123.26    | 2,797,123.26       | 100.00%               | Difficult to recover  |
| Customer 5 | 3,633,081.23      | 2,122,165.73       | 2,322,278.50    | 2,322,278.50       | 100.00%               | Difficult to recover  |
| Customer 6 | 2,584,805.83      | 2,584,805.83       | 2,584,805.83    | 2,584,805.83       | 100.00%               | Difficult to recover  |

|            |               |               |               |               |         |                      |
|------------|---------------|---------------|---------------|---------------|---------|----------------------|
| Customer 7 | 1,731,493.71  | 1,731,493.71  | 1,726,935.65  | 1,726,935.65  | 100.00% | Difficult to recover |
| Total      | 20,334,603.89 | 18,221,545.41 | 19,019,243.10 | 19,019,243.10 | --      | --                   |

Number of categories of bad debt provision by group: 1

Withdrawal of bad debt provision by group: the bad debt provision of RMB85,765,458.71 withdrawn according to credit risk characteristic group, as shown below

Unit: RMB

| Item          | Ending balance  |                    |                       |
|---------------|-----------------|--------------------|-----------------------|
|               | Carrying amount | Bad debt provision | Withdrawal proportion |
| Within 1 year | 289,665,029.12  | 5,793,300.58       | 2.00 %                |
| 1 to 2 years  | 1,642,898.19    | 82,144.91          | 5.00 %                |
| 2 to 3 years  | 3,732,046.47    | 559,806.97         | 15.00%                |
| 3 to 4 years  | 4,376,325.51    | 1,312,897.65       | 30.00%                |
| 4 to 5 years  | 821,721.89      | 493,033.13         | 60.00%                |
| Over 5 years  | 77,524,275.47   | 77,524,275.47      | 100.00%               |
| Total         | 377,762,296.65  | 85,765,458.71      |                       |

Please refer to the relevant information of disclosure of bad debt provision of other accounts receivable if adopting the general mode of expected credit loss to withdraw bad debt provision of accounts receivable.

Applicable  Not applicable

### (3) Bad Debt Provision Withdrawal, Reversed or Recovered in the Current Period

Unit: RMB

| Category                                  | Beginning balance | Changes in the current period |                       |              |        | Ending balance |
|---|-------------------|-------------------------------|-----------------------|--------------|--------|----------------|
|   |                   | Withdrawal                    | Reversed or recovered | Verification | Others |                |
| Bad debt provision accrued by item        | 21,607,429.50     | 190,820.08                    | 37,668.24             | 701,879.16   |        | 21,058,702.18  |
| Withdrawal of bad debt provision by group | 89,464,855.73     |                               | 3,283,503.08          | 415,893.94   |        | 85,765,458.71  |
| Total                                     | 111,072,285.23    | 190,820.08                    | 3,321,171.32          | 1,117,773.10 |        | 106,824,160.89 |

Of which significant amount of recovered or transferred-back bad debt provision for the current period: None

### (4) Accounts Receivable Written-off in Current Period

Unit: RMB

| Item   | Written-off amount |
|--|--------------------|
| Accounts receivable with actual verification | 1,117,773.10       |

Of which the verification of significant accounts receivable:

Unit: RMB

| Name of the entity | Nature | Amount verified | Reason | Performance of | Whether |
|--------------------|--------|-----------------|--------|----------------|---------|
|--------------------|--------|-----------------|--------|----------------|---------|

|   |                               |              |   | verification procedures         | generated from related-party transaction |
|---|-------------------------------|--------------|---|---------------------------------|--|
| Customer 1                              | Accounts receivable for goods | 42,099.41    | Debt reorganisation   | Reorganization agreement        | Not                                      |
| Customer 2                              |                               | 659,779.75   | Debt reorganisation   | Reorganization agreement        |  |
| Long term receivables from 94 customers |                               | 415,893.94   | With accounts receivable aging over 5 years, the debtors have no assets for debt extinguishment due to the counterpart company being revoked or cancelled, or debt reorganisation, bankruptcy clearing. | Minutes of the executive office |  |
| Total                                   |                               | 1,117,773.10 | --  | --                              | --                                       |

#### (5) Top 5 of the Ending Balance of Accounts Receivable Collected according to the Arrears Party

Unit: RMB

| Name of the entity | Ending balance of accounts receivable | Ending balance of contract assets | Ending balance of accounts receivable and contract assets | Proportion to total ending balance of accounts receivable and contract assets | Ending balance of bad debt provision of accounts receivable and impairment provision for contract assets |
|--------------------|---------------------------------------|-----------------------------------|---|---|--|
| Customer 1         | 155,981,057.12                        | 0.00                              | 155,981,057.12  | 39.11%  | 3,119,621.14   |
| Customer 2         | 35,865,520.31                         | 0.00                              | 35,865,520.31   | 8.99%   | 717,310.41   |
| Customer 3         | 30,056,545.72                         | 0.00                              | 30,056,545.72   | 7.54%   | 601,130.91   |
| Customer 4         | 18,140,927.66                         | 0.00                              | 18,140,927.66   | 4.55%   | 362,818.55   |
| Customer 5         | 13,769,193.20                         | 0.00                              | 13,769,193.20   | 3.45%   | 275,383.86   |
| Total              | 253,813,244.01                        | 0.00                              | 253,813,244.01  | 63.64%  | 5,076,264.87   |

#### 2. Other Receivables

Unit: RMB

| Item              | Ending balance | Beginning balance |
|-------------------|----------------|-------------------|
| Other receivables | 399,142,024.92 | 179,596,495.57    |
| Total             | 399,142,024.92 | 179,596,495.57    |

**(1) Other Receivable****1) Other Receivables Classified by Account Nature**

Unit: RMB

| Nature                                 | Ending carrying amount | Beginning carrying amount |
|--|------------------------|---------------------------|
| Cash deposit and Margin                | 1,300.00               | 1,300.00                  |
| Intercourse funds among units          | 433,589,441.68         | 214,624,107.53            |
| Petty cash and borrowings by employees | 884,233.75             | 671,817.84                |
| Other                                  | 13,638,079.94          | 13,635,256.64             |
| <b>Total</b>                           | <b>448,113,055.37</b>  | <b>228,932,482.01</b>     |

**2) Disclosure by Aging**

Unit: RMB

| Aging                              | Ending carrying amount | Beginning carrying amount |
|------------------------------------|------------------------|---------------------------|
| Within one year (including 1 year) | 308,824,779.36         | 182,815,353.08            |
| One to two years                   | 113,974,034.71         | 16,778,473.11             |
| Two to three years                 | 12,802.00              | 99,076.00                 |
| More than three years              | 25,301,439.30          | 29,239,579.82             |
| Three to four years                | 30,000.00              | 420,716.17                |
| Four to five years                 |                        | 333,939.40                |
| Over 5 years                       | 25,271,439.30          | 28,484,924.25             |
| <b>Total</b>                       | <b>448,113,055.37</b>  | <b>228,932,482.01</b>     |

**3) Disclosure by Withdrawal Methods for Bad Debts**

Withdrawal of bad debt provision by adopting the general mode of expected credit loss:

Unit: RMB

| Bad debt provision                              | First stage                                | Second stage   | Third stage  | Total         |
|---|--|--|--|---------------|
|   | Expected credit loss in the next 12 months | Expected loss in the duration (credit impairment not occurred) | Expected loss in the duration (credit impairment occurred) |               |
| Balance of 1 January 2023                       | 26,186.99                                  | 209,876.70   | 49,099,922.75  | 49,335,986.44 |
| Balance of 1 January 2023 in the Current Period | —  | —  | —  | —             |
| --Transfer to Second stage                      |  |  |  |               |
| -- Transfer to Third stage                      |  |  |  |               |



|                                    |           |            |               |               |
|------------------------------------|-----------|------------|---------------|---------------|
| -- Reverse to Second stage         |           |            |               |               |
| -- Reverse to First stage          |           |            |               |               |
| Withdrawal of the Current Period   | 20,686.21 |            |               | 20,686.21     |
| Reversal of the Current Period     |           | 193,167.60 | 192,474.60    | 385,642.20    |
| Write-offs of the Current Period   |           |            |               |               |
| Verification of the Current Period |           |            |               |               |
| Other changes                      |           |            |               |               |
| Balance of 31 December 2023        | 46,873.20 | 16,709.10  | 48,907,448.15 | 48,971,030.45 |

Changes of carrying amount with significant amount changed of loss provision in the Current Period

Applicable  Not applicable

#### 4) Bad Debt Provision Withdrawn, Reversed or Recovered in the Reporting Period

Information of bad debt provision withdrawn:

Unit: RMB

| Category                                | Beginning balance | Changes in the Reporting Period |                      |           |       | Ending balance |
|---|-------------------|---------------------------------|----------------------|-----------|-------|----------------|
|   |                   | Withdrawal                      | Reversal or recovery | Write-off | Other |                |
| Bad debt provision withdrawn separately | 25,757,409.37     |                                 | 3,912,775.31         |           |       | 21,844,634.06  |
| Bad debt provision withdrawn by group   | 23,578,577.07     | 3,547,819.32                    |                      |           |       | 27,126,396.39  |
| Total                                   | 49,335,986.44     | 3,547,819.32                    | 3,912,775.31         |           |       | 48,971,030.45  |

Of which the bad debt provision recovered or transferred-back with significant amount during the current period:

Unit: RMB

| Name of the entity | Amount reversed or recovered | Reason for reversal | Way of recovery | Basis and rationality of determining the original withdrawal proportion of bad debt provision |
|--------------------|------------------------------|---------------------|-----------------|---|
| Changzhou          | 3,679,061.18                 | Repayment           | Cash            | Subsidiary is   |

|  |              |  |  |           |
|--|--------------|--|--|-----------|
| Changchai Horizon Agricultural Equipment Co., Ltd. |              |  |  | insolvent |
| Total  | 3,679,061.18 |  |  |           |

### 5) There Were No Other Receivables with Actual Verification during the Reporting Period

### 6) Top 5 of the Ending Balance of Other Receivables Collected according to the Arrears Party

Unit: RMB

| Name of the entity   | Nature  | Ending balance | Aging  | Proportion to total ending balance of other receivables | Ending balance of bad debt provision |
|--|---|----------------|--|---|--------------------------------------|
| Jiangsu Changchai Machinery Co., Ltd.                                  | Interco<br>urse<br>funds  | 340,703,369.25 | Within 1 year:<br>245703369.25;<br>1-2 years:<br>95000000.00 | 76.03%  |                                      |
| Changzhou Zhonglou District Housing and Urban-Rural Development Bureau | Compe<br>nsation<br>for land<br>acquisit<br>ion of<br>Wuxin<br>g bus<br>plant<br>area<br>plot | 47,000,000.00  | Within 1 year  | 10.49%  |                                      |
| Changzhou Changchai Horizon Agricultural Equipment Co., Ltd.           | Interco<br>urse<br>funds  | 16,542,062.75  | Within 1 year:<br>6683804.04;<br>1-2 years:<br>9858258.71    | 3.69%   | 16,542,062.75                        |
| Changzhou Changniu Machinery Co., Ltd.                                 | Interco<br>urse<br>funds  | 9,000,000.00   | 1-2 years  | 2.01%   |                                      |
| Changzhou Compressors Factory  | Interco<br>urse<br>funds  | 2,940,000.00   | Over 5 years   | 0.66%   | 2,940,000.00                         |
| Total  | --  | 416,185,432.00 |  | 92.88%  | 19,482,062.75                        |

### 3. Long-term Equity Investment

Unit: RMB

| Item  | Ending balance  |                       |                | Beginning balance |                       |                |
|---|-----------------|-----------------------|----------------|-------------------|-----------------------|----------------|
|   | Carrying amount | Depreciation reserves | Carrying value | Carrying amount   | Depreciation reserves | Carrying value |
| Investment to subsidiaries                              | 583,443,530.03  | 7,000,000.00          | 576,443,530.03 | 576,273,530.03    | 7,000,000.00          | 569,273,530.03 |
| Investment to joint ventures and associated enterprises | 44,182.50       | 44,182.50             |                | 44,182.50         | 44,182.50             |                |
| Total   | 583,487,712.53  | 7,044,182.50          | 576,443,530.03 | 576,317,712.53    | 7,044,182.50          | 569,273,530.03 |

**(1) Investment to Subsidiaries**

Unit: RMB

| Investee   | Beginning balance (carrying value) | Beginning balance of depreciation reserve | Increase/decrease for the current period |                    |                                    |        | Ending balance (Carrying value) | Ending balance of depreciation reserve |
|--|------------------------------------|---|--|--------------------|------------------------------------|--------|---------------------------------|--|
|  |                                    |   | Additional investment                    | Reduced investment | Withdrawal of impairment provision | Others |                                 |  |
| Changchai Wanzhou Diesel Engine Co., Ltd.                    | 51,000,000.00                      |   |  |                    |                                    |        | 51,000,000.00                   |  |
| Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.  | 96,466,500.00                      |   |  |                    |                                    |        | 96,466,500.00                   |  |
| Changzhou Horizon Investment Co., Ltd.                       | 40,000,000.00                      |   |  |                    |                                    |        | 40,000,000.00                   |  |
| Changzhou Changchai Horizon Agricultural Equipment Co., Ltd. | 0.00                               | 7,000,000.00                              |  |                    |                                    |        | 0.00                            | 7,000,000.00                           |

|  |                       |                     |                     |  |  |  |  |  |                       |                     |
|--|-----------------------|---------------------|---------------------|--|--|--|--|--|-----------------------|---------------------|
| Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. | 47,286,230.03         |                     |                     |  |  |  |  |  | 47,286,230.03         |                     |
| Jiangsu Changchai Machinery Co., Ltd.                    | 300,000,000.00        |                     |                     |  |  |  |  |  | 300,000,000.00        |                     |
| Changzhou Xingsheng Property Management Co., Ltd.        | 1,000,000.00          |                     |                     |  |  |  |  |  | 1,000,000.00          |                     |
| Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.   | 33,520,800.00         |                     | 7,170,000.00        |  |  |  |  |  | 40,690,800.00         |                     |
| <b>Total</b>   | <b>569,273,530.03</b> | <b>7,000,000.00</b> | <b>7,170,000.00</b> |  |  |  |  |  | <b>576,443,530.03</b> | <b>7,000,000.00</b> |

**(2) Investment to Joint Ventures and Associated Enterprises**

Unit: RMB

| Investee                          | Beginning balance (carrying value) | Beginning balance of depreciation reserve | Increase/decrease for the current period |                    |   |  |                         |  |                                    | Ending balance (Carrying value) | Ending balance of depreciation reserve |           |
|-----------------------------------|------------------------------------|---|--|--------------------|---|--|-------------------------|--|------------------------------------|---------------------------------|--|-----------|
|                                   |                                    |   | Additional investment                    | Reduced investment | Gains and losses recognized under the equity method | Adjustment of other comprehensive income | Changes of other equity | Cash bonus or profits announced to issue | Withdrawal of impairment provision |                                 |  | Others    |
| <b>I. Joint ventures</b>          |                                    |   |  |                    |   |  |                         |  |                                    |                                 |  |           |
| Subtotal                          | 0.00                               | 0.00                                      |  |                    |   |  |                         |  |                                    |                                 | 0.00                                   | 0.00      |
| <b>II. Associated enterprises</b> |                                    |   |  |                    |   |  |                         |  |                                    |                                 |  |           |
| Beijing Tsinghua Xingy            | 0.00                               | 44,182.50                                 |  |                    |   |  |                         |  |                                    |                                 | 0.00                                   | 44,182.50 |

|   |      |               |  |  |  |  |  |  |  |  |      |               |
|---|------|---------------|--|--|--|--|--|--|--|--|------|---------------|
| e<br>Indust<br>rial<br>Invest<br>ment<br>Mana<br>geme<br>nt<br>Co.,<br>Ltd. |      |               |  |  |  |  |  |  |  |  |      |               |
| Subto<br>tal  | 0.00 | 44,18<br>2.50 |  |  |  |  |  |  |  |  | 0.00 | 44,18<br>2.50 |
| Total   | 0.00 | 44,18<br>2.50 |  |  |  |  |  |  |  |  | 0.00 | 44,18<br>2.50 |

The recoverable amount is determined based on the net amount of the fair value minus disposal costs

Applicable  Not applicable

The recoverable amount is determined by the present value of the forecasted future cash flow.

Applicable  Not applicable

The reason for the discrepancy between the foregoing information and the information used in the impairment tests in prior years or external information: Not applicable

The reason for the discrepancy between the information used in the Company's impairment tests in prior years and the actual situation of those years: Not applicable

#### 4. Operating Revenue and Cost of Sales

Unit: RMB

| Item             | Reporting Period  |                  | Same period of last year |                  |
|------------------|-------------------|------------------|--------------------------|------------------|
|                  | Operating revenue | Cost of sales    | Operating revenue        | Cost of sales    |
| Main operations  | 1,978,548,527.91  | 1,726,267,965.41 | 1,937,402,949.98         | 1,743,767,173.55 |
| Other operations | 78,572,385.42     | 61,861,919.26    | 51,070,094.57            | 40,578,530.55    |
| Total            | 2,057,120,913.33  | 1,788,129,884.67 | 1,988,473,044.55         | 1,784,345,704.10 |

Breakdown information of operating income and operating cost:

Unit: RMB

| Category of contracts          | Segment 1         |                | Total             |                |
|--------------------------------|-------------------|----------------|-------------------|----------------|
|                                | Operating Revenue | Operating cost | Operating Revenue | Operating cost |
| Business Type                  |                   |                |                   |                |
| Of which:                      |                   |                |                   |                |
| Single-cylinder diesel engines | 1,099,244,653.24  | 938,065,401.52 | 1,099,244,653.24  | 938,065,401.52 |
| Multi-cylinder diesel engines  | 796,114,105.16    | 713,613,118.19 | 796,114,105.16    | 713,613,118.19 |
| Other products                 | 47,669,282.15     | 41,574,102.80  | 47,669,282.15     | 41,574,102.80  |
| Fittings                       | 35,520,487.36     | 33,015,342.90  | 35,520,487.36     | 33,015,342.90  |

| Classification by operating region |                  |                  |                  |                  |
|------------------------------------|------------------|------------------|------------------|------------------|
| Of which:                          |                  |                  |                  |                  |
| Sales in domestic market           | 1,695,721,360.88 | 1,458,279,907.37 | 1,695,721,360.88 | 1,458,279,907.37 |
| Export sales                       | 282,827,167.03   | 267,988,058.04   | 282,827,167.03   | 267,988,058.04   |
| Total                              | 1,978,548,527.91 | 1,726,267,965.41 | 1,978,548,527.91 | 1,726,267,965.41 |

Information in relation to the transaction price apportioned to the residual contract performance obligation:

The amount of revenue corresponding to performance obligations of contracts signed but not performed or not fully performed yet was RMB0 at the period-end.

## 5. Investment Income

Unit: RMB

| Item   | Reporting Period | Same period of last year |
|--|------------------|--------------------------|
| Dividend income from holding of other equity instrument investment       | 11,482,380.00    | 9,360,000.00             |
| Income from refinancing operations                                       | 28,498.48        | 136,003.96               |
| Dividends under cost accounting  |                  | 28,800,000.00            |
| Interest income from holding of debt obligation investments              | 1,463,921.82     | 1,411,361.54             |
| Investment income from disposal of held-for-trading financial assets     | 7,022,401.48     | 5,408,606.17             |
| Accounts receivable financing-discount interest of bank acceptance bills | -4,894,619.98    | -8,511,313.05            |
| Total  | 15,102,581.80    | 36,604,658.62            |

## XVIII. Supplementary Materials

### 1. Items and Amounts of Non-recurring Profit or Loss

√ Applicable □ Not applicable

Unit: RMB

| Item   | Amount         | Note   |
|--|----------------|--|
| Gain or loss on disposal of non-current assets   | 105,702,551.01 | Due to the expropriation of houses on the state-owned land of Changzhou Wuxing Branch during the Reporting Period  |
| Government subsidies charged to current profit or loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per the government's uniform standards) | 3,009,573.87   | Government grants charged to current profit and loss amounted to RMB6,419,303.33, the amount deducting deferred income and charged to current profit and loss was RMB3,409,729.46. |

|  |                |   |
|--|----------------|---|
| Gain/loss from change of fair value of trading financial assets and liabilities, and investment gains from disposal of trading financial assets and liabilities, and derivative financial assets and liabilities, and available-for-sale financial assets, other than valid hedging related to the Company's common businesses | 74,628,323.54  | Increase in the fair value of the stocks of Jiangsu Horizon New Energy Technology Co., Ltd. held by the Company, sales of stocks of Guilin Stars Science and Technology Co., Ltd. by the Company's wholly-owned subsidiary Horizon Investment and price rising of stocks of Jiangsu Liance Electromechanical Technology Co., Ltd. and Kailong High Technology Co., Ltd. held by the Company during the Reporting Period |
| Reverse of provision for impairment of accounts receivable individually conducting impairment test   | 21,618.24      |   |
| Other non-operating income and expenses other than the above   | -254,543.89    |   |
| Less: Income tax effects   | 27,193,473.11  |   |
| Non-controlling interests effects (after tax)  | -47,741.93     |   |
| Total  | 155,961,791.59 | --  |

Others that meets the definition of non-recurring gain/loss:

Applicable  Not applicable

No such cases in the Reporting Period.

Explain the reasons if the Company classifies any extraordinary gain/loss item mentioned in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Non-recurring Gains and Losses as a recurrent gain/loss item

Applicable  Not applicable

## 2. Return on Equity and Earnings Per Share

| Profit as of Reporting Period   | Weighted average ROE (%) | EPS (Yuan/share) |             |
|---|--------------------------|------------------|-------------|
|   |                          | EPS-basic        | EPS-diluted |
| Net profit attributable to ordinary shareholders of the Company   | 3.19%                    | 0.1537           | 0.1537      |
| Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss | -1.40%                   | -0.0676          | -0.0676     |

**3. Differences between Accounting Data under Domestic and Overseas Accounting Standards****(1) Differences between Disclosed Net Profits and Net Assets in Financial Report in accordance with International Accounting Standards and Chinese Accounting Standards**

Applicable  Not applicable

**(2) Differences between Disclosed Net Profits and Net Assets in Financial Report in accordance with Overseas Accounting Standards and Chinese Accounting Standards**

Applicable  Not applicable

**(3) Explain Reasons for the Differences between Accounting Data Under Domestic and Overseas Accounting Standards; for Any Adjustment Made to the Difference Existing in the Data Audited by the Foreign Auditing Agent, Such Foreign Auditing Agent's Name Shall Be Clearly Stated**

Applicable  Not applicable

The Board of Directors

Changchai Company, Limited

12 April 2024