

Chongqing Jianshe Vehicle System Co., Ltd.

2021 Annual Report

2022-024

April 2022

I. Important Prompts, Table of Contents, and Definitions

The Board of Directors, The Supervisory Committee, the supervisors and the directors of the Company guarantee that there are no significant omissions, fictitious or misleading statements carried in the Report and we will accept individual and joint responsibilities for the truthfulness, accuracy and completeness of the Report.

Mr. Yan Xuechuan, The Company leader, Mr. Tan Mingxian, Chief financial officer and the Ms. Niu Yanli, the person in charge of the accounting department (the person in charge of the accounting) hereby confirm the authenticity and completeness of the financial report enclosed in this Annual report.

All the directors attended the board meeting for the review of this Report.

Prospective statements carried in this report, such as business plans for future are not constituting any substantial commitment to the investors. Please be cautious to the risks. This report is prepared both in English and Chinese. When there is any conflict in understanding, the Chinese version shall prevail.

The company had concretely described the existed factors of risks of the company in the report, of which please refer to the contents in the Report of directors concerning the possible facing risk factors in the company's future development. The company's business plan and business goal of the year do not represent the 2022-annual earnings forecast made by the company, hence whether those can be realized depending on many factors such as the market circumstance and the extent of hard working of the management team, thus there is a large extent of uncertainty, please be aware of the investment risks.

The Company will not distribute cash dividend or bonus shares, neither capitalizing of common reserves for the report period.

Table of Contents

- I. Important Notice, Table of contents and Definitions
- II. Company Profile & Financial Highlights.
- III. Management Discussion & Analysis
- IV. Corporate Governance
- V. Environmental & Social Responsibility
- VI. Important Events
- VII. Change of share capital and shareholding of Principal Shareholders
- VIII. Situation of the Preferred Shares
- IX. Corporate Bond
- X. Financial Report

Documents Available for Inspection

- I. Annual Report carrying personal signature and seal of the Chairman of the Board.
- II. Financial Statements with signatures of the legal representative, the financial officer, and accounting manager.
- III. Original copy of the Auditors' Report with the seal of the CPA and signed by the certified (ZXCGHASKZ[2022]No.302040).
- IV. All of the originals of the Company's documents and public notices publicized by the presses designated by China Securities Regulatory Commission in the report period.
- V. Statement on special audition on appropriation of capital by controlling shareholder and related parties of Chongqing Jianshe Vehicle System Co., Ltd. (ZXCGHSZZ[2022]No.302010).
- VI. Auditing Report on Internal Control for Chongqing Jianshe Vehicle System Co., Ltd. (ZXCGHSZZ[2022]No.302011).
- VII. Special review report on the situation of deposit and loan of Chongqing Jianshe Vehicle System Co., Ltd. from the Military Equipment Finance Co., Ltd. (ZXCGHSZZ[2022]No.302012).
- VIII. Special verification opinion on the deduction of operating income of 2021 of Chongqing Jianshe Vehicle System Co., Ltd. (ZXCGHSZZ[2022]No.302013).

Definition

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

Minsheng Logistics	Refers to	Chongqing Changan Minsheng APLL Logistics Co., Ltd.
Major asset restructuring	Refers to	The company has made an agreement to sale the 100% stake of Jianshe Mechanical and Electric Company-the company's subsidiary funded by the liabilities and the motorcycle business related assets held by the company to Military Equipment Group.

II. Company Profile & Financial Highlights.

I . Company Information

Stock ID	Jianshe Vehicle B	Stock Code	200054
Stock Exchange Listed	Shenzhen Stock Exchange		
Company Name in Chinese	重庆建设汽车系统股份有限公司		
Short form of Company Name in Chinese	建车 B		
Company Name in English	Chongqing Jianshe Vehicle System Co., Ltd		
Short form of Company Name in English	JSVS-B		
Legal representative	Yan Xuechuan		
Registered address	No.1 Jianshe Road, Huaxi Industrial Zone, Ba'nan District, Chongqing		
Postal code of the Registered Address	400054		
Historical change of the company's registered address	On July 19, 1995, the first registered address was: Room 1802, Electronic Technology Building, No.30 A, Shennan Middle Road, Shenzhen (office only); On September 29, 2000, the registered address was changed to: Room 416, Electronic Building, No.2072, Shennan Middle Road, Futian District, Shenzhen (office only); On July 26, 2002, the registered address was changed to: Room 1107, North Building, No.3003 Shennan Middle Road, Futian District, Shenzhen (office only); On March 11, 2003, the registered address was changed to: No.47, Xiejiawan Main Street, Jiulongpo District, Chongqing; On April 23,2009, the registered address was changed to: No.1 Jianshe Road, Huaxi Industrial Zone, Ba'nan District, Chongqing.		
Office Address	No.1 Jianshe Road, Huaxi Industrial Zone, Ba'nan District, Chongqing		
Postal code of the office address	400054		
Internet Web Site	http://www.jianshe.com.cn		
E-mail	cqjsmc@jianshe.com.cn		

II .Contact person and contact manner

	Secretary of the Board	Representative of Stock Affairs
Name	Zhang Hushan	Li Wenling
Address	No.1 Jianshe Road, Huaxi Industrial Zone, Ba'nan District, Chongqing	No.1 Jianshe Road, Huaxi Industrial Zone, Ba'nan District, Chongqing
Tel.	023-66295333	023-66295333

Fax.	023-66295333	023-66295333
E-mail.	cqjsmc@jianshe.com.cn	cqjsmc@jianshe.com.cn

III. Information disclosure and placed

Internet website designated by CSRC for publishing the Annual report of the Company	http://www.szse.cn/
Newspapers selected by the Company for information disclosure	Securities Times, Hongkong Commercial daily and http://www.cninfo.com.cn
The place where the Annual report is prepared and placed	Secretarial office of the Board

IV.Changes in Registration

Organization Code	915000007474824231
Changes in principal business activities since listing (if any)	From 1995 to 2015, the Company was mainly engaged in the production and sales of motorcycles. In 2015, the company implemented the major asset restructuring, stripped the main assets and liabilities involved in the motorcycle business, completed the structural adjustment of the main business. Since 2015, it has been mainly engaged in the production and sales of automotive air-conditioning compressors.
Changes is the controlling shareholder in the past (is any)	<p>(a) The company was set up by Jianshe Group and China North Industries Corp Shenzhen Company in July 1995, of which the Jianshe Group was the company's controlling shareholder that holds 71.13% stake of the company.</p> <p>(b) On August 31, 2005, the 71.13% stake of the company held by Jianshe Group was transferred to Military Equipment Group in an agreement, thus the Military Equipment Group. has become the company's controlling shareholder.</p> <p>© On March 2, 2016, according to Agreement of Share Transfer in Zero Price signed between Military Equipment Group and Jianshe Mechanical and Electric, Military Equipment Group shall transfer its 71.13% stake of the company to Jianshe Mechanical and Electric in zero price, thus the Jianshe Mechanical and Electric will become the company's controlling shareholder.</p> <p>(d) On December 20, 2018, according to the Stock Rights Transfer Agreement of State-owned Listed Company signed by Jianshe Mechanical and Electric and Military Equipment Group , Jianshe Mechanical and Electric will hold 71.13% of the company's equity, and the agreement will be transferred to Military Equipment Group , which will become the controlling shareholder of the company.</p>

V . Other Relevant Information

CPAs engaged

Name of the CPAs	Zhongxingcai Guanghua Certified public Accountants LLP.
------------------	---

Office address	A24, 22/F, No.2 Fuchengmenwai Street, Xicheng District, Beijing
Names of the Certified Public Accountants as the signatories	Fan Rui, Wang Yongfeng

The sponsor performing persistent supervision duties engaged by the Company in the reporting period.

Applicable Not applicable

The Financial advisor performing persistent supervision duties engaged by the Company in the reporting period

Applicable Not applicable

VI. Summary of Accounting data and Financial index

Indicate by tick mark whether the Company needs to retroactively restate any of its accounting data.

Yes No

	2021	2020	Changed over last year (%)	2019
Operating revenue(Yuan)	680,118,967.08	740,851,845.25	-8.20%	791,487,434.18
Net profit attributable to the shareholders of the listed company (Yuan)	-25,998,962.72	1,415,942.45	-1,936.16%	-121,128,719.93
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company (Yuan)	-29,668,201.39	-44,041,022.22	32.64%	-119,395,985.23
Net Cash flow generated by business operation (Yuan)	21,432,367.47	165,013,126.67	-87.01%	13,414,357.42
Basic earning per share(Yuan/Share)	-0.218	0.012	-1,916.67%	-1.0147
Diluted gains per share(Yuan/Share)	-0.218	0.012	-1,916.67%	-1.0147
Net asset earning ratio (%)	-16.10%	0.82%	-16.92%	-52.05%
	End of 2021	End of 2020	Changed over last year (%)	End of 2019
Gross assets (Yuan)	1,041,336,478.97	1,186,697,453.77	-12.25%	1,190,147,356.58
Net assets attributable to shareholders of the listed company (Yuan)	149,303,592.84	173,588,673.06	-13.99%	172,172,730.61

The lower of the company's net profit before and after the deduction of non-recurring gains and losses in the last three fiscal years is negative, and the auditor's report of the previous year shows that the Company's going concern ability is uncertain.

Yes No

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

Yes No

Items	2021	2020	Note
Operating income (Yuan)	680,118,967.08	740,851,845.25	The business income unrelated to the main business is RMB 16,214,107.75.
Operating income after deduction(Yuan)	16,214,107.75	9,280,483.94	Where: RMB 3,701,174.27 for sales materials; RMB 898,870.36 for rental income; RMB 1,629,768.66 for waste income; and RMB 9,984,294.46 for energy income.
Operating income after deduction(Yuan)	663,904,859.33	731,571,361.31	The business income unrelated to the main business is RMB 16,214,107.75.

VII. The differences between domestic and international accounting standards

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

Applicable Not applicable

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

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

Applicable Not applicable

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

VIII. Main Financial Index by Quarters

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating revenue	257,353,451.32	199,610,977.70	165,687,052.96	57,467,485.10
Net profit attributable to the shareholders of the listed company	-1,968,206.42	-5,929,380.40	-2,186,600.33	-15,914,775.63
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed	-3,607,227.00	-6,516,813.90	-2,773,273.67	-16,770,886.82

company				
Net Cash flow generated by business operation	16,816,561.33	4,937,459.10	52,858,822.71	-53,180,475.67

Whether significant variances exist between the above financial index or the index with its sum and the financial index of the quarterly report as well as semi-annual report index disclosed by the Company.

Yes No

IX. Items and amount of non-current gains and losses

Applicable Not applicable

In RMB

Items	Amount (2021)	Amount (2020)	Amount (2019)	Notes
Non-current asset disposal gain/loss(including the write-off part for which assets impairment provision is made)	1,566,473.14	-448,967.59	-3,068,753.15	
Government subsidies recognized in current gain and loss(excluding those closely related to the Company's business and granted under the state's policies)	1,583,305.16	4,466,559.88	1,057,774.93	
The investment cost of the enterprise to obtain subsidiaries and joint ventures which is less than the fair value of the identifiable net assets of the investee when the investment is obtained		42,924,165.03		
Switch back of provision for depreciation of account receivable and contractual assets which were singly taken depreciation test	200,000.00	88,468.57		
Other non-operating income and expenditure except for the aforementioned items	319,460.37	-1,496,366.67	278,243.52	
Less: Influenced amount of income tax		76,894.55		
Total	3,669,238.67	45,456,964.67	-1,732,734.70	--

Details of other profit and loss items that meet the non-recurring profit and loss definition

Applicable Not applicable

None

For the Company's non-recurring gain/loss items as defined in the Explanatory Announcement No.1 on information disclosure for Companies Offering their Securities to the Public-Non-recurring Gains and Losses and its non-recurring gain/loss items as illustrated in the Explanatory Announcement No.1 on information Disclosure for Companies offering their securities to the public-non-recurring Gains and losses which have been defined as recurring gains and losses, it is necessary to explain the reason.

Applicable Not applicable

None of Non-recurring gain /loss items recognized as recurring gain /loss/items as defined by the information disclosure explanatory Announcement No.1- Non –recurring gain/loss in the report period.

III. Management Discussion & Analysis

I. Industry information of the Company during the reporting period

The Company shall comply with the disclosure requirements of automobile manufacturing-related industries in the Guideline No.3 for Self-regulation of Listed Companies of Shenzhen Stock Exchange-Industry Information Disclosure.

1. Overall situation of automobile industry

According to the statistics of China Association of Automobile Manufacturers, in 2021, the production and sales of automobiles were RMB 26.082 million and RMB 26.275 million, with a year-on-year increase of 3.4% and 3.8%. It shows four main characteristics: First, it has ended the decline for three consecutive years since 2018. Second, the annual sales volume of new energy vehicles exceeded 3.5 million, and the market share increased to 13.4%. Third, driven by factors such as the recovery of the international market and the improvement of Chinese brand competitiveness, in 2021, the export vehicles exceeded 2 million for the first time, achieving a breakthrough of around 1 million for many years. Fourth, driven by new energy and export markets, the market share of China's brand cars has exceeded 44%, approaching the best level in history.

2. Analysis of automobile air conditioning compressor industry

The automobile air-conditioning compressor industry keeps pace with the development of automobile industry, and its share concentration is further expanded, with the top four in the industry accounting for about 70% of the total.

Based on the huge number of fuel vehicles, non-electric compressor products will still maintain a large scale capacity in the next few years. However, due to the rapid development of new energy vehicles and the forced fuel consumption regulations, the proportion of fixed-displacement compressors will gradually decrease. Following the "going out" of independent brand OEMs and the "globalization" of foreign brands, the trend of fixed-displacement compressors gradually moving overseas is obvious, which is bound to bring opportunities and chances for the Company's fix-displacement compressors to stabilize scale, improve quality and prolong service life.

The Company has introduced, digested, absorbed and independently innovated the rotary vane technology for more than twenty years. In terms of industry development trend, the rotary vane technology will face the ceiling, therefore the Company needs to speed up the digestion and introduction of new technology products such as vortex motor.

II. Main Business the Company is Engaged in During the Report Period

The Company shall comply with the disclosure requirements of automobile manufacturing-related industries in the Guideline No.3 for Self-regulation of Listed Companies of Shenzhen Stock Exchange-Industry Information Disclosure.

2021 is the first year of the "14th Five-Year Plan". In order to start with a new opening, the Company have taken multiple measures to actively deal with the adverse effects such as pandemic, lack of chip and electricity, and reduction of orders, and achieved 90.2% of the annual sales target and 93.2% of the annual revenue target. In the whole year, 1,811,100 sets of air-conditioning compressors for vehicles were produced and 1,731,500 sets were sold, which decreased by 6.81% and 6.96% respectively year on year, and the operating income was RMB 680 million, which decreased by 8.2% year on year. As for the annual key work formulated by the Board of Directors at the beginning of the year, the actual promotion is as follows:

(I) Industrial adjustment to promote development ability

First, the development of electric compressors is robust. The Company has seized the opportunity of the new energy market, improved the operation mechanism, optimized the integration of resources, broadened the product platform, and achieved a number of market project results. Beiqi Qingdao KY13E/KY23E project has been approved as a fixed-point project; The category of Ruichi models has been expanded from 5 to 31; Hongrui R2B-115V project achieved mass production; 36CC electric compressor has been actively promoted, achieving the docking of 4 market projects. It sold 9,234 sets of large-displacement and electric compressors throughout the year, initially forming a large-scale sales.

Second, the fixed-displacement compressors are basically stable. Under the influence of the overall downward trend of the fixed-displacement market and the switching of the technical upgrading products of OEMs, the Company has deeply tapped the potential customers and successfully acquired new projects such as Changan Auchan X5-MCA and Great Wall A06/A07. Changan B211-GPF, Great Wall A01, Geely LG02, Nissan 534, etc. have successively entered the mass production stage, with Changan market increasing by 13.8% year on year and Peugeot-Fiat market increasing by 18.2% year on year. However, the Great Wall Motor Market, Geely Automobile Market and UCM (Malaysia) market declined respectively. In the offline market, through channel optimization, sluggish product modification and launch and innovative cooperation among dealers, it filled the model gap, expanded 10 dealers successfully, and achieved 61,000 units in sales volume, with a year-on-year increase of 4.0%.

Third, the parts witness stable progress. Pingshan Taikai further expanded the sales volume of carburetor, vigorously explored the market of throttle body and EFI system, promoted the market expansion of brushless fuel pump, and made use of existing assets to produce and sell auto parts. This year, the sales of carburetor, EFI system and auto parts all achieved an increase, with an operating income of RMB 52.2 million, up by 31.96% year on year.

(II) Innovation in science and technology promotes core competitiveness

First, the innovation system has been continuously improved. Improve the top-level design, formulate the Company's Implementation Plan for Accelerating the Construction of Scientific and Technological Innovation Enterprises, and determine the tasks, objectives and work measures of scientific and technological innovation. Promote the construction of science and technology platform, set up the regional enterprise technology innovation center, and form a "1+3+1" science and technology innovation platform; Relying on the key laboratory, set up an academic committee, which provided platform support for the Company to solve the technical problems of electric compressors and automotive thermal management products. Deepen the industry-university-research cooperation and cooperate with five units including Changan New Energy and Chongqing University of Posts and Telecommunications to jointly develop the project "Research and Application of Key Technologies of Intelligent and Efficient Vehicle Thermal Management System Controller", which has obtained the approval of Chongqing Technology Innovation and Application Development Project, and fully promote the research of high-efficiency electric compressor and advanced motor and drive control technology for compressor. Cooperation with Chongqing Jiaotong University in the research of key technologies of scroll compressor pump system has achieved initial results.

Second, product research and development has been further advanced. Focus on building an electric compressor platform. 27CC product performance optimization completed the stage goal, 36CC product entered the stage of engineering development, and the product scheme of air-supplying enthalpy-adding electric compressor passed the review and completed the prototype development; Focus on tackling key technical problems of heat pump air conditioning system, establish new energy vehicle thermal management system product project team, carry out the project planning and technical research, build and simulate the technical architecture of heat pump air conditioning system, and build a set of basic heat pump test bench, with new product development of motorcycle EFI system advancing side by side with market project expansion. There were 10 new projects in the whole year, and 8 projects completed according to the plan. The standard EFI system was sold in batches, and 9 small batch

orders were received from customers for α/N EFI system; Focus on product innovation projects. The completion rate of 42 R&D project planning nodes is 100%, of which 7 were completed in 10 basic research projects, 6 in 13 new product development projects and 9 in 19 market development projects achieved mass production, and the contribution rate of new products remained above 55%.

Third, scientific and technological achievements are constantly emerging. 2 projects won the third prize of Science and Technology Award of China South Industries Group, 3 new products were rated as major new products in Chongqing, 2 projects applied for Chongqing Science and Technology Innovation Guidance Catalogue and finished product appraisal, and 3 urban-level scientific research projects were completed as planned. The quality of patents has been greatly improved, the proportion of invention patents accepted has increased from less than 20% to 63%, and it has been awarded a good rating for Chongqing's technological innovation demonstration enterprises.

(III) Benchmarking management to consolidate the ability of value creation

First, overall budget management has been continuously strengthened. Break down the annual business objectives to achieve full budget coverage; Strengthen the management of budget process, closely monitor the implementation of budget targets, and well ensure the in-process management and control; Adhere to the rigid budget constraint, decompose the budget indicators into departmental KPI indicators, strictly assess and correct them in time, ensure the rigidity and seriousness of budget implementation, and overfulfill the annual budget targets.

Second, lean management has been further advanced. Solidly carry out a special OEE promotion campaign for machining equipment, with OEE reaching 74.7%, up by 1.9% year on year. Build a lean GK team with construction characteristics. 8 of the Company's 14 production teams have reached the three-star standard, 4 have reached the four-star standard and 1 has reached the five-star standard. Carry out 6S brand-winning activities with reference to Japan Yamaha 6S evaluation system and standard, with 9 units winning bronze medals. Vigorously develop lean production line construction, deepen the application of quality management system and data acquisition system of Line 5#, and achieve remarkable results, reducing internal quality loss by RMB 600,000.

Third, technical management continues to improve. Strengthen the process improvement, optimize and adjust the layout of machining technology, automate some processes of the assembly line, and reasonably decompose the inspection and packaging operations, thus effectively improving the production efficiency. Strengthen key research projects, increase the production efficiency of nickel-free phosphating solution by 25%, reduce the leakage rate of M6*30 screw seal part of compressor by 93%, reduce the rework ratio of gap defect rate by 68%, and improve the three bottlenecks of dynamic and static disk grouping, leakage and running-in of electric compressor.

Fourth, the quality management has achieved remarkable results. Vigorously promote the construction of "1+N" quality system, successfully pass the review of IATF16949 system and Peugeot QSB+ system, and obtain the license of Changan QCA2.0 system supplier. Continuously carry out "quality improvement activities", with 13 special improvement projects and 39 improvement measures achieving remarkable results, including zero-kilometer PPM and three-guarantee PPM decreasing by 28.3% and 24.1% respectively. Vigorously improve the quality of electric compressors, formulate the Improvement Plan for Quality Control of Electric Compressors, and carry out the activities of "quality inspection, rectification and improvement of new energy compressors", with all 52 problems being rectified.

Fifth, the resilience of the supply chain has been enhanced. Pay close attention to the supply progress of key bottleneck parts, overcome the pandemic, lack of chip and electricity and other difficulties, and complete the supply task. Initially set up the procurement system of electric compressors, which provides guarantee for the development of electric compressor in the Company. Optimize the continuous supply chain system, and combine the production demand and supplier evaluation, introduce 6 new suppliers, eliminate 2 suppliers, and expand 89 parts. Promote the informatization of procurement management, deepen the use of the electronic procurement platform of

Norincogroup-eBuy, and fully realize the openness, centralization and electronization of tendering procurement.

Sixth, risk prevention and control are carried out strictly. Set control indicators for 3 major risks and 3 important risks, and work out countermeasures to avoid and control them, which promotes the smooth and orderly operation of the Company. Revise the Company's Comprehensive Risk Management Measures, strengthen daily risk monitoring, further find loopholes, improve shortcomings, and strictly control the occurrence of various risks. Carry out special actions for risk prevention and control, formulate and implement the Company's Special Action Plan for Risk Prevention and Control, strictly investigate potential risks, and provide a strong guarantee for the safety of employees' lives and property and the stability of the Company's production and operation. Further promote the enterprise management according to law, actively prevent and control various legal risks, and recover losses of RMB 2.21 million.

Vehicle manufacturing, production and operation during the reporting period

Applicable Not applicable

Production and operation of auto parts during the reporting period

Applicable Not applicable

	Output			Sales volume		
	This reporting period	Same period last year	Increase or decrease compared with last year	This reporting period	Same period last year	Increase or decrease compared with last year
By part category						
Automotive air conditioner compressor	1811146S	1943425	-6.81%	1731479	1861028	-6.96%
According to the vehicle supporting						
Automotive air conditioner compressor				1670325	1802222	-7.32%
According to after-sales service						
Automotive air conditioner compressor				61154	58806	3.99%
Area						
Domestic				1008512	1182870	-14.74%
Overseas				722967	678158	6.61%
Other						

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

Applicable Not applicable

Parts sales model

The Company is an enterprise mainly engaged in the production of air-conditioning compressors for vehicles, which achieves sales through supporting products to OEMs or selling products to after-sales service market. At

present, the designed capacity of the Company's fixed-displacement compressor products is 2 million units, and the actual output in 2021 is 1,811,100 units, with a capacity utilization rate of 90.56%; And the designed capacity of electric compressors with large-displacement is 350,000 units, and the actual output in 2021 is 9,869 units.

The company conducts auto finance business

Applicable Not applicable

The company conducts new energy vehicle related business

Applicable Not applicable

Subsidy income of new energy vehicles

III. Analysis On core Competitiveness

The Company shall comply with the disclosure requirements of automobile manufacturing-related industries in the Guideline No.3 for Self-regulation of Listed Companies of Shenzhen Stock Exchange-Industry Information Disclosure.

Product pedigree construction: On the basis of introducing the world's advanced technology, the Company actively carries out independent innovation. After years of development, the product pedigree and technical system are becoming increasingly complete; Including rotary vane compressor, swash plate fixed-displacement and variable-displacement and electric compressor with complete intellectual property rights, forming five product platforms of "rotary vane iron/aluminum, piston fixed/variable-displacement and electric compressor"; The products cover 18CC to 480CC displacement.

Innovation platform construction: The Company has built a "1+3+1" scientific and technological innovation platform (national post-doctoral workstation+Chongqing Enterprise Technology Center, Chongqing Automobile Thermal Management System Engineering Technology Research Center, Chongqing Automobile Air Conditioning Compressor Key Laboratory+Chongqing Jiulongpo Innovation Center), which provides a strong platform support for the transformation and upgrading of automobile thermal management products, the development of applied basic research and innovative research on key technologies, the cultivation of scientific and technological talents, and technological industrialization. The Company has established a Industry-University-Research platform with China Automotive Engineering Research Institute, Shanghai Jiaotong University and Chongqing Jiaotong University, mainly to study the working mechanism of compressors and noise optimization of compressors, and to tackle key technical bottlenecks.

R&D capacity building: The Company has the largest and most functional experimental testing center for automotive air-conditioning compressors in Southwest China. It has imported more than 50 sets of advanced equipment for reliability test, system test, performance test and NVH test from abroad, with a value of more than RMB 50 million, and has strong basic research capabilities, product development and design capabilities, simulation and analysis capabilities and trial production and processing capabilities. In recent years, 12 major new products in Chongqing have been approved, more than 20 provincial and ministerial level science and technology awards have been won, and more than 200 patents have been applied for, including more than 40 invention patents.

Manufacturing capacity building: it has the domestic first-class high-precision parts manufacturing base and Chongqing municipal digital workshop. It possesses more than 40 parts machining production lines, more than 260 sets high-precision and high-quality processing equipment, and 9 product assembly lines. The equipment is with a total value of more than RMB 650 million, and more than 80% of which are imported from Japan, the United States, Germany, Switzerland, South Korea and other countries. The machining and assembly accuracy are all micron-level, and MARPOSS online detection is widely used, so its machining accuracy and assembly automation degree are at the leading level in China.

Quality capacity building: The Company always adheres to the tenet of "Quality first, customer oriented", and is committed to running quality work through all aspects of the Company, and constantly improving product quality, service quality and quality-price ratio. The Company has always continuously improved its management ability, actively assumed social responsibilities, passed the IATF 16949 certified by DNV, an international authoritative certification body, as well as OHSAS18001 and ISO14001 management system certification, connected with international manufacturers, and introduced the general QSB+ quality management system, Ford Q1 system, Changan QCA system and Nissan GK site management concept to continuously improve its management level.

Talent team building: The Company has 118 scientific and technical personnel, including 458 R&D personnel among 10,000 employees, of which 80% have bachelor degree or above, and 11% have senior professional titles. The Company has established an academic committee of key laboratories, set up 4 company-level scientific and technological innovation teams, including basic research and experimental technology research of air-conditioning compressors, and introduced 2 senior electric control talents, 1 postdoctoral fellow in EFI system, and 9 doctors in the national postdoctoral workstation.

IV. Main business analysis

1. General

This year, the company completed a production of 1.8111 million units and sold 1.7315 million units for its main products, automotive air conditioner compressors, with a year-on-year decrease of 6.81% and 6.96% respectively. The main business income was RMB 664 million, with a year-on-year decrease of 9.25%.

From the regional perspective, the domestic sales reached 1.0085 million units, with a year-on-year increase of 14.74%, and the sales revenue reached RMB 430 million, with a year-on-year decrease of 14.88%. Domestic sales revenue accounted for 63.27% of the company's main business income. The company sold 723,000 units in foreign trade throughout the year, with a year-on-year increase of 6.61%, and realized a sales income of RMB 234 million, with a year-on-year increase of 3.34%. Foreign trade sales accounted for 34.35% of the company's main business income.

From the perspective of customer structure: the top five customers of the company, namely PSA (Peugeot), Changan Automobile, Great Wall Motor, Geely Automobile and Proton Malaysia, purchased 1.535 million sets of vehicle air conditioning compressors from the company in the whole year, accounting for 88.67% of the total purchases of customers. The purchase amount is RMB 546 million, accounting for 82.26% of the total purchase amount of customers.

2. Revenue and cost

(1) Component of Business Income

In RMB

	2021		2020		Increase /decrease
	Amount	Proportion	Amount	Proportion	
Total operating revenue	680,118,967.08	100%	740,851,845.25	100%	-8.20%
On Industry					
Auto and Motorcycle parts	663,904,859.33	97.62%	731,571,361.31	98.75%	-9.25%
Other	16,214,107.75	2.38%	9,280,483.94	1.25%	74.71%

On products					
Auto and Motorcycle parts	663,904,859.33	97.62%	731,571,361.31	98.75%	-9.25%
Other	16,214,107.75	2.38%	9,280,483.94	1.25%	74.71%
On Area					
Anhui	17,124,052.52	2.52%	17,404,019.16	2.35%	-1.61%
Beijing	455,801.74	0.07%	8,737,415.97	1.18%	-94.78%
Fujian	44,566.37	0.01%	92,194.69	0.01%	-51.66%
Guangdong	22,382,727.29	3.29%	4,965,172.47	0.67%	350.79%
Guangxi	1,582,781.37	0.23%	2,143,214.13	0.29%	-26.15%
Hebei	2,191,979.02	0.32%	3,295,014.18	0.44%	-33.48%
Henan	8,670,161.99	1.27%	4,894,181.39	0.66%	77.15%
Hubei	5,928,016.10	0.87%	30,883,712.83	4.17%	-80.81%
Jilin		0.00%	65,486.74	0.01%	-100.00%
Jiangsu	21,065,621.33	3.10%	9,232,764.33	1.25%	128.16%
Jiangxi	3,112,711.56	0.46%	6,328,746.31	0.85%	-50.82%
Liaoning	199,132.70	0.03%		0.00%	
Shandong	3,026,841.57	0.45%	1,955,016.56	0.26%	54.82%
Shannxi	175,176.99	0.03%	505,176.97	0.07%	-65.32%
Shanghai	1,782,811.17	0.26%	4,099,161.46	0.55%	-56.51%
Sichuan	11,023,173.14	1.62%	113,828.80	0.02%	9,583.99%
Tianjing	1,158,336.80	0.17%	2,704,426.60	0.37%	-57.17%
Yunnan	4,444.40	0.00%	40,912.43	0.01%	-89.14%
Zhejiang	65,525,378.21	9.63%	96,149,564.48	12.98%	-31.85%
Chongqing	264,799,571.37	38.93%	311,883,789.99	42.10%	-15.10%
Ningxia	20,247.78	0.00%			
Shanxi	13,628.32	0.00%			
Overseas	233,617,697.59	34.35%	226,077,561.82	30.52%	3.34%
Other	16,214,107.75	2.38%	9,280,483.94	1.25%	74.71%
Sub-sale model					
Vehicle supporting mode of vehicle air conditioning compressor	586,606,478.18	86.25%	653,077,105.90	88.15%	-10.18%
Vehicle air	18,773,105.22	2.76%	19,374,211.18	2.62%	-3.10%

conditioning compressor after-sales service market model					
Other business and product market models	74,739,383.68	10.99%	68,400,528.17	9.23%	9.27%

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

√ Applicable □ Not applicable

In RMB

	Turnover	Operation cost	Gross profit rate(%)	Increase/decrease of revenue in the same period of the previous year(%)	Increase/decrease of business cost over the same period of previous year (%)	Increase/decrease of gross profit rate over the same period of the previous year (%)
On Industry						
Auto and Motorcycle parts	663,904,859.33	573,770,883.14	13.58%	-9.25%	-9.63%	0.36%
On products						
Auto and Motorcycle parts	663,904,859.33	573,770,883.14	13.58%	-9.25%	-9.63%	0.36%
On Area						
Domestic	430,287,161.74	354,344,024.14	17.65%	-14.88%	-15.69%	0.79%
Overseas	233,617,697.59	219,426,859.00	6.07%	3.34%	2.23%	1.01%
Sub-sale model						
Vehicle supporting mode of vehicle air conditioning compressor	586,606,478.18	501,604,763.90	14.49%	-10.18%	-12.08%	1.85%
Vehicle air conditioning compressor after-sales service market model	18,773,105.22	16,331,565.38	13.01%	-3.10%	-0.26%	-2.48%

Under circumstances of adjustment in reporting period for statistic scope of main business data, adjusted main business based on latest on year's scope of period-end.

Applicable Not applicable

(3) Whether the Company's Physical Sales Income Exceeded Service Income

Yes No

Classification	Items	Unit	2021	20120	Changes
Vehicle air conditioner	Sales	Ten thousand sets	173.15	186.11	-6.96%
	Production	Ten thousand sets	181.11	194.34	-6.81%
	Stock	Ten thousand sets	52.8	44.88	17.64%

Explanation for a year-on-year change of over 30%

Applicable Not applicable

(4) Degree of Performance of the Significant Sales Contract Signed up to this Report Period

Applicable Not applicable

(5) Component of business cost

In RMB

Industry	Items	2021		2020		Increase/Decrease (%)
		Amount	Proportion in the operating costs (%)	Amount	Proportion in the operating costs (%)	
Industry	Direct material	553,036,721.80	94.23%	574,716,791.27	84.45%	-3.77%
Industry	Fuel and energy	12,670,289.73	2.16%	14,109,914.18	2.07%	-10.20%
Industry	Staff salary	31,052,496.10	5.29%	29,285,361.74	4.30%	6.03%
Industry	Manufacturing cost	64,289,680.17	10.95%	62,454,453.65	9.18%	2.94%

Note

Not applicable

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

Yes No

(7) Relevant Situation of Significant Changes or Adjustment of the Business, Product or Service in the Company's Report Period

Applicable Not applicable

(8) Situation of Main Customers and Main Supplier

Information of Main Customers

Total sales amount to top 5 customers (Yuan)	546,102,886.62
Proportion of sales to top 5 customers in the annual sales(%)	82.26%

Proportion of the sales volume to the top five customers in the total sales to the related parties in the year	22.78%
--	--------

Information of the Company's top 5 customers

No	Name	Amount(RMB)	Proportion(%)
1	Customers1	230,772,788.57	34.76%
2	Customers 2	151,239,775.34	22.78%
3	Customers 3	75,885,048.32	11.43%
4	Customers 4	68,106,568.39	10.26%
5	Customers 5	20,098,706.00	3.03%
Total	--	546,102,886.62	82.26%

Other explanation :

Applicable Not applicable

Chongqing Changan Automobile Co., Ltd. The company's controlling shareholder, Military Equipment Group, holds 44.17% of its shares), one of the top five customers, and its affiliated enterprises have an associated relationship with the Company. The Company and its transactions, as routine related transactions, have been submitted to the 2021 First provisional General Meeting of Shareholders for review and approval.

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

Principal suppliers

Total purchase of top 5 Suppliers (Yuan)	291,464,205.10
Percentage of total purchase of top 5 suppliers In total annual purchase(%)	45.85%
Proportion of purchase amount from the top 5 suppliers in the total purchase amount from the related parties in the year	0.00%

Information about the top 5 suppliers

No	Name	Amount (Yuan)	Proportion
1	Suppliers 1	143,283,476.66	22.54%
2	Suppliers 2	47,616,543.62	7.49%
3	Suppliers 3	41,449,190.66	6.52%
4	Suppliers 4	32,735,449.16	5.15%
5	Suppliers 5	26,379,545.00	4.15%
Total	--	291,464,205.10	45.85%

Other explanation :

Applicable Not applicable

The company's directors, supervisors, senior management personnel and key technical personnel have no direct or indirect interests in the major suppliers of the above-said suppliers.

3. Expenses

In RMB

	2021	2020	Increase/Decrease(%)	Notes
Sale expenses	16,795,778.20	16,631,963.90	0.98%	
Administration expenses	62,047,629.17	69,410,916.79	-10.61%	
Financial expenses	23,014,845.65	22,486,373.84	2.35%	
R & D expenses	29,760,773.46	15,283,965.69	94.72%	This year, the Company focused on promoting scientific and technological R&D innovation, promoting industrial technology transformation and increasing R&D investment.

4.R& D Investment

√Applicable □Not applicable

Name of main R&D project	Project purpose	Project progress	Goal to be achieved	Expected impact on the future development of the Company
Technical direction of traditional compressor	Improve product performance and tackle with the upgrading and development of automobile technology; consolidate the vitality of products, deal with the upgrading of automobile consumption; consolidate product competitiveness and solve key technical problems.	First, continue to upgrade technology, and the basic research project entered the final stage at the end of the year. Second, continue to carry out design cost reduction to achieve the goal of cost reduction. Third, the market project has been achieved on schedule.	Improve refrigeration efficiency; optimize noise; and optimize manufacturing costs.	Improve the competitiveness of fix-displacement compressors and stabilize the scale position of the industry
Technical direction of electric compressor	Realize the vertical integration upgrade of product technology based on the product position and market position of traditional compressors.	27CC product performance optimization completed the stage goal, 36CC product entered the stage of engineering development, and the product scheme of air-supplying enthalpy-adding	Improve the design ability, optimize refrigeration efficiency and improve the noise level.	Enhance product competitiveness and achieve a breakthrough in scale.

		electric compressor passed the review and completed the prototype development;		
Technical direction of thermal management system	Upgrade the product horizontal integration, focusing on system matching and heat pump technology.	Carry out construction and simulation of the technical framework of the heat pump system, and set up a set of basic heat pump test bench.	Master the matching test technology of air conditioning system	Centered by the heat pump electric compressor, build the integration capability of heat pump air conditioning system.
Direction of EFI system	Actively cultivate and develop new products such as EFI system and oil pump.	Develop the standard EFI system and α/N EFI system, which have been preliminarily verified by market customers, and realize batch supply of standard EFI system and small batch sales of α/N EFI system.	Cultivate new products such as EFI system and oil pump, and promote scale growth.	Improve profitability.

Company's research and development personnel situation

	2021	2020	Increase /decrease
Number of Research and Development persons (persons)	70	68	2.94%
Proportion of Research and Development persons	8.83%	7.20%	1.63%
Academic structure of R&D personnel	—	—	—
Bachelor	50	48	4.17%
Master	2	2	0.00%
College	18	18	0.00%
Age composition of R&D personnel	—	—	—
Under 30 years old	17	18	-5.56%
30-40 years old	21	21	0.00%
Over 40 years old	32	29	10.34%

The Company's R & D investment situation

	2021	2020	Increase /decrease
Amount of Research and Development Investment (Yuan)	29,760,773.46	15,283,965.69	94.72%

Proportion of Research and Development Investment of Operation Revenue	4.38%	2.06%	2.32%
Amount of Research and Development Investment Capitalization (Yuan)	0.00	0.00	0.00%
Proportion of Capitalization Research and Development Investment of Research and Development Investment	0.00%	0.00%	0.00%

Reasons and influence of significant changes in R&D personnel composition of the Company

Applicable Not applicable

The Reason of the Prominent Change in Total Amount of Research and Development Input Occupying the Business Income Year on Year

Applicable Not applicable

According to the Company's scientific and technological R&D plan during the "14th Five-Year Plan" period, the Company will focus on strengthening the ecological chain of scientific and technological innovation, with key products and technological innovation ensured. First, accelerate the green transformation; Second, strengthen the research of key core technologies; Third, promote product technology upgrading; Fourth, strengthen project management. Therefore, the investment in R&D projects has been increased.

Reasons for the drastic change of capitalization rate of R&D investment and its rationality explanation

Applicable Not applicable

5.Cash Flow

In RMB

Items	2021	2020	Increase/Decrease(%)
Subtotal of cash inflow received from operation activities	603,828,235.81	541,548,254.98	11.50%
Subtotal of cash outflow received from operation activities	582,395,868.34	376,535,128.31	54.67%
Net cash flow arising from operating activities	21,432,367.47	165,013,126.67	-87.01%
Subtotal of cash inflow received from investing activities	1,609,454.58	61,457,531.55	-97.38%
Subtotal of cash outflow for investment activities	12,003,935.51	44,728,338.85	-73.16%
Net cash flow arising from investment activities	-10,394,480.93	16,729,192.70	-162.13%
Subtotal cash inflow received from financing activities	716,824,318.47	1,079,339,590.72	-33.59%
Subtotal cash outflow for financing activities	783,421,725.44	1,191,153,002.36	-34.23%
Net cash flow arising from financing activities	-66,597,406.97	-111,813,411.64	-40.44%
Net increase in cash and cash equivalents	-55,571,730.36	69,919,927.45	-179.48%

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

Applicable Not applicable

The decrease in net cash flow from operating activities is due to the adjustment of cash settlement mode of operating activities this year and the year-on-year increase in cash settlement.

The decrease in net cash flow from investment activities is due to the increase in net cash inflow from investment activities due to the merger of Pingshan Taikai in 2020.

The decrease of net cash flow from fund-raising activities is due to the adjustment of fund-raising structure and

scale.

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

Reasons for the significant difference between the net cash flow generated by the Company's operating activities during the reporting period and the net profit of this year

Applicable Not applicable

V. Main business analysis

Applicable Not applicable

In RMB

	Amount	Proportion in total profit	Explanation of cause	Sustainable (yes or no)
Investment income	15,770,549.70	-60.26%	The operating income of the Company's joint venture Jianshe HANON	Yes
Impairment of assets	17,064.89	-0.07%	The inventory depreciation reserve this year is reversed.	No
Non-operating income	319,658.55	-1.22%	It is mainly accounts payable that need not be paid, Changan Automobile Quality Contribution Award Car and safety penalty income.	No
Non-operating expenses	198.18	0.00%	Loss from retirement of fixed assets.	No
Credit impairment losses	-318,331.09	1.22%	Provision for bad debts made this year.	No

VI. Condition of Asset and Liabilities

1. Condition of Asset Causing Significant Change

In RMB

	End of 2021		End of 2020		Proportion increase/decrease	Notes to the significant change
	Amount	Proportion in the total assets(%)	Amount	Proportion in the total assets(%)		
Monetary fund	91,678,523.19	8.80%	159,343,241.47	13.43%	-4.63%	
Accounts receivable	149,333,285.64	14.34%	221,386,452.90	18.66%	-4.32%	
Inventories	206,719,605.79	19.85%	169,145,986.78	14.25%	5.60%	
Investment real estate			23,043,398.52	1.94%	-1.94%	
Long-term equity	201,984,268.72	19.40%	186,213,719.02	15.69%	3.71%	

investment						
Fixed assets	216,541,481.98	20.79%	310,131,438.69	26.13%	-5.34%	
Construction in process	1,811,125.46	0.17%	1,871,241.59	0.16%	0.01%	
Short-term loans	493,460,000.00	47.39%	553,910,000.00	46.68%	0.71%	
Contract liabilities	2,868,604.98	0.28%	1,479,711.62	0.12%	0.16%	

Overseas assets account for a relatively high proportion.

Applicable Not applicable

2. Asset and Liabilities Measured by Fair Value

Applicable Not applicable

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

Items	End of Book value	Reason
Monetary fund	67,940,000.00	Bank acceptance bill security deposit, Fixed deposit
Financing receivable	17,010,000.00	Pledge
Total	84,950,000.00	

VII. Investment situation

1. General

Applicable Not applicable

Investments made in the Reporting Period (\Yuan)	Investments made in the prior year (Yuan)	Increase/Decrease(%)
16,378,700.00	11,991,820.54	36.58%

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

Applicable Not applicable

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

Applicable Not applicable

In RMB

Project name	Investment method	Fixed investment or not	Industry involved in investment projects	Investment amount in this reporting period	Accrued Actual Investment Amount up to the	Capital Source	Project schedule	Anticipated income	Accrued Realized Income up to the End of Reportin	Reasons for not Reaching the Planned Schedule	Disclosure date	Disclosure Index
--------------	-------------------	-------------------------	--	--	--	----------------	------------------	--------------------	---	---	-----------------	------------------

					End of Reporting Period				g Period	and Anticipated Income		
Construction project of dynamic and static disk production line of electric compressor	Self-built	Yes	Automotive air conditioner compressor industry	7,087,000.00	7,087,000.00	Self funds	91.00%	0.00	0.00	Equipment tendering has been completed and main equipment has arrived	January 19, 2021	See on www.cninfo.com.cn company announcement on Announcement No. 2021-001
36CC scroll electric compressor assembly line construction project	Self-built	Yes	Automotive air conditioner compressor industry	125,000.00	125,000.00	Self funds	0.70%	0.00	0.00	Equipment tendering has completed and production line contract has been concluded	August 28, 2021	See on www.cninfo.com.cn company announcement on Announcement No. 2021-049
Electric compressor experiment ability improvement project	Self-built	Yes	Automotive air conditioner compressor industry	1,227,000.00	1,227,000.00	Self funds	16.00%	0.00	0.00	Equipment tendering has completed and contract has been concluded	August 28, 2021	See on www.cninfo.com.cn company announcement on Announcement No. 2021-049
Total	--	--	--	8,439,000.00	8,439,000.00	--	--	0.00	0.00	--	--	--

4. Investment of Financial Asset

(1) Securities investment

Applicable Not applicable

No such cases in the Reporting Period

(2) Investment in Derivatives

Applicable Not applicable

No such cases in the Reporting Period

5. Application of the raised capital

Applicable Not applicable

No such cases in the Reporting Period

VIII. Sales of major assets and equity

1. Situation of Significant Asset Sale

Applicable Not applicable

No such cases in the Reporting Period

2. Sales of major equity

Applicable Not applicable

IX. Analysis of the Main Share Holding Companies and Share Participating Companies

Applicable Not applicable

Situation of Main Subsidiaries and the Joint-stock Company with over 10% net profit influencing to the Company

In RMB

Company Name	Company type	Sectors engaged in	Registered capital	Total assets	Net assets	Turnover	Operating profit	Net Profit
Air Conditioner Co.	Subsidiaries	Production and sales of automotive air conditioners	160000000	941,787,258.83	260,010,011.87	637,153,193.27	869,524.39	978,166.39
Pingshan Taikai	Shareholding company	Production and sales of motorcycles and parts	USD 10 million	96,785,634.53	77,201,117.26	52,199,647.78	110,916.40	-59,095.87
Jianshe HANON	Shareholding company	Production and sales of Automobile Thermal	420000000	576,638,679.08	400,851,818.65	306,636,095.98	31,573,273.58	31,541,099.39

		Energy Management system						
--	--	--------------------------	--	--	--	--	--	--

Acquirement and disposal of subsidiaries in the Reporting period

Applicable Not applicable

Note

The wholly-owned subsidiary Automotive Air Conditioning is mainly engaged in the production and sales of fixed-displacement compressors for automotive air conditioners. With the increase of market share of new energy vehicles, the fixed-displacement compressor market has further declined. In 2021, 1.731 million air-conditioning compressors were sold, with a year-on-year decrease of 6.96%, and the operating income was RMB 637.15 million, with a year-on-year decrease of 8.80%.

The wholly-owned subsidiary Pingshan Taikai is mainly engaged in the production and sales of carburetor and parts for engines. In 2021, it made an effective breakthrough in the development and marketing of new products, achieving a sales of 288,600 carburetors, 229,600 EFI and parts, and 439,900 auto parts, with a year-on-year increase of 9.6%, 71.3% and 10% respectively, and achieving an operating income of RMB 52.2 million, with a year-on-year increase of 31.96%.

The joint venture Jianshe HANON is mainly engaged in the production and sales of variable displacement compressors. With the increasing market share of automobile new energy, it sold 534,000 variable displacement compressors in the whole year, with a year-on-year increase of 35.34%, achieving an operating income of RMB 306.64 million, with a year-on-year increase of 32.05%.

X. Structured vehicle controlled by the Company

Applicable Not applicable

XI. Prospect for future development of the Company

(I) Overall development trend of the industry and opportunities and challenges faced by the Company

Domestically, as China entered a new stage of development, with economic structure transformed and new kinetic energy cultivated, innovation has become a new engine of economic development, green and low-carbon transformation provides new kinetic energy for medium and long-term development, and China's economy is striding towards high-quality development. However, faced with the triple pressures of demand contraction, supply shock and expected weakening that have not occurred for many years, the growth momentum of consumption and investment has weakened, and the production of enterprise is confronted with structural shortages, and cost and price increase.

In term of industry, the overall trend of automobiles is still on the rise. Electrification, intelligence, networking and sharing have become the development trend. The industrial ecology is facing remodeling and the competition pattern is continuously adjusted. The explosive growth and accelerated penetration of new energy vehicles provide a historical opportunity for the Company to "overtake".

In terms of the Company itself, it is still facing great development pressure and many difficulties. First, the scale benefit of the Company is not high; Second, new energy products have not yet formed a scale, and their competitiveness is not strong; Third, key core technologies still need to be tackled vigorously, and the speed of product innovation needs to be further accelerated; Fourth, with imperfect talent team structure and insufficient high-end leading talents, it is an arduous task to promote the Company's high-quality development.

(II) Company development strategy

In 2021, the Company researched and formulated its "136" strategy and compiled the "14th Five-Year Plan". With the vision of "building a first-class scientific and technological innovative enterprise with international competitiveness", focusing on "leading by science and technology, driven by innovation", and aiming at "doubling the scale, benefit and efficiency", it vigorously implemented "deepening reform and adjustment, leading the development of compressors, innovating and developing thermal management systems, changing and developing spare parts, and strengthening party building". It defined the overall orientation of "focusing on the development of 3 businesses, namely thermal management system, compressor and spare parts, focusing on the layout and industrialization of a full range of products of thermal management system and compressor for new energy vehicles, and realizing industrial upgrading and development". (See the "14th Five-Year Plan of the Company" in the *2020 Annual Report* for details)

(III) Company's production and operation arrangement in 2022

In 2022, it will strive to achieve a sales of 2 million sets of automobile air-conditioning compressors, with a sales income of RMB 682 million. In order to achieve the annual goal, it will focus on the following aspects in 2022:

1. Accelerate the high-quality development of the industry, and strive to improve economies of scale.

First, steady progress in fixed-displacement compressors. Adhere to the traditional basic disk, explore the stock for increment, continuously optimize the management mode of key customers, and stabilize the supporting pattern of core key customers; strengthen front-end sales, comprehensively monitor and maintain mass production projects, research projects and dual-track projects, continuously tap the potential of projects, shares and opportunities, stick to the matching share of mass production projects, ensure the smooth mass production of research projects, and strive to expand the share of dual-track projects; focus on expanding the commercial vehicle market and strive for new customers and new projects; expand overseas markets on a large scale, actively promote the gradient transfer of the Company's production lines, innovate the supply mechanism of foreign trade market, and constantly optimize the market layout at home and abroad; strengthen offline market expansion, enrich product categories, expand dealer agency authority, optimize dealer incentive mechanism, and promote sales volume.

Second, key breakthrough of electric compressor. Make full use of "building" brand image, market reputation and customer resources, comprehensively apply differentiated marketing strategies, and take 18CC, 27CC and 36CC electric compressors as carriers to increase the market share of new energy.

Third, the development of spare parts to "specialization and innovation". Based on the existing products, Pingshan Taikai will well ensure exporting carburetor market, enlarge and strengthen throttle body assembly, accelerate the promotion of FI system and parts integration, accelerate the mass sales of fuel pumps, and promote the scale growth; establish the calibration capability of EFI system, continue to promote the integrated sales of standard version and α/N EFI system, form an EFI system with PTK brand influence, and improve profitability. Based on the components of automotive air-conditioning compressor, Casting Machine Division will continuously improve the technological level, fully utilize the product manufacturing capacity, continuously optimize the product structure, continuously enhance the product competitiveness, and gradually move towards high-end product processing.

Fourth, better and stronger variable displacement compressors. Consolidate the project and sales capacity building of Jianshe HANON, fully utilize the advantages of advanced manufacturing and advanced quality management, actively optimize and improve costs through scale quantity, local parts, management improvement, VAVE improvement, etc., continuously improve product cost performance and enhance product competitiveness. Fully rely on the wholesale-retail coordination mechanism to speed up the project expansion in the system, actively rely on the Company's existing customer resources, increase the market expansion outside the system, and strive to

achieve sales of more than 600,000 units.

2. Accelerate scientific and technological innovation, and strive to improve development capacity

First, focus on strengthening the ecological chain construction of scientific and technological innovation. Strengthen the construction of Automotive Thermal Management Research Institute, optimize the organizational structure and business structure of scientific and technological innovation, and actively build a full life cycle R&D management system. Fully utilize the role of innovation platforms such as enterprise technology centers, key laboratories, engineering technology research centers, etc., continuously improve the capabilities of basic technology research, experimental testing technology research, engineering technology, market application technology, etc., and continuously optimize the ecological chain of scientific and technological innovation. Build an industry-university-research ecosystem with enterprises as the main body, take independent research and development as the core, promote cooperation and co-construction with universities and enterprises, and build an open ecosystem of scientific and technological innovation.

Second, well ensure key products and technological innovation. Accelerate the green transformation, consolidate the existing electric compressor technology platform, accelerate the market application of 36CC, and complete the design verification of 36CC air-supplying enthalpy-adding compressor; carry out platform development of 45CC electric compressor, complete design finalization and realize engineering; continue to promote the research and development of heat pump air conditioning system and gradually build a new technology platform. Strengthen the research of key core technologies, carry out special research on dynamic and static disks, driving motors, controllers, etc., and improve self-control ability. Promote product technology upgrade, continue to carry out basic technology research of fixed-displacement compressor, and continue to promote optimization and upgrade of α/N and standard EFI system.

Third, improve the system and mechanism of scientific and technological innovation. Actively implement the incentive policy and optimize the construction of scientific and technological innovation evaluation system. Strengthen the system construction and fully stimulate the innovation vitality. Optimize science and technology project management, gradually implement the strong matrix project management organization mode, and establish a demand-oriented and problem-oriented project mechanism.

3. Speed up benchmarking and focus on improving management efficiency

Deepen the actions to improve the quality of economic operation. Carry out the special action of improving quality and efficiency in 2022, continuously promote the cost reduction of spare parts, non-spare parts, controllable expenses and VE projects, stabilize the gross profit level of traditional compressors, improve the gross profit level of electric compressors, and ensure that the increase of the two funds is not higher than the increase of income.

Deepen technical management. Complete the self-made production line of electric compressor core components and the construction of 36CC or above assembly line, strengthen the engineering capacity building and control of the whole manufacturing chain of electric compressor, continuously optimize and improve the engineering capacity of traditional compressor, strengthen the whole process technology and quality improvement, and consolidate the management foundation.

Deepen quality management. Promote the continuous integration of quality systems and build a "1+N" quality management system model in line with the Company's development; continue to optimize the quality cost, improve the management weaknesses such as appraisal cost, prevention cost, internal loss cost and external loss cost, and reduce the quality cost rate by 0.4 percentage points year on year to within 1.8%; carry out continuous quality improvement activities, promote design optimization, process engineering optimization, and process capability CPK improvement, and control the internal quality loss rate within 0.18% and zero-kilometer failure rate below 8 PPM.

Deepen lean management. Carry out special tasks of lean production, promote the deep integration of lean indicators and KPI, build a standard workplace, and promote the promotion of "three forces", with lean indicators optimized by 5%, lean five-star teams reaching more than 20%, four-star teams reaching more than 40%, the Company's Production Department 6S reaching the silver medal level, and functional offices reaching the bronze medal level; accelerate the digital transformation, continuously promote the intelligent transformation and upgrading of production lines, and build the 36CC production line into an automatic, intelligent and information-based benchmark demonstration production line.

Deepen supply chain management. Optimize the traditional product procurement system, focus on building an electric compressor supply chain, promote supplier quality capability certification (QJS), and promote continuous improvement of suppliers.

Deepen the promotion of benchmarking first-class management. Promote the implementation of 82 work initiatives in 15 benchmarking areas in benchmarking management promotion action list, build 1-2 benchmarking models and benchmarking projects in various business areas of the Company, and promote the overall improvement of 12 indicators such as operating profit growth rate, gross profit margin, total labor productivity, zero-kilometer failure rate and R&D investment intensity.

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

XII.Particulars about researches, visits and interviews received in this reporting period

√ Applicable □ Not applicable

Reception time	Place of reception	Way of reception	Types of visitors received	Visitors received	Main contents discussed and information provided	Index of Basic Information on the Investigation and Survey
March 1,2021	The Company	By phone	Individual	Mr.Chen	Q: The Company's stock fluctuated obviously in February. What was the reason? A: The Company released its annual performance forecast on January 22, and its performance turned a profit, but its net profit was negative	Register of visitors for investors of the company

					<p>after deducting non-recurring profits. For details, please refer to the Company's <i>2020 Annual Performance Forecast</i>. Currently, the Company has no other undisclosed information that should be disclosed.</p>	
May 14,2021	The Company	Other	Individual	Medium and Small shareholders	<p>After the disclosure of the Company's annual report, the Company held a performance presentation meeting in 2020, and communicated with investors in a remote way through the internet, explaining and describing the Company's development strategy, production and operation, financial situation and other issues that investors are concerned about.</p>	<p>For the communication content of the performance presentation, please refer to the investor relations management files of Shenzhen Stock Exchange Interactive Easy on May 14,2021</p>

September 1,2021	The Company	By phone	Individual	Mr.Ding	Q: Have the controlling shareholders implemented the B-to-A plan for the Company? A: The Company is not aware of the controlling shareholder's B-to-A plan of the Company.	Register of visitors for investors of the company
September 17,2021	Company joint venture Jianshe HANON	Field research	Organization	Blackbody assets, Bosong Assets, Kaipule Assets, Great wall Guorui Securities, Jingcheng Assets, Hengdao Investment, Ruida Futures, Zhangying Investment , Zhongqian Investment, Tebon Securities,, Baiyi Investment, Secutities Times,Chance Bao	1. It visited the production site of Han'ang, and listened to the introduction to robot production process and product. 2. It consulted the investment, construction and operation of Jianshe Han'ang. Based on the data disclosed in its 2020 annual report, the Company introduced relevant information.	Register of visitors for investors of the company
September 27,2021	The Company	By phone	Individual	Mr.Zhang	Q: What is the relationship between Jianshe Industry and Jianche B? A: At the beginning of the listing of Jianche B, Jianshe Industry was the parent	Register of visitors for investors of the company

					company of the Company and one of the founders of the Company. It was the controlling shareholder of the Company from 1995 to 2005. In 2005, it transferred its controlling stake to China South Industries Group. At present, the Company and the Jianshe Industry are both controlled by China South Industries Group, and are related parties.	
November 19,2021	The Company	By phone	Individual	Mr.Xu	Q: The Company publicly listed and transferred assets such as the 106 factory building in Chongqing United Equity Exchange. Has it been delisted? A: Up to now, the intended transferee has not been collected for this project.	Register of visitors for investors of the company

IV. Corporate Governance

I. Basic state of corporate governance

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

Does there exist any difference in compliance with the corporate governance , the PRC Company Law and the relevant provisions of CSRC,

Yes No

There exist no difference in compliance with the corporate governance , the PRC Company Law and the relevant provisions of CSRC.

II. Independence and Completeness in business, personnel , assets, organization and finance

The Company is completely separate from the holding shareholder in aspects of business, asset, finance, and organization. It has its independent business operation.

1. Business: The Company has independent and complete development, purchase, production and marketing system. The Company is capable to perform business operation independently.
2. Personnel: The Company established independent functional department responsible for labor, personnel and wage management and formed labor, personnel and wage management system.
3. Asset: The Company's assets are independent and complete. The assets are registered, booked, accounted, and administrated independently.
4. Organization: The Company has established an organizational structure that is independent of its controlling shareholder. The organs of the Company are able to exercise their functions independently.
5. Finance: The Company has set up independent finance department, formed independent financial accounting system, established and perfected financial control system and internal control measures, opened independent bank accounts and paid taxes independently.

III. Competition situations of the industry

Applicable Not Applicable

IV. Annual General Meeting and Extraordinary Shareholders' Meetings in the Reportin

1. Annual General Meeting

Sessions	Type	Investor participation ratio	Meeting Date	Disclosure date	Disclosure index
The First	Extraordinary	74.45%	February 3,2021	February 4,2021	It was reviewed and

<p>Extraordinary shareholders' General meeting in 2021</p>	<p>shareholders' General meeting</p>				<p>approved: 1. Proposal on 2021 Annual Investment Plan. 2. Proposal on the 2021 Annual Financing Plan of Chongqing Jianshe Vehicle Air Conditioning Co., Ltd., a wholly-owned subsidiary. 3. Proposal on Estimated Daily Related Party Transactions in 2021. 4. Proposal on Estimated External Guarantee in 2021. 5. Proposal on Provision for Asset Impairment in 2020. 6. Proposal on Adding Mr. Fan Aijun as the Director of the Ninth Board of Directors.</p>
<p>2020 Shareholders' general meeting</p>	<p>Annual General Meeting</p>	<p>74.49%</p>	<p>May 28,2021</p>	<p>May 29,2021</p>	<p>It was reviewed and approved:1. The Work Report of the Board of Directors for 2020.2. The Work Report of Supervisors committee 2020.3. Annual Report for 2020 and its summary.4. Profit distribution plan for 2020.5. Proposal for Hiring the Annual Financial Report Audit Agency of 2021. 6. Proposal on Adding Mr. Fan</p>

						Aijun as the Director of the Ninth Board of Directors.
The Second Extraordinary shareholders' General meeting in 2020	Extraordinary shareholders' General meeting	74.45%	October 26,2021	October 27,2021		It was reviewed and approved:1. Proposal on Publicly Listing of Transfer of Plant and Land Assets. 2.Proposal on Authorizing the Board of Directors to Handle All Matters Related to Listing of Transfer of Plant and Land Assets.

2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

Applicable Not applicable

V. Information about Directors, Supervisors and Senior Executives

1.Basic situation

Name	Positions	Office status	Sex	Age	Starting date of tenure	Expiry date of tenure	Shares held at the year-begin(share)	Amount of shares increased at the reporting period(share)	Amount of shares decreased at the reporting period(share)	Other changes increase/decrease	Shares held at the year-end (share)	Reason
Yan Xuechuan	Chairman	In office	Male	58	November 13,2020	May 31,2023	0	0	0	0	0	Not applicable
Fan Aijun	Director	In office	Male	50	February 3,2021	May 31,2023	0	0	0	0	0	Not applicable
Dong Qihong	Director	In office	Male	57	April 11,2019	May 31,2023	0	0	0	0	0	Not applicable
Shi Qingong	Director	In office	Male	49	May 28,2021	May 31,2023	0	0	0	0	0	Not applicable

Zhou Yongqiang	Director	In office	Male	49	May 25,2016	May 31,2023	0	0	0	0	0	0	Not applicable
Hao Lin	Director	In office	Male	58	April 29,2008	May 31,2023	0	0	0	0	0	0	Not applicable
Li Jiaming	Independent Director	In office	Male	56	May 22,2020	May 31,2023	0	0	0	0	0	0	Not applicable
Xie Fei	Independent Director	In office	Male	57	May 22,2020	May 31,2023	0	0	0	0	0	0	Not applicable
Song Weiwei	Independent Director	In office	Female	46	May 22,2020	May 31,2023	0	0	0	0	0	0	Not applicable
Liu Wei	Independent Director	In office	Male	57	May 22,2020	May 31,2023	0	0	0	0	0	0	Not applicable
Yu Jing	Employee supervisor	Dismission	Male	50	March 20,2019	November 22,2021	0	0	0	0	0	0	Not applicable
Zhang Di	Director	Dismission	Male	42	April 11,2019	April 28,2021	0	0	0	0	0	0	Not applicable
Lu Xianyun	Chairman of the supervisory committee	In office	Male	57	November 27,2020	May 31,2023	0	0	0	0	0	0	Not applicable
Zhang Lungang	Supervisor	In office	Male	54	April 11,2019	May 31,2023	0	0	0	0	0	0	Not applicable
Qiao Guoan	Supervisor	In office	Male	57	April 11,2019	May 31,2023	0	0	0	0	0	0	Not applicable
Liao Jian	Employee supervisor	In office	Male	50	March 3,2021	May 31,2023	0	0	0	0	0	0	Not applicable

Su Qiang	Employee supervisor	In office	Male	35	November 29, 2021	May 31, 2023	0	0	0	0	0	0	Not applicable
Li Yongjian	Employee supervisor	Dismission	Male	40	March 20, 2019	November 29, 2021	0	0	0	0	0	0	Not applicable
Rao Song	Employee supervisor	Dismission	Male	56	March 20, 2019	March 3, 2021	0	0	0	0	0	0	Not applicable
Fan Aijun	GM	In office	Male	50	January 18, 2021	May 31, 2023	0	0	0	0	0	0	Not applicable
Yu Wenbiao	Deputy GM	In office	Male	55	March 25, 2019	May 31, 2023	0	0	0	0	0	0	Not applicable
Tan Mingxian	Chief accountant	In office	Male	48	March 25, 2019	May 31, 2023	0	0	0	0	0	0	Not applicable
Li Yongjian	Deputy GM	In office	Male	40	December 5, 2021	May 31, 2023	0	0	0	0	0	0	Not applicable
Fan Aijun	Deputy GM	Dismission	Male	50	March 25, 2019	January 18, 2021	0	0	0	0	0	0	Not applicable
Zhang Hushan	Secretary of the Board	In office	Male	34	May 17, 2018	May 31, 2023	0	0	0	0	0	0	Not applicable
Total	--	--	--	--	--	--	0	0	0	0	0	0	--

During the reporting period, whether there is dismissal of directors and supervisors and decruitment of senior executives

Yes No

During the reporting period, The company has the resignation of directors and supervisors and the dismissal of Senior executives personnel during their term of office. For details, please refer to the following "Changes in the company's directors, supervisors and senior management personnel"

II.Changes of directors, supervisors and senior executives

Applicable Not applicable

Name	Positions	Types	Date	Reason
------	-----------	-------	------	--------

Fan Aijun	Deputy GM	Dismiss	January 18,2021	Job adjustment.
Fan Aijun	GM	Appointed	January 18,2021	On January 18, 2021, he was appointed as the General Manager by the Sixth Meeting of the Ninth Board of Directors of the Company.
Fan Aijun	Director	Elected	February 3,2021	On February 3, 2021, he was elected as a director by the Company's First Provisional General Meeting of Shareholders in 2021.
Zhang Di	Director	Dismission	April 28,2021	Due to work change, he resigned as a director of the Ninth Board of Directors on April 28, 2021.
Shi Qingong	Director	Elected	May 28,2021	On May 28, 2021, he was elected as a director by the Company's 2020 Annual General Meeting of Shareholders.
Rao Song	Employee supervisor	Appointed	March 3,2021	Due to work change, On March 3,2021, it was decided at the leader meeting of the Company's employee delegation that he would no longer serve as the employee supervisor of the Ninth Board of Supervisors.
Liao Jian	Employee supervisor	Elected	March 3,2021	On March 3, 2021, he was elected as the employee supervisor by the leader meeting of the Company's employee delegation.
Yu Jiang	Employee Director	Dismission	November 22,2021	Due to work change, On November 22,2021, it was decided at the leader meeting of the Company's employee delegation that he would no longer serve as the employee director of the Ninth Board of directors
Su Qiang	Employee supervisor	Elected	November 29,2021	On November 29, 2021, he was elected as the employee supervisor by the leader meeting of the Company's employee delegation.
Li Yongjiang	Employee supervisor	Appointed	November 29,2021	Due to work change, On November 29,2021, it was decided at the leader meeting of the Company's employee delegation that he would no longer serve as the employee supervisor of the Ninth Board of Supervisors.
Li Yongjiang	Deputy GM	Appointed	December 5,2021	On December 5, 2021, he was appointed as Deputy General Manager by the Eleventh Meeting of the Ninth Board of Directors of the Company.

III. Status of service

Working experiences of current directors, supervisors, and executives

Situation by the end of 2021:

Mr. Yan Xuechuan, male, was born in September 1963, MBA, senior economist. He had served as deputy chief economist and director of the business plan department of 5618 factory; served as deputy director and deputy secretary of the party committee, secretary of the disciplinary committee, secretary of the party committee of 5618

factory; he was the director and party secretary of Hunan Huanan Optoelectronics (Group) Co., Ltd.; served as Standing member of Dandong Municipal Committee of Liaoning Province, Deputy Mayor (Temporarily held) of Dandong; served as director, party committee secretary, worker union chairman of the Company; he had served as Director, Party Committee Secretary, Disciplinary Committee Secretary, worker union Chairman and General Manager of Jianshe Mechanical and Electric. Currently, he serves as Chairman and party committee of the company of the Company.

Fan Aijun, male, was born in July 1971, postgraduate degree of business management, engineer. He had served as workshop technician, office secretary, deputy director of general administration, and deputy chief of staff of Construction Group; he had served as vice general manager of Pan India Construction Co., Ltd, section chief of overseas business section of Chongqing Jianya, deputy chief, and section chief of matching section, and section chief of matching section of automobile division of the company; he had served as vice general manager, and general manager of automotive air-conditioner compressor division, and he had served as vice general manager of the company; currently, he serves as deputy party secretary of Jianshe Mechanical and Electric Company, and he is the general manager, director and CFO of the company. Currently, he serves as General Manger of the Company.

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

Shi Gonggong, male, born in July 1972, master's degree in software engineering, Senior Accountant. He used to be the Leading Accountant of Accounting Section, Director of Enterprise Management Section, Director of Asset Management Department, Director of Investment and Financing Management Department and Deputy Director of Financial Settlement Center, Director of Financial Audit Department, Assistant to General Manager, Financial Director of Lida Optoelectronics Dongguan Xujin Optoelectronics Co., Ltd., Director, Chief Accountant, General Manager, Member and Deputy Secretary of the Party Committee of Hunan South China Optoelectronics Co., Ltd. He is currently the Director of Luoyang North, Jinan Qingqi and the Company.

Zhou Yongqiang, male, was born in December 1972, bachelor degree in engineering management, senior economist. He had served in China Jialing Group in posts of section chief of investment management section, section chief of Investment Planning Section, deputy director of investment management department, Assistant Minister of planning department and Assistant Minister of development department; General manager of Chongqing Jiufang Foundry Co.,Ltd; he had served as general manager assistant with concurrent post of minister of development planning, and deputy general manager of China Jialing Group, and minister of capital operation of Military Motorcycle. Currently, he serves as director of corporate development department of motorcycle division of Military Equipment Group, deputy chief economist and minister of development operation department of

Military Motorcycle, director of Luoyang North Enterprise Group, and director of the company.

Hao Lin, Male, born in 1963, Master. At present he's Chairman of Chongqing Tongkang Technologies Co., Ltd., and Director of the Company. He served as Director of the Company.

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

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

Liu Wei: Male, born in 1964, doctoral degree, professor title, former lecturer, associate professor, assistant dean of the first department of mechanical engineering of Chongqing University, he served as professor and deputy director of the research institute of the School of Mechanical Engineering of Chongqing University, once concurrently served as independent director in Chongqing Chang'an Automobile Co., Ltd. Co., Ltd, Chongqing Science and Technology Venture Capital Co., Ltd, Chongqing Jianfeng Chemical Co., Ltd, Chongqing Angel Investment Guidance Fund Co., Ltd, and Chongqing Zaisheng Technology Co., Ltd, and external director of Chongqing Iron and Steel (Group) Co., Ltd. Currently, he serves as professor, doctoral supervisor, deputy director of the research center, and department head of the School of Economics and Business Administration of Chongqing University, concurrently serving as independent director of Chongqing Mechanical and Electrical Co., Ltd., Chongqing Fuling Power Industry Co., Ltd, Chongqing Three Gorges Paint Co., Ltd., and Chongqing Zhengchuan Pharmaceutical Packaging Materials and the Company.

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

Lu Xianyun, male, Han nationality, was born in November 1964. He has a postgraduate degree in business administration and has the title of researcher-level senior engineer. He served as Minister of Manufacturing Department, Assistant to General Manager and Minister of Human Resources, and Deputy General Manager of Qingshan Plant, and once served as Deputy General Manager, Secretary of the Party Committee, Secretary of the Disciplinary Committee, Chairman of the Labor Union, and Director of Chongqing Qingshan Industrial Co., Ltd,

and he was Secretary of the Party Committee of, Secretary of the Commission for Discipline Inspection, Chairman of the Labor Union in Chongqing Qingshan Transmission Branch. Currently, he is a supervisor of Yunnan Xiyi and the chairman of the Company's board of supervisors.

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

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

Liao Jian, male, born in April 1971, college degree in accounting, Assistant Accountant. He used to be the Director of Accounting Office of Finance Department of Jianshe Group, Director of Securities Office of Asset Operation Department, Deputy Director, Deputy Director and Director of Finance Department of Jianmo B, Deputy General Manager (concurrently) of Vehicle Air Conditioning, Director of Jianshe Electromechanical Finance Department, Executive and Deputy General Manager of Pingshan Taikai, and Deputy Director (presiding) of Audit Risk Department of Jianche B. He is currently the Director of Audit Risk Department and Employee Supervisor of the Company.

Su Qiang, male, born in November 1986, graduated from North University of China, majoring in Mechanical and Electronic Engineering, Political Engineer. He used to be the Technician in the Casting Room of the Company's Equipment Preservation Section, participating in post-job training in Chongqing Municipal Committee of the Communist Youth League, Communist Youth League officer and organization officer in the Party-mass Work Department of the Company, Marketing Planner and Engine Salesman in the Joint Venture Business Department of the Company, and Deputy Head of the Purchase Management Division in the Production Management Department of Zhuzhou Jianshe Yamaha Motorcycle Co., Ltd. He is currently the Deputy Secretary of the Communist Youth League Committee, the Deputy Secretary of the Party Branch and the Deputy Director of the Party-mass Work Department.

Yu Wenbiao, male, was born in November 1966, bachelor's degree in automatic machinery, senior engineer title of researcher. He used to be Former Deputy Director of Workshop 61 of Construction Group, Deputy Division Chief of Quality Assurance Division of Firearms Company, Deputy Director of Firearms Research Institute, Deputy Minister of Development Planning Department, Director of Beijing Office, Director of Economic Operation Department of Development Planning Department, Deputy Minister of Development Planning Department (Hosting), Minister of Development Planning Department, Minister of Joint Venture Cooperation Management

Department, Assistant General Manager, Minister of Asset Operation Department; Secretary of the Board of Directors of Jianmo B; Deputy General Manager of Zhuzhou Jianya; Deputy General Manager, Member of the Party Committee of Jianmo B; Deputy General Manager, Party Committee Member; and Company Director of Jianshe Mechanical and Electric . Currently, he is the Deputy General Manager of the Company.

Mr. Tan Mingxian, male, was born in May 1973, bachelor degree in accounting, senior accountant, Chinese Certified Tax Agent, Certified Management Accountant (CMA). He had served as Supervisor, Deputy Minister and Minister of Finance Department of Chongqing Wangjiang Industrial Co., Ltd.; served as Chief Accountant of Sichuan Xiguang Industrial Group Co., Ltd; severed as Deputy Minister of Finance Department of Chongqing Chang'an Industrial Group Co., Ltd.; severed as Deputy Chief Accountant of Chongqing Wangjiang Industrial Co., Ltd; he was a supervisor of supervisory board of China Jialing, Jianmo B, Jinan Qingqi, and Luoyang North; he had served as Office Director of Southern Motorcycle Supervisory Affairs Office; severed as Chief Financial Officer of Chongqing Southern Motorcycle Technology R&D Co., Ltd. Currently, he is the chief accountant of Construction Electromechanical; he is a director of the Company. he served as Chief accountant of the Company.

Li Yongjiang, male, was born in November 1981, holding bachelor degree in mechanical engineering and automation and the senior engineer title. He used to be Deputy Section Chief of the Engine Group of Construction Group; Chief of Workshop Room 54, Deputy Chief of Machine Shop of Manufacturing Department, Director of Precision Management Office of Jianmo B Engine Business Department; Practice Section Chief of Chongqing Jianya casting section; Deputy Director of the Jianmo B press welding workshop; Deputy Minister of the production management department; Deputy Minister of the construction machinery manufacturing management department; Deputy Division Chief of the manufacturing department of Chang'an Automobile Yubei Factory (Concurrent Post). He is currently the Vice Chairman of the Company's worker union, Minister of the party and mass work department, and Employee Supervisor. he served as Deputy General Manager of the Company.

Mr. Zhang Hushan, male, was born in August 1987, bachelor degree, political engineer title. He had served as the operation administrator in the company's business planning department and secretary of the league branch of the business cooperation group (during the period of 2011.08~2013.02, worked in the capital operation department of China South Industries Group Corporation); served as the general affairs officer of the company office, and he was the member of the Youth League Committee and the secretary of the league branch of the second group; he had severed as deputy minister of the Business Planning Department and deputy minister of the Automotive Air Conditioning Business Planning Department. Currently, he is the deputy minister of the company's business planning department (the secretary-general office) and the deputy director of the secretary-general office; and he is the secretary of the Board of the Company.

Office taking in shareholder companies

√Applicable □Not applicable

Names of the persons in office	Names of the shareholders	Titles engaged in the shareholders	Sharing date of office term	Expiry date of office term	Does he /she receive remuneration or allowance from the shareholder
Dong Qihong	Luoyang North	Director	October		Yes

			10,2018		
Dong Qihong	Jinan Qingqi	Director	December 3,2018		Yes
Dong Qihong	Dajiang Industrial	Director	November 29,2021		Yes
Shi Qingong	Luoyang North	Director	April 16,2021		Yes
Shi Qingong	Jinan Qingqi	Director	April 6,2021		Yes
Zhou Yongqiang	Southern Group Southwest Region Motorcycle Feform and Development Dept	Director of the Enterprise Development Department	July 1,2013		Yes
Zhou Yongqiang	Jinan Qingqi	Director	April 7,2016	April 6,2021	Yes
Zhou Yongqiang	Luoyang North	Director	April 7,2016		Yes
Zhang Lungang	Jianshe Industry	Chairman of the board of supervisors	November 6,2017		Yes
Zhang Lungang	Yunnan Xiyi Industry Co., Ltd.	Supervisor	November 6,2017		Yes
Qiao Guoan	Jianshe Industry	Supervisor	January 3,2018		Yes
Lu Xianyun	Yunnan Xiyi	Supervisor	November 10,2020		Yes

Offices taken in other organizations

√Applicable □Not applicable

Names	Name of the parties	Positions	Job started	Job ended	Take remunerations from the party
Hao Lin	Chongqing Tongkang Technology Co., Ltd.	Chairman	July 1,1999		Yes
Li Jiaming	Chongqing University Assets Management Co., Ltd.	Chairman	July 1,2019	September 23,2021	Yes
Li Jiaming	Chongqing University Assets Management Co., Ltd.	GM	November 21,2021		Yes
Xie Fei	Chongqing University of Technology School of Economics and Finance	Professor, President	January 4,2016		Yes
Liu Wei	Chongqing University of School of Economics and Business Administration	Director, Department of Enterprise Mangement, Ph.D	April 2,2001		Yes

Song Weiwei	Accounting School of CQUT	Professor	July 3,2000		Yes
-------------	---------------------------	-----------	-------------	--	-----

Punishments to the current and leaving board directors, supervisors and senior managers during the report period by securities regulators in the recent three years

Applicable Not applicable

IV. Remuneration to directors, supervisors and senior executives

Decision-making procedures, basis for determination and actual payment of the remuneration to directors , supervisors and senior executives

The Board of Directors follows the market rules and reflects the characteristics of enterprise, and implements an annual salary system for the members of the managers, which consists of basic annual salary and performance annual salary. By signing employment contracts and performance contracts, stipulating responsibilities, rights and obligations, conducting strict employment management and objective assessment, and smoothing the exit mechanism, it will build a professional and specialized management team.

During the implementation, the Board of Directors decides the salary structure and level of managers in accordance with the Salary Management Measures and the Performance Management Measures. The basic annual salary is the annual basic income, which is mainly determined according to the relative value of the positions of managers, the responsibilities and risks they undertake, work experience, ability to hold positions and other factors. The annual salary of performance is the annual floating income, which is linked to the annual performance assessment results, reflects the situation of managers' completion of the annual business plan and objectives, and is determined according to the completion of the Company's main financial indexes and individual performance assessment results.

Remuneration of directors, supervisors, and executives in the report period

In (RMB '0,000)

Name	Positions	Sex	Age	Office status	Total remuneration received from the shareholder	Remuneration actually receives at the end of the reporting period
Yan Xuechuan	Chairman	Male	58	In office	41.05	No
Fan Aijun	Director, GM	Male	50	In office	37.22	No
Dong Qihong	Director	Male	57	In office	12.9	Yes
Shi Qingong	Director	Male	49	In office	12.67	Yes
Zhou Yongqiang	Director	Male	49	In office	0	Yes
Hao Lin	Director	Male	58	In office	0	Yes
Li Jiaming	Independent Director	Male	56	In office	3.57	No
Xie Fei	Independent Director	Male	57	In office	3.57	No
Song Weiwei	Independent Director	Female	46	In office	3.57	No
Liu Wei	Independent	Male	57	In office	3.57	No

	Director					
Lu Xianyun	Chairman of the supervisory committee	Male	57	In office	28.91	Yes
Zhang Lungang	Supervisor	Male	54	In office	23.42	Yes
Qiao Guoan	Supervisor	Male	57	In office	23.51	Yes
Liao Jian	Employee Supervisor	Male	50	In office	23.62	No
Su Qiang	Employee Supervisor	Male	35	In office	20.7	No
Yu Wenbiao	Deputy GM	Male	55	In office	37.09	No
Tan Mingxian	Chief accountant	Male	48	In office	36.9	No
Li Yongjiang	Deputy GM	Male	40	In office	29.21	No
Zhang Hushan	Secretary of the Board	Male	34	In office	27.27	No
Yu Jiang	Employee director	Male	50	Dimission	31.28	No
Rao Song	Employee Supervisor	Male	56	Dimission	17.58	No
Zhang Di	Director	Male	42	Dimission	0	Yes
Total	--	--	--	--	417.61	--

VI. Performance of directors' duties during the reporting period

1. Information of the board meetings during the reporting period

Session	Convening date	Disclosure date	Meeting resolution
The 6th meeting of the Ninth Board of Directors	January 18,2021	January 19,2021	It was reviewed and approved: Proposal on 2021 Annual Investment Plan, Proposal on the 2021 Annual Financing Plan of Chongqing Jianshe Vehicle Air Conditioning Co., Ltd., a wholly-owned subsidiary, Proposal on Estimated Daily Related Party Transactions in 2021, Proposal on Estimated External Guarantee in 2021, Proposal on Provision for Asset Impairment in 2020, Proposal

			<p>on Overall Audit Strategy of Financial Statements in 2020, Proposal on Training Plan in 2021, Proposal on Nominating Mr. Fan Aijun as the Candidate of the Ninth Board of Directors, Proposal on Appointing Mr. Fan Aijun as General Manager, Proposal on Convening the First Extraordinary General Meeting of Shareholders in 2021</p>
<p>The 7th meeting of the Ninth Board of Directors</p>	<p>April 28, 2021</p>	<p>April 30, 2021</p>	<p>It was reviewed and approved: the Work Report of the Board of Directors for 2020, the Work Report of the General Manager for 2020, Annual Report 2020 and Summary, The dividend plan 2020, Evaluation Report on Internal Control in 2020, Summary Report on Corporate Audit of Accounting Firms in 2020 and Proposal on Renewing Financial Audit Institutions and Internal Control Audit Institutions in 2021, Risk Evaluation Report of Military Equipment Group Finance Co., Ltd., Proposal on the Outline of the 14th Five-Year Plan of the Company, Proposal on Adjusting Organizational Structure, Proposal on Amending the Measures for Comprehensive Risk Management, Proposal on Nominating Shi Qingong as a Candidate for the Director of the Ninth Board of Directors, Proposal on Adjusting the Remuneration and Appraisal Committee of the 9th Board of</p>

			Directors. The First quarter Report of 2020, <i>Proposal on Convening the General Meeting of Shareholders in 2021</i>
The 8th meeting of the Ninth Board of Directors	August 26,2021	August 28,2021	It was reviewed and approved: Proposal for semi-annual report 2021 and its summary, Report on Risk Assessment of Military Equipment Group Finance Co., Ltd., Proposal on Transferring Assets such as Plant and Land, Proposal on Adding Fixed Assets Investment Projects in 2021, Proposal on Adding Members of the Strategy Committee of the Ninth Board of Directors
The 9th meeting of the Ninth Board of Directors	October 9,2021	October 11,2021	It was reviewed and approved: Proposal on Public Listing of Transfer of Plant and Land Assets, Proposal on Requesting the General Meeting of Shareholders to Authorize the Board of Directors to Handle Matters Related to Listing of Transfer of Plant and Land Assets,. Notice on Holding 2021 second Extraordinary Shareholders' General Meeting
The 10th meeting of the Ninth Board of Directors	October 28,2021	October 30,2021	It was reviewed and approved: The Third quarter Report of 2021
The 11th meeting of the Ninth Board of Directors	December 5,2021	December 6,2021	It was reviewed and approved: Proposal on Adjusting the Transfer Price of Public Listing of Plant and Land Assets, Proposal on Formulating the Administrative Measures for Information Disclosure, Proposal on Amending the Administrative Measures for the

			Registration of Insider Information and Proposal on Appointing Mr. Li Yongjiang as the Deputy General Manager of the Company.
--	--	--	---

2. Attendance of directors at the board meetings and the general meeting of shareholders

Attendance of directors at the board meetings and the general meeting of shareholders							
Name of director	Number of board meetings attended during the reporting period	Number of board meetings attended in person	Number of board meetings attended by means of communication	Number of board meetings attended by proxy	Number of board meetings absent from	Whether to attend the board meeting in person twice in a row	General meetings of shareholders attended
Yan Xuechuan	6	4	2	0	0	No	3
Fan Aijun	5	3	2	0	0	No	2
Dong Qihong	6	4	2	0	0	No	3
Shi Qingong	4	2	2	0	0	No	2
Zhou Yongqiang	6	4	2	0	0	No	3
Hao Lin	6	3	1	1	1	Yes	3
Li Jiaming	6	4	2	0	0	No	3
Xie Fei	6	4	2	0	0	No	3
Song Weiwei	6	4	2	0	0	No	3
Liu Wei	6	4	2	0	0	No	3
Yu Jiang	5	2	1	2	0	No	2
Zhang Di	2	1	0	1	0	No	1

Explanation of failure to attend the board meeting in person twice in a row

Director Hao Lin was hospitalized due to illness. During her hospitalization, the company held two consecutive board meetings (ie: the ninth meeting of the ninth board of directors on October 9, 2021 and the tenth meeting of the ninth board of directors on October 28, 2021). meeting), so there were two consecutive failures to attend the board meeting in person.

3. Directors' objections to related matters of the Company

Whether the director raises any objection to the relevant matters of the Company

Yes No

During the reporting period, the directors did not raise any objection to the relevant matters of the Company.

4. Other descriptions of directors' performance of duties

Whether the directors' suggestions on the Company have been adopted

√ Yes □ No

The director's statement on whether the relevant suggestions of the Company have been adopted or not

In 2021, the Company's directors learned about the its production and operation through field visits, consulting the Company's information and listening to reporting, and paid attention to the development of the automobile industry, important customers, key suppliers, major competitors and other related situations. In their respective professional fields, they put forward professional opinions and management suggestions on its "14th Five-Year Plan", product structure adjustment and new product R&D direction. The management of the Company listened to and adopted the suggestions of the directors, and implemented them in specific work.

VII. Situation of special committees under the Board of Directors during the reporting period

Committee name	Member information	Number of meetings convened	Convening date	Meeting content	Put forward important opinions and suggestions	Other information of duty performance	Details of objections (if any)
Audit Committee	4: Chairman of the Committee: Song Weiwei, Member: Li Jiaming, Xie Fei, Dong Qihong	3	January 8, 2021	Audit of and Opinions on the 2020 Annual Financial Statements Prepared by the Company's Finance Department; Audit of and Opinions on the Overall Audit Strategy of the 2020 Annual Financial Statements Submitted by Zhongxing Caidi Certified Public Accountants (Special General Partnership); Audit of and Opinions on the Company's Estimated Daily Related	1. It is agreed to submit the 2020 annual accounting statement prepared by the Company's Finance Department to the accounting firm for preliminary review. 2. It is agreed to submit the overall audit strategy of the 2020 financial statements submitted by the accounting firm to the Board of Directors for consideration. 3. It is agreed to submit the <i>Proposal on Estimated</i>	During the preparation of the Company's annual report, actively participate in the training on the annual report and learn relevant laws and regulations; Negotiate with the accounting firm to determine the time schedule of the annual financial report audit, pay attention to the progress of the audit many times during the audit, and urge the accounting firm to submit the audit report	

				<p>Party Transactions in 2021; Audit of and Opinions on the Company's Provision for Asset Impairment in 2020.</p>	<p><i>Daily Related Party Transactions of the Company in 2021</i> to the Board of Directors for consideration.</p> <p>4. It is agreed to submit matters of the provision for asset impairment of RMB 12,641,100 in 2020 to the Board of Directors for deliberation.</p>	<p>within the agreed time limit.</p>	
			March 10,2021	<p>Review the 2021 Audit Plan of the Company and put forward opinions.</p>	<p>Propose to increase the content of audit informatization construction in terms of measures guarantee.</p>		
			April 8,2021	<p>Audit of the Company's 2020 Annual Accounting Statements and Notes, Audit of the 2020 Annual Internal Control Evaluation Report, Summary of the Company's Audit Work by Accounting Firms in 2020, Suggestions on</p>	<p>1. It is agreed to submit the 2020 annual audit report issued by Zhongxingcai Certified Public Accountants to the Board of Directors for consideration.</p> <p>2. It is agreed to submit the 2020 internal control evaluation report to the</p>		

				Whether the Company will Continue to Hire Zhongxingcai Guanghua Certified Public Accountants LLP and Pay Audit Fees in 2021, and Measures for Auditing the Company's Comprehensive Risk Management	Board of Directors for consideration. 3. It is suggested that Zhongxingcai Guanghua Certified Public Accountants LLP shall continue to be employed to audit the financial statements and internal control of the Company in 2021. It is suggested that the audit fee for financial statements should be RMB 450,000 and the audit fee for internal control should be RMB 150,000. 4. It is agreed to submit the <i>Company's Comprehensive Risk Management Measures</i> to the Board of Directors for consideration.		
Strategy Committee	4: Chairman of the Committee: Yan Xuechuan, Member: Shi		4 January 8,2021	Study and Opinions on the Company's 2021 Investment	It is agreed to submit the 2021 investment plan, 2021	Follow the changing trend of national industrial policies, study	

	<p>Qingong, Zhou Yongqiang, Liu Wei.</p>			<p>Plan, Study and Opinions on the Company's 2021 Financing Plan, Study and Opinions on the Company's 2021 Expected External Guarantee Items</p>	<p>financing plan and 2021 estimated external guarantee items to the Board of Directors for consideration.</p>	<p>the development trend of domestic and foreign markets and technologies, and pay attention to the development of major competitors.</p>	
			<p>April 8,2021</p>	<p>Discussion and Opinions on the Outline of the Company's "14th Five-Year Plan", Discussion and Opinions on the Overall Business Objectives in 2021</p>	<p>1. With the vision of "building a first-class scientific and technological innovative enterprise with international competitiveness", the Company further promotes its "1363" strategy, speeds up structural optimization, focuses on innovation mechanism, deepens reform and adjustment, continuously improves management, strengthens human resources, strengthens party building, practically</p>		

					improves operating efficiency, and pushes the Company's high-quality development to a new level according to the guiding principle of "overall planning, distributed promotion, focusing on resources and innovating mechanism". 2. Put forward the overall business target in 2021: It is suggested that the Company's annual sales target of vehicle air-conditioning compressor products in 2021 should be 1.92 million units, with a sales income of RMB 730 million.		
			July 26,2021	Study and Opinions on the Adjustment of Investment Plan in 2021 and Study and Opinions on the	1. It is suggested to invest RMB 18 million to build a 36CC scroll electric compressor		

				<p>Transfer of Assets such as Plant and Land</p>	<p>production line and RMB 7.5 million to build an electric compressor performance test bench and an electric compressor durability test bench in the wholly-owned subsidiary Vehicle Air Conditioning Company. 2. It is suggested to transfer the idle 106 plants, the corresponding land use right and related ancillary machinery and equipment based on the assessed value of RMB 172.033 million (preliminary evaluation). The funds obtained are used to repay part of the Company's debts, and to strengthen the Company's manufacturing capacity building and R&D capacity</p>		
--	--	--	--	--	--	--	--

					building.		
			November 30,2021	Study and put forward opinions on adjusting the transfer price of public listing of plant and land assets	It is suggested that the Board of Directors make the asset transfer price not less than 92% of the assessed value, i.e. RMB 157,382,000 (including tax) for the second listing to solicit the transferee.		
Nomination Committee	4: Chairman of the Committee: Li Jiaming, Member : Liu Wei, Song Weiwei, Fan Aijun	3	January 8,2021	Review the qualifications of Fan Aijun as a candidate for Director and General Manager	The candidate is qualified and capable of performing his duties, and it is agreed to submit the application to the Board of Directors for consideration.		
			April 26,2021	Review the qualifications of Shi Qingong as a candidate for Director.	The candidate is qualified and capable of performing his duties, and it is agreed to submit the application to the Board of Directors for consideration.		
			November 30,2021	Review the qualifications of Li Yongjiang as a candidate for Deputy General	The candidate is qualified and capable of performing his duties, and it is agreed to		

				Manager of the Company.	submit the application to the Board of Directors for consideration.		
Remuneration and Assessment Committee	4: Chairman of the Committee: Xie Fei, Member: Liu Wei, Li Jiaming, Yan Xue Chuan		1 April 8,2021	Review the performance of duties of directors and senior management in 2020, and conduct annual performance assessment	In 2020, there were 19 directors (including independent directors) and senior managers who were paid by the Company (including those who resigned). According to the achievement of the Company's main financial indicators and business objectives in 2020, combined with the assessment of the above-mentioned personnel's in-charge work indicators and their business abilities, it was considered that the salary level of the Company's directors and senior managers in this year was in		

					line with the provisions of the Company's <i>Evaluation and Incentive System for Senior Managers</i> , and it was agreed that the Company would pay a total salary of RMB 3.611 million.		
--	--	--	--	--	--	--	--

VIII. The working status of the board of supervisors

The board of supervisors finds out whether the company has risks during the monitoring activities during the reporting period

Yes No

The Supervisory Committee has no objection to the supervision matters during the reporting period.

IX. Particulars about employees.

1. Staff jobs, education, job title number and proportion refer to the following pie chart:

Number of in-service staff of the parent company (person)	186
Number of in-service staff of the main subsidiaries (person)	608
Total number of the in-service staff (person)	794
Total number of staff receiving remuneration in the current period (person)	794
The number of the parent company and the main subsidiary's retired staffs who need to bear the cost (person)	147
Professional	
Classified according by Professions	Number of persons (person)
Production	472
Sales	35
Technical	169
Financial	25
Administrative	93

Total	794
Education	
Classified according by Professions	Number of persons (person)
Mid-school or below	299
Colleges or above	225
Universities or above	255
Postgraduate or above	15
Total	794

2. Remuneration policies

The mode of piecework wage for production personnel was carried out. Sales commissions are employed to sales personnel. Other employees will enjoy the basic broadband salary. The salary of employees is closely related to individual performance, department performance and company operating results.

3. Training plan

In 2021, the Company incurred a total training fee of RMB 980,000. It organized 186 training sessions, including 108 internal training sessions and 78 external training sessions, with a total of 5,388 person-times, a total of 35,924 hours, and an average of 61 hours per employee, thus fully completing the Company's annual training plan. It organized the on-the-job (transfer) training for and appraisal of 256 production and operation employees, and issued the on-the-job operation certificate. It provided online learning platform, and opened self-learning courses in various fields for employees of the Company, with an average of 39 hours per person.

4. Outsourcing situation

Applicable Not applicable

X. Specification of profit distribution and capitalizing of common reserves

Formulation, implementation or adjustment of the profit distribution policy, especially the cash dividend policy during the reporting period

Applicable Not applicable

According to the Notice on Further Implementing Cash Dividends of Listed Companies (JJF [2012] No.37) issued by China Securities Regulatory Commission, on July 26, 2012, the Seventh Meeting of the Sixth Board of Directors of the Company supplemented and revised the profit distribution policy in the Articles of Association, in which specific policies such as the form of profit distribution, the specific conditions and proportion of dividend distribution, and the principle of using undistributed profits were defined, and submitted it to the First Extraordinary General Meeting of Shareholders in 2012 held on August 30, 2012 for review and approval. The Board of Directors of the Company prepares a profit distribution plan every year, which conforms to the provisions of the Articles of Association of the Company, and independent directors have expressed their consent. The profit distribution plan reviewed and approved by the General Meeting of Shareholders of the Company has been implemented by the Board of Directors.

Special description of cash dividend policy

Whether it meets the requirements of the Articles of Association or the resolution of the general meeting of shareholders:	Yes
Whether the dividend standard and proportion are explicit and clear:	Yes
Whether the relevant decision-making procedures and mechanisms are complete:	Yes
Whether the independent directors have performed their duties and played their due role:	Yes
Whether the minority shareholders have the opportunity to fully express their opinions and demands, and whether their legitimate rights and interests have been fully protected:	Yes
Whether the cash dividend policy is adjusted or changed, and whether the conditions and procedures are compliant and transparent:	Yes

During the reporting period, the Company made a profit and the profit available to shareholders of the parent company was positive, but no cash dividend distribution plan was put forward.

Applicable Not applicable

Profit distribution and capitalization of capital reserve during the reporting period

Applicable Not applicable

The Company will not distribute cash dividend or bonus shares, neither capitalizing of common reserves for the report period.

XI. Implementation Situation of Stock Incentive Plan of the Company, Employee Stock Ownership Plan or Other Employee Incentive Measures

Applicable Not applicable

None

XII. Construction and implementation of internal control system during the reporting period

1. Construction and implementation of internal control

First, continuously improve the management system. Comprehensively sort out and improve the relevant systems of internal control, risk and compliance management, and effectively improve the effectiveness of the internal control system. Second, carry out special actions for risk prevention and control. Conduct internal risk business investigation, comprehensively rectify the problems found, and form a closed loop. Third, continuously promote the construction of the Company's comprehensive risk management system. Revise the Company's comprehensive risk management measures, strengthen the daily monitoring of risk management, and formulate and implement the Company's special action plan for comprehensive risk prevention and control in 2021. Fourth, strengthen the daily control of key areas. Strengthen the implementation of the system and process of pre-check, in-process monitoring and post-evaluation, strengthen risk early warning and dynamic monitoring, conduct daily monitoring on the changes of risk indicators and risk management and control every month, and formulate targeted risk response measures to prevent risks from expanding from "points" to "areas" and avoid major risks.

2.Details of major internal control defects found during the reporting period

□ Yes √ No

XIII. Management and control of the Company's subsidiaries during the reporting period

Company name	Integration plan	Integration progress	Problems encountered in integration	Measures taken for solution	Solution progress	Subsequent planned solution
None	None	None	None	None	None	None

XIV.Internal control self-evaluation report or internal control audit report

1.Self-evaluation report on internal control

Disclosure date of appraisal report on internal control	April 30,2022	
Disclosure index of appraisal report on internal control	Juchao Website: (http://www.cninfo.com.cn) , Announcement No.2022-035	
Proportion of total unit assets covered by appraisal in the total assets of the consolidated financial statements of the company	100.00%	
Proportion of total unit incomes covered by appraisal in the total business incomes of the consolidated financial statements of the company	100.00%	
Standards of Defects Evaluation		
Category	Financial Report	Non-financial Report
Qualitative standard	General defects: ① Minor financial loss; ② Minor misstatement or omission of statement in terms of financial statement; ③ Minor damage of reputation caused by its negative influence in some regions. Serious defects: ① Bring some financial loss to company; ② Cause moderate misstatement or omission of statement in terms of financial statement; ③ Serious damage of reputation caused by its comparatively large-scale influence in some regions. Significant defects: ① Bring significant financial loss to company; ② Significant misstatement or omission of statement in	Indicator 1: General defects in company's daily operation. It's almost impossible that some specific business fails to operate normally. Other business activities and achievement of business goals will not be affected. Serious defects: It's reasonably possible that normal operations of some business may be influenced but it will not affect the sustainable operation of our company. Significant defects: it's reasonably possible that operation capacity of some business may be lost and it will endanger the company's sustainable operation.

	<p>terms of financial statement; ③ The significantly negative influence has attracted large-scale attention by the public and unrecoverable losses have been brought to company.</p>	<p>Indicator 2: Financial loss. General defects: It's almost impossible that minor financial losses may be led to company. Serious defects: It's reasonably possible that moderate financial losses may be led to company. Significant defects: It's possible that significant financial losses may be led to company. Indicator 3: Reputation of company. General defects: It's almost impossible that the negative information popular in some regions will be caused, which may further affect company's reputation. Serious defects: It's reasonably possible that the negative information popular in some regions will be caused, which may lead moderate influence to company's reputation. Significant defects: It's reasonably possible that the negative information popular in some regions will be caused, which may lead significant influence to company's reputation.</p>
Quantitative criteria	<p>Indicator: The proportion of misstatement in the overall assets. General defects: It's almost impossible that the amount of misstatement accounting for 0.05% of the overall assets or less will occur. Serious defects: It's reasonably impossible that the amount of misstatement accounting 0.05% to 1% of the overall assets will occur. Significant defects: It's reasonably possible that the amount of misstatement accounting for 1% of the overall assets or more will occur.</p>	<p>Indicator: The proportion of financial losses in the overall assets. General defects: It's almost impossible that the amount of financial losses accounting for 0.05% of overall assets or less will occur. Serious defects: It's reasonably possible that the amount of financial losses accounting for 0.05% to 1% of the overall assets will occur. Significant defects: It's reasonably possible that the amount of financial losses accounting for 1% of the overall assets or more will occur.</p>
Number of major defects in financial reporting (a)		0
Number of major defects in non financial reporting (a)		0
Number of important defects in financial reporting (a)		0

Number of important defects in non financial reporting (a)	0
--	---

2. Internal Control audit report

Applicable Not applicable

Review opinions in the internal control audit report	
We acknowledge that Chongqing Jianshe Vehicle System Co., Ltd. has been conducting effective internal control in all material aspects complying with "Fundamental Rules of Enterprise Internal Control" .On December 31,2021.	
Disclosure date of audit report of internal control (full-text)	Disclosure
Index of audit report of internal control (full-text)	April 30,2022
Internal audit report's opinion	Juchao Website: (http://www.cninfo.com.cn) , Announcement No.2022-045
Type of audit report on internal control	Unqualified auditor's report
Whether there is significant defect in non-financial report	No

Has the CPAs issued a qualified auditor's report of internal control .

Yes No

Does the internal control audit report issued by the CPAs agree with the self-assessment report of the Board of Directors

Yes No

XV. Rectification of self-examination problems in special governance actions of listed companies

According to the Notice on Well Ensuring the Special Self-examination of Listed Company Governance (YZJF [2020] No.367) issued by Chongqing Supervision Bureau of China Securities Regulatory Commission, Contrasting with the "Special Self-Inspection List of Listed Company Governance" issued by the China Securities Regulatory Commission's government affairs service platform, the Company adopts the principle of strict and precise self-inspection to carry out self-inspection one by one. Thereinto,for the Company's unrecovered losses reached one-third of the total paid-in share capital and whether to hold an extraordinary general meeting of shareholders, the measures taken by the Company are described below:

When the Company went public in 1995, the paid-in share capital was 470 million yuan. After the 4:1 share drawing back was implemented in 2013, the paid-in share capital was changed to 119 million yuan.

From the end of the 1990s to the beginning of this century, the Company's original main motorcycle business was impacted by the sharp decline in the domestic motorcycle industry, and the Company's performance suffered losses for many years. After the Company's first unrecovered loss exceeded one-third of the total paid-in share capital at the end of 1998, the Company had accumulated a relatively high undistributed profit (-1,056,046,000

yuan) by the end of 2021, and the unrecovered loss had always exceeded one-third of the total paid-in share capital (RMB 470 million or RMB 119 million). In response to this situation, after the Company's audit annually confirmed the amount of unrecovered losses, the board of directors of the Company informed shareholders of the amount of unrecovered losses at each annual general meeting, and meanwhile formulated a medium and long-term development and annual business plan to promote the Company's main business, and since 1998, it had promoted the implementation of the following projects to make up for losses and improve the quality of the Company:

1. In 2003, the Company replaced the controlling shareholder's high-quality vehicle air-conditioning assets and business with accounts receivable with a long age, and introduced new business to adjust the industrial structure and improve the Company's asset quality and profitability. (For details, please refer to Announcement No.: 2004-001 dated December 31, 2003)

2. In 2004, the Company purchased the equity of the motorcycle joint venture between the controlling shareholder and Japan Yamaha with cash and some accounts receivable with a relatively long age, for enhancing the core competitiveness of motorcycles and expand the business scale. (For details, please refer to Announcement No.: 2004-034 dated December 29, 2004)

3. In 2007, relocated to other places to expand the production scale of motorcycle and vehicle air-conditioning compressors and improve the experimental design capabilities. (For details, please refer to Announcement No.: 2008-023 dated August 4, 2008)

4. In 2013, the transfer of idle assets was implemented to revitalize the stock assets. (For details, please refer to Announcement No.: 2013-079 dated November 30, 2013)

5. In 2015, implemented the major asset restructuring and divested the loss-making motorcycle assets and businesses, vigorously developed the automotive air-conditioning compressor business, and realized industrial structure adjustment. (For details, please refer to Announcement No.: 2015-082 dated October 29, 2015)

6. In 2017, the Company established a joint venture with Hanon South Korea to build the Hanon joint venture to promote the development of the Company's automotive air-conditioning compressor industry from the mid-low-end market to the mid-to-high-end market. In 2019, the acquisition of the equity of Construction Hanon held by Construction electromechanical further strengthened the Company's expansion in the new energy field of automotive air-conditioning compressors. (For details, please refer to Announcement No.: 2017-064 and 2019-015 dated October 12, 2017 and April 1, 2019)

7. In 2018, the Company further divested its motorcycle business and transferred its 51% stake in Shanghai Jianshe to promote the industrial restructuring. (For details, please refer to Announcement No.: 2018-037 dated June 21, 2018)

8. In 2020, purchased the 50% equity of Pingshan Taikai held by Japan side to promote the industrial integration. (For details, please refer to Announcement No.: 2020-031 dated April 28, 2020)

9. In 2021, publicly listed and transferred the plant and land assets to revitalize idle assets and improve the asset operation efficiency. The funds obtained was used to repay some debts and to strengthen the Company's manufacturing capacity building and R&D capacity building. (For details, please refer to Announcement No.: 2021-054 dated October 11, 2021)

10. In 2021, the Company formulated the "14th Five-Year Plan", established the vision of "building a first-class scientific and technological innovation enterprise with international competitiveness", and formulated the medium and long-term goal of upgrading to automotive air conditioning systems and electric vehicle thermal management products. (For details, please refer to Announcement No.: 2021-014 dated April 30, 2021)

The above matters had all been submitted to the extraordinary general meeting and the annual general meeting for consideration and approval at then.

Through this self-examination, the Company's precise and standardized operation level has been further promoted. there is no significant difference between the actual situation of corporate governance and the normative documents on corporate governance of listed companies issued by China Securities Regulatory Commission.

V. Environmental & Social Responsibility

I. Significant environmental issues

Whether the Company or any of its subsidiaries is identified as a key polluter by the environment authorities

√ Yes □ No

Company or subsidiary name	Main pollutant and specific pollutant name	Emission way	Emission port number	Emission port distribution condition	Emission concentration	Implemented pollutant emission standards	Total emission	Verified total emission(Tons)	Excessive emission condition
Vehicle air conditioner	Main pollutants of wastewater: COD, ammonia nitrogen, total phosphorus, PH particular pollutants: total zinc	Indirect discharge: it is discharged into Zhongliangshan sewage treatment plant after reaching the Grade III standard of the <i>Integrated Wastewater Discharge Standard</i>	1	Total wastewater discharge outlet	COD: 152mg/L petroleum: 1.33mg/L ammonia nitrogen: 27.4mg/L total phosphorus: 2.48mg/L PH: 7.51-7.56 total zinc: 0.01mg/L	Grade III Standard of the <i>Integrated Wastewater Discharge Standard</i>	Simplified management of pollutant discharge permits, no total amount required	Simplified management of pollutant discharge permits, no total amount required	No
Vehicle air conditioner	Waste gas: Main pollutants: nitrogen oxides, particulate matter; characteristic pollutants: hydrogen chloride, xylene	Direct emission: The treatment meets the <i>Integrated Emission Standard of Air Pollutants</i>	6	Outlet of phosphating production line 1, outlet of phosphating production line 2, outlet of tin plating production line, surface treatment line, outlet of shot peening	Nitrogen oxide: 20mg/m ³ particulate matter: 12.1mg/m ³	Limit value of main urban area of the <i>Integrated Emission Standard of Air Pollutants</i>	Simplified management of pollutant discharge permits, no total amount required	Simplified management of pollutant discharge permits, no total amount required	No

				workshop and outlet of PTFE production line					
Chongqing Jianshe Automobile	Main pollutants of wastewater: COD, ammonia nitrogen, total phosphorus, PH particular pollutants: Petroleum category	Indirect discharge: it is discharged into Zhongliangshan sewage treatment plant after reaching the Grade III standard of the <i>Integrated Wastewater Discharge Standard</i>	1	Total wastewater discharge outlet	COD: 148mg/L petroleum: 1.94mg/L ammonia nitrogen: 9.66mg/L total phosphorus : 7.25mg/L PH: 7.6-7.89	Grade III Standard of the <i>Integrated Wastewater Discharge Standard</i>	Simplified management of pollutant discharge permits, no total amount required	Simplified management of pollutant discharge permits, no total amount required	No
Chongqing Jianshe Automobile	Waste gas: Main pollutants: sO ₂ , nitrogen oxides, particulate matter; characteristic pollutants: Noise	Direct emission: The treatment meets the <i>Integrated Emission Standard of Air Pollutants</i>	1	Exhaust gas outlet of melting furnace	Nitrogen oxide: 56mg/m ³ particulate matter: 6.5mg/m ³ sO ₂ : 20mg/m ³	Limit value of main urban area of the <i>Integrated Emission Standard of Air Pollutants</i>	Simplified management of pollutant discharge permits, no total amount required	Simplified management of pollutant discharge permits, no total amount required	No
Chongqing Pingshan Taikai Carburetor Co., Ltd	Main pollutants of wastewater: PH, COD, BOD ₅ , suspended solids, petroleum, animal and	Direct discharge: it reaches the first-class standard of <i>Integrated Wastewater Discharge Standard</i>	1	Total wastewater outlet	7.64mg/L PH: 8.16-8.21; COD:79; BOD ₅ : 16.4; Suspended matter: 14; Petroleum:	Grade I standard of <i>Integrated Wastewater Discharge Standard</i>	Implement registration for filing, fill in the pollutant discharge registration form, do not need to	Implement registration for filing, fill in the pollutant discharge registration form, do not need to	No

	vegetable oils, ammonia nitrogen.	after treatment and is discharged into Huangxi River.			0.31 mg/L; Animal and vegetable oil: 0.54 mg/L; Ammonia nitrogen: 7.64mg/L		apply for a pollutant discharge permit, with total amount not required	apply for a pollutant discharge permit, with total amount not required	
Chongqing Pingshan Taikai Carburetor Co., Ltd	Main pollutants: nitrogen oxides, sulfur dioxide and particulate matter.	Direct discharge: it meets the Integrated Atmospheric Discharge Standard after treatment	1	Exhaust port of die casting machine	Nitrogen oxide: 3L, particulate matter: 9.6mg/m ³ , sulfur dioxide: 3L; The data with "L" indicates that the concentration of the pollutant is lower than the method detection limit, and the detection limit is 3 mg/m ³ .	Limits on Main Urban Area in <i>Comprehensive Atmospheric Emission Standard</i>	Implement registration for filing, fill in the pollutant discharge registration form, do not need to apply for a pollutant discharge permit, with total amount not required	Implement registration for filing, fill in the pollutant discharge registration form, do not need to apply for a pollutant discharge permit, with total amount not required	No

Prevention and control of pollution facilities construction and operation

Wastewater: The Company and its subsidiary vehicle air-conditioning company have respectively built a wastewater treatment station. The wastewater station is operating steadily, equipment maintenance is carried out regularly, and the treatment effect is good, and the discharge of pollutants from the total discharge outlet of the wastewater has continued and steadily reached the standard.

Exhaust gas: the acid mist produced by phosphating, tinning and surface treatment is absorbed by the spray tower to reach the standard. The exhaust gas at the outlet of the shot blasting workshop is washed and filtered with the particle absorption device to reach the standard. The exhaust gas of the PTFE production line is equipped with activated carbon adsorption + light Catalytic oxidation treatment to reach the standard. The melting furnace uses the clean energy-natural gas, which reaches the standard at directly discharge. The pollution control facilities are operating well and the operation records are complete.

Conditions of environmental impact assessment and other environmental protection administrative licensing of construction projects

Three synchronizations for construction projects shall be conducted as required to obtain acceptance approval, and pollution discharge permits shall be applied in accordance with regulations.

Emergency plan for emergency environmental incidents

In order to establish a sound emergency response mechanism for environmental pollution incidents, improve the Company's ability to respond to sudden environmental pollution incidents involving public crises, prevent environmental emergencies from polluting the public environment (atmosphere and water), maintain social stability, protect the life, health and property safety of enterprises and the surrounding public, protect the environment, and to promote the comprehensive, coordinated and sustainable development of society, the Company and its wholly-owned subsidiary vehicle air-conditioning company have prepared the "Emergency Plan for Emergent Environmental Incidents", which has been reviewed and approved by experts and thus it's been implemented.

Environmental self-monitoring program

The Environmental Protection Administration Department does not require the Company to carry out self-monitoring, and entrusts the qualified Chongqing Yujiu Environmental Protection Industry Co., Ltd. to monitor the wastewater, organized waste gas, unorganized waste gas and noise discharged by the Company and its wholly-owned subsidiary Vehicle Air Conditioning Company on a yearly basis; Every year, Chongqing Falan Testing Technology Co., Ltd., a qualified company, is entrusted to monitor the wastewater, organized waste gas and noise discharged by the wholly-owned subsidiary Pingshan Taikai Company.

According to the monitoring results shown in the *Monitoring Report* (YJ (J) Zi [2022] No. WT572) and (YJ (J) Zi [2022] No. WT571) issued on March 31, 2022, and the *Monitoring Report* (FL (J) Zi [2021] No. WT919) issued on December 17, 2021, the emissions of wastewater, organized waste gas, unorganized waste gas and noise produced by the Company and its wholly-owned subsidiaries, namely Vehicle Air Conditioning Company and Pingshan Taikai Company, all meet the relevant emission standards.

Administrative penalties for environmental problems during the reporting period

Company or subsidiary name	Reason of punishment	Violation of regulations	Punishment result	Impact on the production and operation of listed companies	Company's rectification measures
Chongqing Jianshe Automobile	Not applicable	No violation and punishment	Not applicable	Not applicable	Not applicable
Vehicle air conditioner	Not applicable	No violation and punishment	Not applicable	Not applicable	Not applicable
Chongqing Pingshan Taikai Carburetor Co., Ltd	Not applicable	No violation and punishment	Not applicable	Not applicable	Not applicable

Other environmental information that should be disclosed

For environmental disclosure information, please refer to the Company's extranet <http://www.jianshe.com.cn>.

Measures and effects taken to reduce its carbon emissions during the reporting period

√ Applicable □ Not applicable

First, vigorously develop the thermal management industry of new energy vehicles, and realize large-scale market sales of new energy electric compressor products. Second, vigorously develop the green low-carbon parts industry, adapt to the requirements of emission upgrading, and actively develop and cultivate the low-carbon competitiveness

of new products. Third, strengthen the green design of products, implement the green design through the whole life cycle of products, strengthen the tracking of carbon footprint of products, select green low-carbon materials and green low-carbon suppliers, and adopt modular and detachable design, and green recycling packaging. Fourth, strengthen the low-carbon manufacturing of products, carry out low-carbon technological reform, integrate or simplify processes, tap potential opportunities for carbon reduction, and carry out upgrading of equipment in terms of information, automation, digitalization and intelligence. Fifth, adjust the energy consumption structure, continuously increase the proportion of electric energy use through the electrification transformation of equipment, promote the transformation of equipment and facilities and process optimization, and reduce carbon dioxide emissions per unit output. Sixth, scientifically arrange production plans, carry out energy conservation monitoring and energy design, and take energy evaluation as one of KPI indicators for control.

Other Environmental Related Information

See the foregoing for details.

II. Social responsibilities

(1) Protection of shareholders' equity

The company always insists on fair treatment to all investors, protects the legitimate rights and interests of shareholders, especially small and medium shareholders, and actively creates conditions to attract small and medium shareholders to participate in major decisions of the company. During the reporting period, the Board of Directors convened 3 general meetings of shareholders by providing on-site voting and online voting, and the shares held by shareholders participating in voting accounted for more than 74.46% of the total shares of the company.

The Company strictly follows the principles of information disclosure and publishes regular reports and temporary announcements in a true, accurate, complete and timely manner. There is no selective information disclosure and private disclosure or disclosure of undisclosed material information. Also, the Company seriously replies or receives investors' calls and visits and maintains good management of investor relations.

(II) Protection of employee rights and interests

The Company respects and safeguards employees' rights and interests, and is committed to promoting employees' all-round development, realizing the common promotion of employees' personal value and enterprise value, and striving to benefit the majority of employees from the achievements of enterprise reform and development.

First, adhere to the democratic management system. The Company set up employee directors and employee supervisors to participate in the Company's decision-making and supervision, held 3 employee representative symposiums, extensively listened to employees' opinions and suggestions on the Company's development, and implemented or replied to 85 items one by one. Second, continue to make factory affairs public. The Company made use of the newspaper of *Jianshe Shares* and OA collaborative office platform to disclose the matters that employees should know in a timely manner, and disclosed 160 major matters involving the vital interests of employees throughout the year. Third, provide legal protection for employees. The Company signed various special contracts with employees on schedule, and signed one special collective contract for wages this year. Fourth, pay attention to the basic guarantee for employees. In the whole year, the Company consoled 59 employees with difficulties and illness, and distributed RMB 20,200 of solatium; It carried out the "Golden Autumn Student Aid Activity" and provided RMB 11,000 grants for 22 employees' children for schooling; It purchased 721 mutual insurance for major diseases for employees, with an insurance premium of RMB 21,600. Fifth, care for employees' health. During the

pandemic, the Company strengthened prevention and control propaganda and daily disinfection in the workplace, provided workers with masks and other protective products totaling RMB 70,000 on time, and organized 2,582 vaccinations for employees, with a vaccination rate of 100%; It strengthened occupational health management, carried out emergency rescue knowledge training and occupational health publicity, and regularly carried out occupational hazard factors detection in workplaces. It organized 489 workers exposed to harm to take pre-job, on-the-job and off-the-job occupational health examination, distribute cool drinks and heatstroke prevention drugs, and paid a total of RMB 152,500. Sixth, pay attention to employee growth and talent cultivation. The Company organized 186 training sessions throughout the year, with a total of 5,388 person-times, and a total class hour of 35,924. It strengthened the training and use of young cadres, and its proportion of middle-aged and post-80s cadres in 2021 increased by 6.3%.

(III) Protection of rights and interests of suppliers, customers and consumers

First, adhere to fairness, justice and good faith in market transactions, strictly abide by all laws, regulations, regulatory provisions and international rules, adhere to equal consultation, achieve mutual benefit and win-win, strictly abide by contract terms, fulfill transaction promises and fulfill contractual obligations. Promote the informatization of procurement management, deepen the use of the electronic procurement platform of Norincogroup-eBuy, and fully realize the openness, centralization and electronization of tendering procurement.

Second, improve and upgrade the product quality, adhere to the value orientation of "Quality First", vigorously carry forward the "Artisan Spirit" and continue to pursue quality excellence. In 2021, the Company vigorously promoted the construction of "1+N" quality system, successfully passed the review of IATF16949 system and Peugeot QSB+ system, and obtained the license of Changan QCA2.0 system supplier. It continuously carries out "quality improvement activities", with 13 special improvement projects and 39 improvement measures achieving remarkable results, including zero-kilometer PPM and three-guarantee PPM decreasing by 28.3% and 24.1% respectively.

(IV) Environmental protection and sustainable development

With green development as its goal, the Company establishes employees' awareness of environmental protection, actively fulfills their environmental responsibility, practices the concept of low-carbon life, strictly abides by the relevant laws and regulations of the state on environmental protection, sets up environmental protection management institutions, establishes an ecological environment risk prevention and control system, and continuously strengthens the capacity building of emergency monitoring, emergency response and risk prevention and control. It strictly controls the operation of wastewater and waste gas treatment facilities, implements fine management of hazardous waste, and the discharge of wastewater, organized waste gas and unorganized waste gas all reaches the standard. It optimizes the continuous production process, replaces the nickel-containing phosphating solution with nickel-free phosphating solution, and realized zero emission of Class I pollutants. In 2021, the Company's subsidiary, Vehicle Air Conditioning Company, was included in the first batch of solid waste management pilot units at the district level and the "Five All Four Standards" environmental standardization management pilot units. The Company and Vehicle Air Conditioning Company were awarded the title of 2020 district-level and municipal environmental integrity enterprise respectively.

(V) Public relations and social welfare undertakings

In 2021, the Company actively participated in the poverty alleviation activities of unsalable agricultural and sideline products consumption in Yanshan County, Yunnan Province, and purchased unsalable agricultural and sideline products totaling RMB 34,200. It actively promoted employment and poverty alleviation. In combination with the annual recruitment plan, the Company actively participated in activities such as school recruitment organized by

China South Industries Group and Zhilian Recruitment Platform. It participated in 4 on-site and online double-election meetings, received more than 200 resumes, interviewed more than 30 candidates by means such as We Chat video, and admitted 4. In response to the call of China South Industries Group for young cadres to participate in training on secondment, it selected a designated assistant cadre to serve as the subprefect in Yanshan County, Yunnan Province, for a period of two years.

III. Consolidate and expand the achievements of poverty alleviation and rural revitalization

For details, please refer to "Public Relations and Social Welfare" in "II. Social Responsibility" in this section.

VI. Important Events

I. Commitments to fulfill the situation

1.The fulfilled commitments in the reporting period and under-fulfillment commitments by the end of the reporting period made by the company, shareholder, actual controller, acquirer, director, supervisor, senior management personnel and other related parties.

Applicable Not applicable

There is no commitment that has not been fulfilled by actual controller, shareholders, related parties, acquirers of the Company

2.The existence of the company's assets or projects earnings forecasts and earnings reporting period is still in the forecast period, the company has assets or projects meet the original profit forecast made and the reasons explained

Applicable Not applicable

II. Particulars about the non-operating occupation of funds by the controlling shareholder

Applicable Not applicable

No such cases in the reporting period.

III. Illegal provision of guarantees for external parties

Applicable Not applicable

No such cases in the reporting period.

IV. Explanation of the Board of Directors on the latest "Non-standard Audit Report"

Applicable Not applicable

V. Notes for "non-standard audit report" of CPAs firm during the Reporting Period by board of directors and supervisory board

Applicable Not applicable

VI. Explain change of the accounting policy, accounting estimate and measurement methods as compared with the financial reporting of last year.

Applicable Not applicable

No such cases in the reporting period.

VII.Explain change of the consolidation scope as compared with the financial reporting of last year.

Applicable Not applicable

No such cases in the reporting period.

VIII. Engagement/Disengagement of CPAs

CPAs currently engaged

Domestic CPA	Zhongxingcai Guanghua Certified public Accountants LLP.
Reward for domestic CPA (RMB '0,000)	45
Successive years the domestic CPA has been providing service to the Company	5 years
Name of CPAs from the domestic CPA firm	Fan Rui, Wang Yongfeng
Continuous life of auditing service for domestic accounting firm	5 years, 1 year

Has the CPAs been changed in the current period

Yes No

Description of the CPAs, financial adviser or sponsor engaged for internal control auditing

Applicable Not applicable

1.The Company paid RMB 150,000 to Zhongxingcai Guanghua Certified public Accountants LLP for its internal auditing service of one year.'

IX. Situation of Facing Listing Suspension and Listing Termination after the Disclosure of the Yearly Report

Applicable Not applicable

X. Relevant Matters of Bankruptcy Reorganization

Applicable Not applicable

No such cases in the reporting period.

XI. Matters of Important Lawsuit and Arbitration

Applicable Not applicable

General information	Involved amount (RMB '0,000)	Provision	Progress	Decisions and effects	Execution of decisions	Disclosure date	Index to disclosed information
Chongqing HYOSOW have failed to pay Vehicle Air Conditioning Company, a full-owned subsidiary of the Company for the air conditioner compressors. The Vehicle Air Conditioning	1,232.5	No	The trial ends	The Company has fully accrued bad debts in 2018.	In 2020, 947 compressors have been recovered, and the case is still being executed.	August 16,2019	See details in the company's announcement published on securities times, Hongkong Commercial daily and http://www.cninfo.com.cn

<p>Company filed a lawsuit with Chongqing Yubei District People's Court in November 2018, who held a hearing on July 11, 2019. The Company received the "Civil Judgment of Chongqing Yubei District People's Court" on August 6, 2019 ((2018) Y0112 MC, No. 24010), where the "General Rules for Purchase of Parts and Materials" signed by the Company and Chongqing HYOSOW was cancelled. Chongqing HYOSOW returned 4,017 sets of goods to the Vehicle Air Conditioning Company, and paid 12,325,044.85 yuan and loss of capital occupation.</p>							<p>(Announcement No.:2019-070)</p>
<p>The Company's wholly-owned subsidiary Automotive Air Conditioning Company sued Ran Ping, Luo Fangqing, Zhang Ye, Changzhou Kang Purui Automotive Air Conditioning Co., Ltd, Chongqing</p>	<p>100</p>	<p>No</p>	<p>Chongqing Court filed the case and transferred it to Suzhou Intermediate People's Court due to jurisdictional issues. Suzhou Intermediate</p>	<p>The trial will be held on April 8, 2021.</p>	<p>Not judged</p>	<p>April 28,2020</p>	<p>www.cninfo.com.cn. Announcement No.:2020-024</p>

Yuxian Sanji Auto Parts Co., Ltd, and Chongqing Dongdian Refrigeration Equipment in the Fifth Intermediate People's Court of Chongqing Municipality over the case of infringement of technical secrets, which had been transferred to the jurisdiction of the Suzhou Intermediate People's Court.			e People's Court Case No. (2021) S 05 MC No.305; Four hearings have been completed, and the court is currently conducting supplementary appraisal.				
The Company's wholly-owned subsidiary-Automotive Air Conditioning Company-sued in the People's Court of Xiangyang High-tech Zone for a dispute over the sale and purchase contract, demanding that Hubei Meiyang Automobile Industry Co., Ltd pay 1,408,800 yuan in arrears and return 260 compressors. According to the civil judgment of the Min Chu No. 3234-(2019) E 0691 on November 19, 2020, the defendant shall pay the air-conditioning	154.32	No	Min Chu No. 3234-(2019) E 0691	The Company has fully accrued bad debts of 1.4088 million in 2020	In March 2021, it applied for compulsory execution, 260 compressors have been recovered,	April 30,2021	www.cninfo.com.cn.Announcement No.:2021-017

company 1,408,800 yuan for goods and interest losses, and return 260 compressors.							
The Company filed a lawsuit to the court of Jiujiang Economic and Technological Development Zone in Jiangxi Province due to the dispute over the sales contract, demanding Jiangxi Zhicheng Automobile Co., Ltd and its Jingdezhen branch to pay 1,380,600 yuan for the goods.	138.06	N	Reached a mediation agreement (No. 2197Min Chu0491 Gan(2021))	Debt to the Company side confirmed	607,500 yuan unpaid		
The Company filed a lawsuit to the People's Court of Shunqing District, Nanchong City due to the dispute over the sales contract, requesting Sichuan Tianxi Automotive Air Conditioning Co., Ltd to pay 51,100 yuan for the goods.	5.11	No	Yet court session not open (No. 1111Chuan 1302Minchu(2022))	Not judged	Not judged		
Liu Bi, a retiree of the company, sued the Company for compensation of 189,100 yuan due to a work-related injury dispute.	18.91	No	Ruled to reject the claim (No. 28344Min Chu0113Yu (2021))	The plaintiff has appealed, yet the case is not closed.	The plaintiff has appealed, yet the case is not closed.		
The Company sued in the Ba'nan	139.87	No	Min Chu No. 4664	The Company has fully accrued bad	The application for enforcement	April 30, 2021	www.cninfo.com.cn.Anno

District People's Court of Chongqing City for a dispute over a lease contract and required the lessee Chongqing Construction Lijue Industrial Co., Ltd to pay a lease fee with 5 cases totaling 1,398,700 yuan. According to the court's judgment (mediation) in June 2020, the defendant shall pay 981,800 yuan.			-(2020) Yu 0113 Judgment, Min Chu No. 4665-(2020) Yu 0113 Judgment, Min Chu No. 4684-(2020) Yu 0113 Judgment, Min Chu No. 4685-(2020) Yu 0113 Judgment, Min Chu No. 4686-(2020) Yu 0113 Judgment	debts of 1.4789 million in 2020.	was applied in September 2020, and no property has been executed yet. The case has been closed.		uncement No.:2021-017
---	--	--	--	----------------------------------	---	--	-----------------------

XII. Situation of Punishment and Rectification

Applicable Not applicable

No such cases in the reporting period.

XIII. Credit Condition of the Company and its Controlling Shareholders and Actual Controllers

Applicable Not applicable

XIV. Material related transactions

1. Related transactions in connection with daily operation

Applicable Not applicable

Related parties	Relationship	Type of trade	Subjects of the related transactions	Principle of pricing the related transactions	Price of trade	Amount of trade(RMB '0,000)	Ratio in similar trades	Trading limit approved(RMB '0,000)	Whether approved limited or not (Y/N)	Way of payment	Market price of similar trade available	Date of disclosure	Index of information disclosure

Jianshe Mechanical and Electric	Controlling shareholder	Purchase of goods	Spare parts	Fair Market Price	350	0	0.00%	350	No	Cash	350	January 19,2021	See details in the company's announcement published on securities times, Hongkong Commercial daily and http://www.cninfo.com.cn (Announcement No.:2021-003. on January 19,2021
Jianshe Industrial	Under same control	Purchase of raw materials from the Related person	Energy	Fair Market Price	156.72	156.72	0.27%	200	No	Cash	156.72	January 19,2021	See details in the company's announcement published on securities times, Hongkong

													Commercial daily and http://www.cninfo.com.cn (Announcement No.:2021-003. on January 19,2021
China Changan Automobile Group Co., Ltd. And its affiliated Enterprises	Under same control	Sell products and commodities to related persons	Sell spare parts and finished product	Fair Market Price	15685.55	15,685.55	23.63%	19,000	No	Bill+Cash	15685.55	January 19,2021	See details in the company's announcement published on securities times, Hongkonging Commercial daily and http://www.cninfo.com.cn (Announcement No.:2021-003. on

													January 19,2021
Jianshe Mechanical and Electric	Under same control	Sell products and commodities to related persons	Rental warehouse	Fair Market Price	0	0	350	No	Cash	0	January 19,2021	See details in the company's announcement published on securities times, Hongkong Commercial daily and http://www.cninfo.com.cn (Announcement No.:2021-003. on January 19,2021	
Chongqing Jianya	Joint venture of controlling shareholder	Sales of goods	Spare parts sales	Fair Market Price	1194.46	1,194.46	1.80%	1,100	Yes	Cash	1194.46	January 19,2021	See details in the company's announcement published on securities times,

													Hongkong Commercial daily and http://www.cninfo.com.cn (Announcement No.:2021-003. on January 19,2021
Zhuzhou Jianya	Joint venture of controlling shareholder	Sales of goods	Spare parts sales	Fair Market Price	39.35	39.35	0.06%	0	Yes	Cash	39.35		See details in the company's announcement published on securities times, Hongkong Commercial daily and http://www.cninfo.com.cn (Announcement No.:202

													1-003. on January 19,2021
South Air International	Joint venture of controlli ng sharehol der	Sales of goods	Spare parts sales	Fair Market Price	14.40	14.4	0.02%	50	No	Cash	14.40	January 19,2021	See details in the compan y's announ cement publish ed on securiti es times, Hongko ng Comme rcial daily and http/w ww.cni nfo.co m.cn (Annou ncemen t No.:202 1-003. on January 19,2021
Jianshe HANON	Joint venture	Sales of goods	Spare part sales	Fair Market Price	482.95	482.95	0.73%	600	No	Cash	482.95	January 19,2021	See details in the compan y's announ cement publish ed on securiti

													es times, Hongko ng Comme rcial daily and http//w ww.cni nfo.co m.cn (Annou ncemen t No.:202 1-003. on January 19,2021
Jianshe Industry	Under same control	Sales of goods	Energy	Fair Market Price	867.91	867.91	53.54%	0	Yes	Cash	867.91		
Jianshe Mechanic al and Electric	Under same control	Sell products and commo dities to related persons	Energy	Fair Market Price	20.77	20.77	1.28%	0	Yes	Cash	20.77		
Jianshe Industry	Under same control	Sales of goods	Energy	Fair Market Price	42.79	42.79	2.64%	50	No	Cash	42.79	January 19,2021	See details in the compan y's announ cement publish ed on securiti es times, Hongko

													ng Comme rcial daily and http//w ww.cni nfo.co m.cn (Annou ncemen t No.:202 1-003. on January 19,2021
Jianshe Industry	Under same control	Services	Test	Fair Market Price	69.94	69.94	58.28%	100	No	Cash	69.94	January 19,2021	See details in the compan y's announ cement publish ed on securiti es times, Hongko ng Comme rcial daily and http//w ww.cni nfo.co m.cn (Annou ncemen t No.:202 1-003.

													on January 19,2021
Chongqing Jianya	Joint venture of controlli ng sharehol der	Services	Test	Fair Market Price	0	0		10	No	Cash	0	January 19,2021	See details in the compan y's announ cement publish ed on securiti es times, Hongko ng Comme rcial daily and http//w ww.cni nfo.co m.cn (Annou ncemen t No.:202 1-003. on January 19,2021
Minsheng Logistics And its affiliated Enterprise s	Joint venture of controlli ng sharehol der	Services	Services	Fair Market Price	373.55	373.55	0.65%	100	Yes	Cash	373.55	January 19,2021	See details in the compan y's announ cement publish ed on securiti es

													times, Hongko ng Comme rcial daily and http//w ww.cni nfo.co m.cn (Annou ncemen t No.:202 1-003. on January 19,2021
Southwes t Ordnance Chongqin g Institute of Environm ental Protection Co., Ltd.	Under same control	Services	Services	Fair Market Price	173.66	173.66	0.30%	240	No	Cash	173.66	January 19,2021	See details in the compan y's announ cement publish ed on securiti es times, Hongko ng Comme rcial daily and http//w ww.cni nfo.co m.cn (Annou ncemen t

													No.:2021-003. on January 19,2021
Changan Auto And its affiliated Enterprise	Under same control	Services	Accept mainten ance	Fair Market Price	48.47	48.47	0.08%	250	No	Bill+Ca sh	48.47	January 19,2021	See details in the compan y's announ cement publish ed on securiti es times, Hongko ng Comme rcial daily and http//w ww.cni nfo.co m.cn (Annou ncemen t No.:2021-003. on January 19,2021
Total				--	--	19,170. 52	--	22,400	--	--	--	--	--
Details of any sales return of a large amount				None									
Give the actual situation in the report period where a forecast had been made for the total amounts of routine related-party transactions by type to				The estimated total amount of "purchasing raw materials from related parties" is RMB 5.5 million, and the actual amount incurred is RMB 1.5672 million. The estimated total amount of "selling products and commodities to related parties" is RMB 211.5 million, and the actual amount incurred is RMB 183.4818 million.									

occur in the current period(if any)	The estimated total amount of "accepting labor services provided by related parties" is RMB 7 million, and the actual amount incurred is RMB 6.6562 million.
Reason for any significant difference between the transaction price and the market reference price (if applicable)	Not applicable

2. Related-party transactions arising from asset acquisition or sold

√ Applicable □ Not applicable

Related party	Related association	Type of related party transaction	Content of related party transaction	Pricing principle of related party transactions	Book value of transferred assets (RMB '0,000)	Evaluation value of transferred assets (RMB '0,000)	Transfer price (RMB '0,000)	Settlement method of related party transactions	Transaction profit and loss (RMB '0,000)	Disclosure date	Disclosure index
Jianshe Industrial	Be controlled by the same party	Selling assets to related parties	Publicly listed on Chongqing United Property Rights Exchange to transfer the Company's 106 workshops, the corresponding land use right and related ancillary machinery and equipment	Collect the transferee with the evaluation value as the transfer listing price	10,722.77	16,986.26	15,288	Cash	0	August 26, 2021	See details in the company's announcement published on securities times, Hongkong Commercial daily and http://www.cninfo.com.cn on August 26, 2021, October 9, 2021, October 26, 2021, December 5, 2021, January

											10,2022, February 19, 2022 and February 24, 2022.
Reasons for large difference between transfer price and book value or evaluation value (if any)				This asset transfer project was completed after three rounds of listing in Chongqing United Property Rights Exchange from November 2, 2021 to February 9, 2022. In the first two rounds of listing, because the transferee was not collected, the listing price was adjusted by the Board of Directors, and the reserve price of the transfer was adjusted to 90% of the assessed value of the transferred assets. See the aforementioned disclosure index for details.							
Impact on the Company's operating results and financial status				After the transfer of idle assets, there is no impact on the Company's current production and operation. After the transaction is completed, the transaction costs of real estate, land, etc. will be deducted from the transaction price, which after deduction will be the asset disposal income.							
Performance realization during the reporting period, if performance agreement is involved in related transaction				Not applicable							

3. Related-party transitions with joint investments

Applicable Not applicable

No main related transactions of joint investment outside for the Company in reporting period.

4.Contact of related credit and debt

Applicable Not applicable

Whether there is non operating related debt and debt

Yes No

Not-existent

5. Transactions with related finance company, especially one that is controlled by the Company

Applicable Not applicable

Deposit business

Related party	Relationship	Maximum daily deposit limit(RMB '0,000)	Deposit interest rate range	Beginning balance(RMB '0,000)	The amount of this period		Ending balance(RMB '0,000)
					Total deposit amount (RMB '0,000)	Total amount is withdrawn for this period(RMB '0,000)	
Military Equipment	Be controlled by the same	30,000	0.46%-1.95%	7,529.99	172,207.17	173,028.75	6,708.42

Group Finance Company	party						
-----------------------	-------	--	--	--	--	--	--

Loan business

Related party	Relationship	Loan limit(RMB '0,000)	Loant interest rate range	Beginning balance(RMB '0,000)	The amount of this period		Ending balance(RMB '0,000)
					Total loan amount of the current period(RMB '0,000)	Total repayment amount of the current period(RMB '0,000)	
Military Equipment Group Finance Company	Be controlled by the same party	62,000	3.915%-4.35%	17,041	38,325	28,041	27,325

Credit extension or other financial services

Related party	Relationship	Business type	Total amount(RMB '0,000)	Actual amount incurred(RMB '0,000)
Military Equipment Group Finance Company	Be controlled by the same party	Credit	62,000	38,325
Military Equipment Group Finance Company	Be controlled by the same party	Other	69,000	0

6. Transactions between the financial company controlled by the Company and related parties

Applicable Not applicable

There is no deposit, loan, credit or other financial business between the financial company controlled by the Company and related parties.

7. Other significant related-party transactions

XV. Significant contracts and execution

1. Entrustments, contracting and leasing

(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) Leasing

Applicable Not applicable

No such cases in the reporting period.

2. Significant Guarantees

Applicable Not applicable

In (RMB '0,000)

Guarantee of the Company for the controlling subsidiaries (Exclude controlled subsidiaries)										
Name of the Company	Relevant disclosure date/No. of the guaranteed amount	Amount of Guarantee	Date of happening (Date of signing agreement)	Actual amount of guarantee	Guarantee type	Guaranty (If any)	Counter-guarantee (If any)	Guarantee term	Complete implementation or not	Guarantee for associated parties (Yes or no)
Guarantee of the company for its subsidiaries										
Name of the Company	Relevant disclosure date/No. of the guaranteed amount	Amount of Guarantee	Date of happening (Date of signing agreement)	Actual amount of guarantee	Guarantee type	Guaranty (If any)	Counter-guarantee (If any)	Guarantee term	Complete implementation or not	Guarantee for associated parties (Yes or no)
Vehicle air conditioner	April 28,2020	1,771	January 17,2020	1,771	Joint liabilities			12 months	Yes	No
Vehicle air conditioner	April 28,2020	5,000	February 28,2020	5,000	Joint liabilities			12 months	Yes	No
Vehicle air conditioner	April 28,2020	2,500	April 13,2020	2,500	Joint liabilities			12 months	Yes	No
Vehicle air conditioner	April 28,2020	1,000	April 20,2020	1,000	Joint liabilities			12 months	Yes	No
Vehicle air conditioner	April 28,2020	2,501	April 28,2020	2,501	Joint liabilities			12 months	Yes	No
Vehicle air conditioner	April 28,2020	3,000	June 19,2020	3,000	Joint liabilities			12 months	Yes	No
Vehicle air conditioner	April	3,000	July	3,000	Joint			12	Yes	No

	28,2020		29,2020		liabilities			months		
Vehicle air conditioner	April 28,2020	1,751	July 31,2020	1,751	Joint liabilities			6 months	Yes	No
Vehicle air conditioner	April 28,2020	3,000	August 11,2020	3,000	Joint liabilities			12 months	Yes	No
Vehicle air conditioner	April 28,2020	1,000	August 27,2020	1,000	Joint liabilities			12 months	Yes	No
Vehicle air conditioner	April 28,2020	3,248	September 23,2020	3,248	Joint liabilities			6 months	Yes	No
Vehicle air conditioner	April 28,2020	3,450	October 12,2020	3,450	Joint liabilities			7 months	Yes	No
Vehicle air conditioner	April 28,2020	2,000	October 15,2020	2,000	Joint liabilities			7 months	Yes	No
Vehicle air conditioner	April 28,2020	2,000	October 16,2020	2,000	Joint liabilities			6 months	Yes	No
Vehicle air conditioner	April 28,2020	2,549	October 19,2020	2,549	Joint liabilities			7months	Yes	No
Vehicle air conditioner	April 28,2020	2,000	November 3,2020	2,000	Joint liabilities			6 months	Yes	No
Vehicle air conditioner	April 28,2020	5,579	December 4,2020	5,579	Joint liabilities			12 months	Yes	No
Vehicle air conditioner	January 19,2021	1,750	January 11,2021	1,750	Joint liabilities			6 months	Yes	No
Vehicle air conditioner	January 19,2021	1,750	January 11,2021	1,750	Joint liabilities			11 months	Yes	No
Vehicle air conditioner	January 19,2021	1,771	January 15,2021	1,771	Joint liabilities			12 months	Yes	No
Vehicle air conditioner	January 19,2021	2,501	January 25,2021	2,501	Joint liabilities			10 months	Yes	No
Vehicle air conditioner	January 19,2021	5,000	March 5,2021	5,000	Joint liabilities			12 months	No	No
Vehicle air conditioner	January 19,2021	3,248	March 18,2021	3,248	Joint liabilities			6 months	Yes	No
Vehicle air conditioner	January 19,2021	2,000	April 22,2021	2,000	Joint liabilities			6 months	Yes	No
Vehicle air conditioner	January 19,2021	2,000	April 9,2021	2,000	Joint liabilities			12 months	No	No
Vehicle air conditioner	January 19,2021	2,549	April 23,2021	2,549	Joint liabilities			12 months	No	No

Vehicle air conditioner	January 19,2021	3,450	May 13,2021	3,450	Joint liabilities			12 months	No	No
Vehicle air conditioner	January 19,2021	2,000	June 11,2021	2,000	Joint liabilities			12 months	No	No
Vehicle air conditioner	January 19,2021	1,750	July 15,2021	1,750	Joint liabilities			6 months	No	No
Vehicle air conditioner	January 19,2021	1,000	September 17,2021	1,000	Joint liabilities			12 months	No	No
Vehicle air conditioner	January 19,2021	1,750	December 9,2021	1,750	Joint liabilities			6 months	No	No
Vehicle air conditioner	January 19,2021	2,501	December 14,2021	2,501	Joint liabilities			6 months	No	No
Total of guarantee to subsidiaries approved in the report term (B1)			61,000	Total of guarantee to subsidiaries actually occurred in the report term (B2)						35,020
Total of guarantee to subsidiaries approved as of the report term (B3)			61,000	Total of balance of guarantee actually provided to the subsidiaries as of end of report term (B4)						23,771
Guarantee of the subsidiaries for its subsidiaries										
Name of the Company	Relevant disclosure date/No. of the guaranteed amount	Amount of Guarantee	Date of happening (Date of signing agreement)	Actual amount of guarantee	Guarantee type	Guaranty (If any)	Counter-guarantee (If any)	Guarantee term	Complete implementation or not	Guarantee for associated parties (Yes or no)
The Company's total guarantee(i.e.total of the first three main items)										
Total guarantee quota approved in the reporting period (A1+B1+C1)			61,000	Total amount of guarantee actually incurred in the reporting period (A2+B2+C2)						35,020
Total guarantee quota already approved at the end of the reporting period(A3+B3+C3)			61,000	Total balance of the actual guarantee at the end of the reporting period (A4+B4+C4)						23,771
The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+B4+C4) %				159.21%						

Including:	
Amount of guarantees provided for shareholders, the actual controller and their related parties (D)	0
Amount of debt guarantees provided directly or indirectly for entities with a liability-to-asset ratio over 70% (E)	23,771
Total amount of the three kinds of guarantees above (D+E+F)	35,020
Explanations about joint and several liability for repayment in respect of undue guarantee(if any)	None
Explanation about external guarantee violating established procedure if any)	None

Description of the guarantee with complex method

(2) Illegal providing of external guarantees

Applicable Not applicable

No illegal providing of external guarantees in the report period.

3.Situation of Entrusting Others for Managing Spot Asset

(1)Situation of Entrusted Finance

Applicable Not applicable

Not-existent

(2)Situation of Entrusted Loans

Applicable Not applicable

Not-existent

4. Other significant contract

Applicable Not applicable

Not-existent

XVI. Explanation on other significant events

Applicable Not applicable

Not-existent

XVII. Significant event of subsidiary of the Company

Applicable Not applicable

VI. Change of share capital and shareholding of Principal Shareholders

I. Changes in share capital

1. Changes in share capital

In Shares

	Before the change		Increase/decrease (+, -)					After the Change	
	Amount	Proportion	Share allotment	Bonus shares	Capitalization of common reserve fund	Other	Subtotal	Quantity	Proportion
I. Unlisted shares	89,375,000	74.87%	0	0	0	0	0	89,375,000	74.87%
1. Founder's stock	89,375,000	74.87%	0	0	0	0	0	89,375,000	74.87%
Including: State-owned shares	84,906,250	71.13%	0	0	0	0	0	84,906,250	71.13%
Shares held by domestic legal persons	1,750,000	1.46%	0	0	0	0	0	1,750,000	1.46%
Share held by foreign investors	0	0.00%	0	0	0	0	0	0	0.00%
Other	2,718,750	2.28%	0	0	0	0	0	2,718,750	2.28%
2. Raising legal person shares	0	0.00%	0	0	0	0	0	0	0.00%
3. Internal staff shares	0	0.00%	0	0	0	0	0	0	0.00%
4. Preferred stock or other	0	0.00%	0	0	0	0	0	0	0.00%
II Listed shares	30,000,000	25.13%	0	0	0	0	0	30,000,000	25.13%
1. Common shares in RMB	0	0.00%	0	0	0	0	0	0	0.00%
2. Foreign shares in domestic market	30,000,000	25.13%	0	0	0	0	0	30,000,000	25.13%
3. Foreign shares in overseas market	0	0.00%	0	0	0	0	0	0	0.00%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Total of capital shares	119,375,000	100.00%	0	0	0	0	0	119,375,000	100.00%

	00							00	
--	----	--	--	--	--	--	--	----	--

Reasons for share changed

Applicable Not applicable

Approval of Change of Shares

Applicable Not applicable

Ownership transfer of share changes

Applicable Not applicable

Influence on the basic EPS and diluted EPS as well as other financial indexes of net assets per share attributable to common shareholders of Company in latest year and period

Applicable Not applicable

Other information necessary to disclose for the company or need to disclosed under requirement from security regulators

Applicable Not applicable

2.Self-defined Chapter

When the company was founded in 1995, North China Industrial Shenzhen Co., Ltd., one of the founders, held 17,875,000 shares of the company, accounting for 3.74% of the company's total share capital. According to the Civil Order of the Shenzhen Intermediate People's Court of Guangdong Province- [2006] Shenzhong Famin Two Bankruptcy Zi No. 21-4) on March 6th, 2007, it's ruled that the proprietary rights of the 3.74% stake (17,875,000 legal person shares) of the company held by North China Industrial Shenzhen Co., Ltd. belongs to the buyers Gu Zuocheng, Yangpu Xinyufeng Investment Co., Ltd. and Feng Yonghui. Thereinto, Gu Zuocheng held 8,875,000 shares; Yangpu Xinyufeng Investment Co., Ltd. held 7,000,000 shares; Feng Yonghui held 20,000 million shares.

On September 12, 2013, the company implemented a 4:1 share-shrunk. After the share-shrunk, Gu Zuocheng held 2,218,750 shares; Hengsheng Sun Group Co., Ltd. held 1,750,000 shares; Feng Yonghui held 500,000 shares.

Therefore, in the above "Changes in Shares" table, the number of shares that's filled in the "others" for the sponsors' shares is the total shares held by the natural persons Gu Zuocheng and Feng Yonghui, namely: 2,718,750 shares.

3. Change of shares with limited sales condition

Applicable Not applicable

II.Issuing and listing

1.Explanation of the Situation of the Security Issue(No Preferred Shares) in the Report Period

Applicable Not applicable

2.Change of asset and liability structure caused by change of total capital shares and structure

Applicable Not applicable

3.About the existing employees' shares

Applicable Not applicable

III.Shareholders and actual controlling shareholder

1. Number of shareholders and shareholding

In Shares

Shareholders	Nature of shareholder	Proportion of shares held (%)	Number of shares held at period -end	Changes in reporting period	Amount of restricted shares held	Amount of un-restricted shares held	Number of share pledged/frozen	
							State of share	Amount
China Military Equipment Group Co., Ltd.	State-owned legal person	71.13%	84,906,250	0	84,906,250	0		
Gu Zuocheng	Domestic natural person	1.89%	2,261,000	0	2,218,750	42,250		
Anhui Hengsheng Investment Development Co., Ltd.	Domestic non-state-owned legal person	1.47%	1,750,000	0	1,750,000	0		
Xu Yuanhui	Domestic natural person	0.77%	913,999	136,110	0	913,999		
Liu Dan	Domestic natural person	0.74%	880,476	-37,775	0	880,476		
Chen Xinqiang	Domestic natural person	0.51%	612,400	0	0	612,400		
CORE PACIFIC-YAMAI CHI INTERNATIONAL (H.K.) LIMITED	Overseas Legal person	0.46%	544,150	13,000	0	544,150		
Zhang Meilan	Domestic natural person	0.43%	513,560	0	0	513,560		
Feng Yonghui	Domestic natural person	0.42%	500,000	0	500,000	0		
Li Jianping	Domestic natural person	0.37%	436,300	1,800	0	436,300		

Strategic investor or general legal person becoming top-10 ordinary shareholder due to rights issue (if any) (See Note 3)	Not applicable		
Related or acting-in-concert parties among shareholders above	There isn't any associated relationship between the sponsoring shareholder and the other shareholders among the top-10 list. None of them are regarded as 'Acting in concert' in accordance with 'The rules of information disclosure on change of shareholding.' Foreign shareholders are unknown for their condition of 'Associated relationship' and 'Acting in concert'.		
Description of the above shareholders in relation to delegate/entrusted voting rights and abstention from voting rights	Not applicable		
Top 10 holders of unconditional shares			
Name of the shareholder	Amount of unconditional shares held at end of period	Category of shares	
		Category of shares	Amount
Xu Yuanhui	913,999	Foreign shares placed in domestic exchange	913,999
Liu Dan	880,476	Foreign shares placed in domestic exchange	880,476
Chen Xinqiang	612,400	Foreign shares placed in domestic exchange	612,400
CORE PACIFIC-YAMAICHI INTERNATIONAL (H.K.) LIMITED	544,150	Foreign shares placed in domestic exchange	544,150
Zhang Meilan	513,560	Foreign shares placed in domestic exchange	513,560
Li Jianping	436,300	Foreign shares placed in domestic exchange	436,300
Chen Houping	423,561	Foreign shares placed in domestic exchange	423,561
Lv Gang	418,099	Foreign shares placed in domestic exchange	418,099
Zhang Long	351,577	Foreign shares placed in domestic exchange	351,577
Liu Guosheng	345,575	Foreign shares placed in domestic exchange	345,575
Action-in-concert among top 10 non-restricted current share holders, top 10 non-restricted	There is no affiliated relationship between the top ten non-restricted tradable shareholders and the controlling shareholder China Military Equipment Group Co., Ltd. nor do they belong to the consistent actors stipulated in the Administrative Measures for the Acquisition of Listed		

current share holders and top 10 shareholders	Companies; it is unknown to the company whether there is an affiliated relationship between the top ten non-restricted tradable shareholders as well as between the top ten non-restricted tradable shareholders and the other top ten shareholders, or whether they are included in the consistent actors stipulated in the Administrative Measures for the Acquisition of Listed Companies.
Top 10 ordinary shareholders conducting securities margin trading (if any) (see note 4)	Not applicable

Whether top ten common shareholders or top ten common shareholders with un-restrict shares held have a buy-back agreement dealing in reporting period.

Yes No

The top ten common shareholders or top ten common shareholders with un-restrict shares held of the Company have no buy –back agreement dealing in reporting period.

2. Controlling shareholder

Nature of Controlling Shareholders: Central State-owned Holdings

Type of Controlling Shareholders: Legal person

Name of the Controlling shareholder	Legal representative/Leader	Date of incorporation	Organization code	Principal business activities
China Military Equipment Group Co., Ltd.	Xu Xianpng	June 29,1999	91110000710924929L	Investment, operation and management of state-owned assets: research and development, production, guarantee and service of weapons and equipment; Research and development, manufacturing, sales and comprehensive services of vehicles, electrical equipment, photoelectric information and products and their equipment, mechanical equipment, engineering and construction machinery, chemical materials (except hazardous chemicals), fire fighting equipment, medical and environmental protection equipment, metal and nonmetal materials and their products.
Equity of other	As of December 31, 2021, Shares held and controlled by other domestic and overseas listed			

domestic/foreign listed company with share controlling and share participation by controlling shareholder in reporting period	companies directly or indirectly: 1.44.17% by Chongqing Changan Automobile Co., Ltd.(Stock code:000625); 2. 44.56 by Baoding Tianwei Baobian Electric Co., Ltd(Stock code: 600550).; 3.41.03% by Jiangling Motors Corporation, Ltd (Stock code:000550) ; 4. 37.40% by Hunan Tianyan Machinery Co., Ltd(Stock code: 600698) ; 5. 51.42 by Haerbin Automobile Power Co., Ltd. ; 6.46.87 by Costar Group Co., Ltd.(Stock Code002189) ; 7. 55.61% by Yunnan Xiyi Industry Co., Ltd(Stock code:002265) ; 8. 25.44% by Chongqing Minsheng Logistic Co., Ltd(Stock code:1292.HK) ; 9.70.35% by Hubei Huangqiang High-Tech Co., Ltd.(Stock code688151) .
---	---

Change of holding shareholder

Applicable Not applicable

No such cases in the reporting period.

3. Information about the controlling shareholder of the Company

Actual controller nature: Central state owned Assets Management t

Actual controller type: Legal person

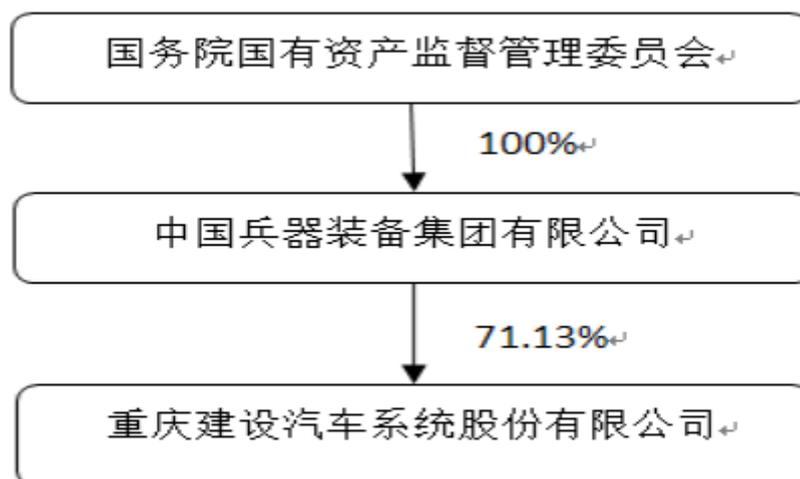
Name of the controlling shareholder	Legal representative/person in charge	Date of establishment	Organization code	Principal business activities
State-owned Assets Supervision and administration Commission of the State Council	Not applicable		Not applicable	Not applicable
Situation of domestic and abroad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

Changes of the actual controller in the reporting period

Applicable Not applicable

No Changes of the actual controller in the reporting period

Block Diagram of the ownership and control relations between the company and the actual controller



The actual controller controls the company by means of trust or managing the assets in other way

Applicable Not applicable

4.The cumulative number of shares pledged by the controlling shareholder or the largest shareholder of the company and its person acting in concert accounts for 80% of the number of shares held by the company

Applicable Not applicable

5.Particulars about other legal person shareholders with over 10% share held

Applicable Not applicable

6.Situation of Share Limitation Reduction of Controlling Shareholders, Actual Controllers, Restructuring Party and Other Commitment Subjects

Applicable Not applicable

IV. Specific implementation of share repurchase during the reporting period

Progress in implementation of share repurchase

Applicable Not applicable

Implementation progress of reducing repurchased shares by centralized bidding

Applicable Not applicable

VIII. Situation of the Preferred Shares

Applicable Not applicable

The Company had no preferred shares in the reporting period.

IX. Corporate Bond

Applicable Not applicable

Auditors' Report

Z.X.C.G.H.S.K.Zi [2022]No.302040

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

I . Audit opinion

We have audited the accompanying financial statements of Chongqing Jianshe Vehicle System Co., Ltd. (hereinafter referred to as "Chongqing Jianshe"), which comprises the consolidated balance sheet and the company's balance sheet as on December 31, 2021, the consolidated Income Statement and the Company's Income Statement, the consolidated statement of cash flows and the Company's statement of cash flows, the consolidated statement of changes in owners' equity and the company's statement of changes in owners' equity for the year then ended, and the notes to the financial statements.

In our opinion, the financial statements of Chongqing Jianshe present fairly, in all material respects, the company's and consolidated financial position as of 31 December 2021, and the company's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. Basis for Opinion

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

appropriate to provide a basis for our opinion.

III. Key Audit Matters

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

Key Audit Matters: Income Confirmation

1.Item Description

Please refer to Note 26 of Annotation III. Important Accounting Policies and Accounting Estimation of the Financial Statement and Note 33 of Annotation V. Operating revenue and Operating costs for related information disclosed.

The operating income of Chongqing Jianshe in 2021 was 680 million Yuan, fell by 8.20%, compared with one year earlier was 741 million Yuan, which is an important component of the consolidated income statement. Among them, the sales revenue of Chongqing Jianshe Automobile A/C and accessories for 97.62% of the operating income in 2021 and decreased slightly compared with 98.75% of the operating income in 2020, which is divided into three categories according to customer groups:

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

department shall issue invoices to confirm the sales income.

Customers - Delivery after payment. Sales personnel confirm upon receipt of payment by the customer, in accordance with customer requirements and related information of bill, the contract of sale price and customer demand quantity shipment, and issue a letter of notice, then the finance department completes the transaction.

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

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

2.Countermeasures of Audit

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

(1) We selected big sales contracts, reviewing the relevant terms of the contract, and interviewed the management; in the meantime, we analyzed the contract by using "five-step" of new revenue standard, judged the composition of performance obligations and the time point of control transfer, and then evaluated whether the sales revenue recognition policy meet the requirements of the new revenue criteria.

(2) We conducted interviews with management and governance to assess the risk of integrity and fraud.

(3) We understudied and tested the internal controls associated with income, and determined it's reliable.

(4) Perform analytical procedures on revenue and cost, including: the analysis of monthly income, cost and fluctuation of gross profit in current period, comparison analysis of the main product's current income, cost and gross profit with previous period, to judge the rationality of sales revenue and gross profit rate changes.

(5) Execution of detail test, we have sampled the inventory receipt and sending records, sales contracts, sales orders, sales invoices, shipping documents, bills of current account and receipt document and other supporting documents, checked receipt records, done external confirmation for final accounts receivable, and confirmed the authenticity of sales revenue.

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

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

IV. Other information

The Company's management of Chongqing Jianche (hereinafter referred to as "management") is responsible for the other information. The other information comprises all of the information included in the Company's 2021 Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

The management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standards

for Business Enterprises to make them a fair presentation and designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the Current Period and are therefore the key audit matters. We describe these matters

in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Zhongxingcai Guanghua Certified
Public Accountants (LLP)

CPA:
(Engagement Partner)
CPA:

Beijing China

April 28, 2022

Consolidated Balance Sheet and The Company's Balance Sheet

Prepared by: Chongqing Jianshe Vehicle System Co., Ltd.

Monetary Unit:RMB

Items	Notes	Balance as at December 31,2021		Balance as at December 31,2020	
		Consolidation	Parent company	Consolidation	Parent company
Current Assets		—	—	—	—
Cash and cash equivalents	V. 1	91,678,523.19	2,146,167.36	159,343,241.47	1,039,038.26
Financial assets held for trading					
Derivative financial assets					
Notes receivable	V. 2	2,220,000.00		66,548,530.50	11,600,000.00
Accounts receivable	V. 3	149,333,285.64	3,152,475.45	221,386,452.90	2,189,335.14
Financing receivables	V. 4	29,250,840.86	440,000.00		
Advances to suppliers	V. 5	7,228,480.93	2,465,664.66	8,539,316.15	5,477,412.18
Other receivables	V. 6	1,431,664.33	1,153,592.45	1,253,612.91	934,239.22
Including: interest receivable					
Dividends receivable					
Inventories	V. 7	206,719,605.79	2,084,284.76	169,145,986.78	1,645,305.96
Contract assets					
Held-for-sale assets	V. 8	104,982,996.11	104,982,996.11		
Non-current assets maturing within one year					
Other current assets	V. 9	4,585,170.16	1,523,292.88	3,396,186.56	3,179.92
Total current assets		597,430,567.01	117,948,473.67	629,613,327.27	22,888,510.68
Non-current assets		—	—	—	—
Available for sale of financial assets					
Held-to-maturity investments					
Long-term receivable					

Long-term equity investments	V.10	201,984,268.72	401,029,712.67	186,213,719.02	385,259,162.97
Other equity instrument investments					
Other non-current financial assets	V.11				
Investment properties	V.12			23,043,398.52	23,043,398.52
Fixes assets	V.13	216,541,481.98	30,608,778.01	310,131,438.69	110,261,716.77
Construction in progress	V.14	1,811,125.46	16,637.17	1,871,241.59	66,037.74
Production physical assets					
Oil and gas assets					
Right-of-use assets					
Intangible assets	V.15	13,580,639.04		27,384,056.97	14,171,538.97
Developemnt expenses					
Goodwill					
Long-term prepaid expenses	V. 16	116,978.77		24,750.00	
Deferred income tax assets	V. 17	6,060,617.99		6,274,078.12	
Other non-current assets	V. 18	3,810,800.00		2,141,443.59	
Total non-current assets		443,905,911.96	431,655,127.85	557,084,126.50	532,801,854.97
Total assets		1,041,336,478.97	549,603,601.52	1,186,697,453.77	555,690,365.65
Current Liabilities		—	—	—	—
Short-term loans	V. 19	493,460,000.00		553,910,000.00	
Trading financial liabilities					
Derivative financial liabilities					
Notes payable	V. 20	160,670,000.00		110,020,000.00	
Accounts payable	V. 21	190,292,444.13	165,209,294.49	288,803,247.07	265,278,880.90
Advances from customers					
Contract liabilities	V. 22	2,868,604.98	159,843.70	1,479,711.62	248,849.01
Payroll payables	V. 23	20,944,522.89	6,044,727.21	28,427,402.84	10,058,993.74

Taxes payable	V. 24	15,134,121.83	15,021,233.16	18,106,616.93	15,199,300.72
Other payables	V. 25	6,766,954.83	355,521,343.12	10,260,888.23	231,990,706.48
Including: interest payable					
Dividends payable					
Held for sales liability					
Non-current liabilities maturing within one year					
Other current liabilities	V. 26	372,918.65	20,779.68	192,362.51	32,350.37
Total current liabilities		890,509,567.31	541,977,221.36	1,011,200,229.20	522,809,081.22
Non-current liabilities			—		—
Long-term loans					
Bond payable					
Including: preferred stock					
Perpetual bond					
Lease liability					
Long-term payables					
Long-term Payroll Payable					
Estimated liabilities					
Deferred income					
Deferred income tax liabilities	V. 17	1,523,318.82		1,908,551.51	
Other non-current liabilities					
Total non-current liabilities		1,523,318.82		1,908,551.51	
Total liabilities		892,032,886.13	541,977,221.36	1,013,108,780.71	522,809,081.22
OWNERS' EQUITY			—		—
Share Capital	V. 27	119,375,000.00	119,375,000.00	119,375,000.00	119,375,000.00
Other equity instruments					
Including: preferred shares					

Perpetual bond					
Capital reserve	V. 28	958,565,294.29	958,565,294.29	958,565,294.29	958,565,294.29
Less: treasury stock					
Other comprehensive income	V. 29	9,800.00	9,800.00	9,800.00	9,800.00
Special reserve	V. 30	1,713,882.50	612,361.09		
Surplus reserves	V. 31	125,686,000.00	125,686,000.00	125,686,000.00	125,686,000.00
Retained earnings	V. 32	-1,056,046,383.95	-1,196,622,075.22	-1,030,047,421.23	-1,170,754,809.86
Total equity attributable to owners' of the parent company		149,303,592.84	7,626,380.16	173,588,673.06	32,881,284.43
Minority equity					
TOTAL OWNERS' EQUITY		149,303,592.84	7,626,380.16	173,588,673.06	32,881,284.43
Total liabilities and owners' equity		1,041,336,478.97	549,603,601.52	1,186,697,453.77	555,690,365.65
Current Liabilities		—	—	—	—
Short-term loans	V. 19	493,460,000.00		553,910,000.00	
Trading financial liabilities					
Derivative financial liabilities					
Notes payable	V. 20	160,670,000.00		110,020,000.00	
Accounts payable	V. 21	190,292,444.13	165,209,294.49	288,803,247.07	265,278,880.90
Advances from customers					
Contract liabilities	V. 22	2,868,604.98	159,843.70	1,479,711.62	248,849.01
Payroll payables	V. 23	20,944,522.89	6,044,727.21	28,427,402.84	10,058,993.74
Taxes payable	V. 24	15,134,121.83	15,021,233.16	18,106,616.93	15,199,300.72
Other payables	V. 25	6,766,954.83	355,521,343.12	10,260,888.23	231,990,706.48
Including: interest payable					
Dividends payable					
Held for sales liability					
Non-current liabilities maturing within one year					

Other current liabilities	V. 26	372,918.65	20,779.68	192,362.51	32,350.37
Total current liabilities		890,509,567.31	541,977,221.36	1,011,200,229.20	522,809,081.22
Non-current liabilities			—		—
Long-term loans					
Bond payable					
Including: preferred stock					
Perpetual bond					
Lease liability					
Long-term payables					
Long-term Payroll Payable					
Estimated liabilities					
Deferred income					
Deferred income tax liabilities	V. 17	1,523,318.82		1,908,551.51	
Other non-current liabilities					
Total non-current liabilities		1,523,318.82		1,908,551.51	
Total liabilities		892,032,886.13	541,977,221.36	1,013,108,780.71	522,809,081.22
OWNERS' EQUITY			—		—
Share Capital	V. 27	119,375,000.00	119,375,000.00	119,375,000.00	119,375,000.00
Other equity instruments					
Including: preferred shares					
Perpetual bond					
Capital reserve	V. 28	958,565,294.29	958,565,294.29	958,565,294.29	958,565,294.29
Less: treasury stock					
Other comprehensive income	V. 29	9,800.00	9,800.00	9,800.00	9,800.00
Special reserve	V. 30	1,713,882.50	612,361.09		
Surplus reserves	V. 31	125,686,000.00	125,686,000.00	125,686,000.00	125,686,000.00

Retained earnings	V. 32	-1,056,046,383.95	-1,196,622,075.22	-1,030,047,421.23	-1,170,754,809.86
Total equity attributable to owners' of the parent company		149,303,592.84	7,626,380.16	173,588,673.06	32,881,284.43
Minority equity					
TOTAL OWNERS' EQUITY		149,303,592.84	7,626,380.16	173,588,673.06	32,881,284.43
Total liabilities and owners' equity		1,041,336,478.97	549,603,601.52	1,186,697,453.77	555,690,365.65

Legal Representative of Enterprise:

Accounting Principal:

Accounting Firm's Principal:

Consolidated Income Statement and The Company's Income Statement

Prepared by: Chongqing Jianshe Vehicle System Co., Ltd.

Monetary Unit:RMB

Items	Notes	Year 2021		Year 2020	
		Consolidation	Parent company	Consolidation	Parent company
I.Total operating income	V. 33	680,118,967.08	505,387,254.89	740,851,845.25	582,119,961.20
Less: total operating costs	V. 33	586,901,822.80	509,519,813.11	638,523,642.92	565,869,149.78
Taxes and surcharges	V. 34	6,707,375.25	2,476,585.14	5,442,591.54	1,784,164.65
Selling expenses	V. 35	16,795,778.20	415,349.38	16,631,963.90	2,379,049.19
General and administrative expenses	V. 36	62,047,629.17	35,954,807.78	69,410,916.79	38,644,444.31
R&D expenses	V. 37	29,760,773.46	98,668.74	15,283,965.69	1,377,914.06
Financial expenses	V. 38	23,014,845.65	658,011.46	22,486,373.84	545,319.21
Including: interest expenses		24,231,685.81	765,967.92	23,719,626.23	632,663.12
Interest income		1,562,787.46	64,826.78	1,572,349.92	63,831.60
Add: other income	V. 39	1,583,305.16	59,403.42	4,449,659.88	3,548,959.00
Investment income ("-" for losses)	V. 40	15,770,549.70	15,770,549.70	-3,451,062.12	-5,390,443.20
Including: income from investment in associates and joint ventures		15,770,549.70	15,770,549.70	-5,390,443.20	-5,390,443.20
Financial asset derecognition which measured in amortized cost method ("-"for loss)					
Net exposure hedge income ("-"for loss)					
Gain on changes in fair value ("-"for loss)					

Losses of credit impairment ("-"for loss)	V.41	-318,331.09	237,752.50	-1,258,873.53	-1,478,870.07
Losses of assets impairment ("-"for gains)	V.42	17,064.89		-9,953,007.03	-9,140,781.65
Asset disposal income ("-" for loss)	V.43	1,566,473.14	1,598,662.50	-448,967.59	-158,358.75
II.. Operating Profit ("-"for loss)		-26,490,195.65	-26,069,612.60	-37,589,859.82	-41,099,574.67
Plus: non-operating income	V. 44	319,658.55	202,347.24	41,077,989.97	55,100.00
Minus: non-operating expenses	V. 45	198.18		1,572,672.69	1,572,191.89
III. Profit before tax("-"for loss)		-26,170,735.28	-25,867,265.36	1,915,457.46	-42,616,666.56
Minus: income tax expenses	V. 46	-171,772.56		499,515.01	
IV. Net profit ("-"for net loss)		-25,998,962.72	-25,867,265.36	1,415,942.45	-42,616,666.56
Including: net profit realized by the combined party before merger					
1.Classification according to net profit of going concern		-25,998,962.72	-25,867,265.36	1,415,942.45	-42,616,666.56
(1) Continuous operating net profit ("-" for loss)		-25,998,962.72	-25,867,265.36	1,415,942.45	-42,616,666.56
(2) net profit of Termination ("-" for loss)					
2.Classification according to ownership		-25,998,962.72		1,415,942.45	
(1) Net profit attributable to owners of the parent company		-25,998,962.72		1,415,942.45	
(2) Net of profit attributable to owners of Minority shareholders' equity					
V. Other comprehensive income (net of tax)			-		-
Net profit attributable to owners of the parent company			-		-
1. Other comprehensive income that cannot be reclassified into gains and losses subsequently			-		-
(1) Changes in net liabilities or net assets arising from re-measurement of defined benefit plan					
(2) Share in other comprehensive income of the investee cannot be reclassified into gains and losses under the equity method					
(3) Changes in fair value of other equity instrument investments					
(4) Changes in fair value of enterprise's own credit risk					
(5) Others					
2.Other comprehensive income to be reclassified into gains and losses subsequently			-		-
(1) Share in other comprehensive income of the investee to be reclassified into gains and losses under the equity method					
(2) Changes in fair value of other debt investments					
(3) Gains and losses on changes in fair value of financial assets available for sale					

(4) Provision for credit impairment of other debt investments					
(5) Cash flow hedging reserve					
(6) Translation differences of financial statements denominated in foreign currency					
(7) Profit and loss from changes in fair value of available for sale financial assets					
(8) Profit and loss of held to maturity investment reclassified as available for sale financial assets					
(9) Effective part of profit and loss of cash flow hedging					
(10) Others					
VI.Total comprehensive income		-25,998,962.72	-25,867,265.36	1,415,942.45	-42,616,666.56
Total comprehensive income attributable to owners of the parent company		-25,998,962.72	-25,867,265.36	1,415,942.45	-42,616,666.56
Total comprehensive income attributable to owner's minority shareholders					
VII. Earnings per share:					
1.Basic earnings per share (RMB/Share)		-0.218		0.012	
2.Diluted earnings per share (RMB/Share)		-0.218		0.012	

Legal Representative of Enterprise:

Accounting Principal:

Accounting Firm's Principal:

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

Prepared by: Chongqing Jianshe Vehicle System Co., Ltd.

Monetary Unit:RMB

Items	Notes	Year 2021		Year 2020	
		Consolidation	Parent company	Consolidation	Parent company
I. Cash flows from Operating Activities			—		—
Cash received from sale of goods and rendering of services		573,159,596.26	168,800,813.85	511,870,586.73	147,889,417.48

Refunds of taxes and surcharges		20,826,397.73		13,131,562.71	
Cash received from other operating activities	V. 48	9,842,241.82	6,232,085.99	16,546,105.54	14,729,508.79
Sub-total of cash inflows from operating activities		603,828,235.81	175,032,899.84	541,548,254.98	162,618,926.27
Cash paid for goods purchased and services received		432,450,100.21	150,998,598.56	242,967,204.21	118,365,485.57
Cash paid to and on behalf of employees		111,795,006.58	37,808,659.45	97,076,119.98	41,809,052.51
Cash paid for taxes and surcharges		13,624,159.14	5,495,048.13	7,338,755.29	1,763,767.81
Cash paid for other operating activities	V. 48	24,526,602.41	9,559,906.59	29,153,048.83	7,992,431.15
Sub-total of cash outflows from operating activities		582,395,868.34	203,862,212.73	376,535,128.31	169,930,737.04
Net cash flows from operating activities		21,432,367.47	-28,829,312.89	165,013,126.67	-7,311,810.77
II. Cash flows from investing activities:			—		—
Cash received from disposal of investments					
Cash received from returns on investments					
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,609,454.58	1,609,454.58	6,863.00	
Cash inflow from disposal of subsidiaries and other operating units					
Cash received from other investing activities	V. 48			61,450,668.55	
Sub-total of cash inflows from investing activities		1,609,454.58	1,609,454.58	61,457,531.55	-
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		12,003,935.51	4,506,429.25	4,728,338.85	4,027,205.10
Cash paid for investments					20.54
Net cash paid to acquire subsidiaries and other business units					
Cash paid for other investing activities	V. 48			40,000,000.00	
Sub-total of cash outflows from investing activities		12,003,935.51	4,506,429.25	44,728,338.85	4,027,225.64
Net cash flows from investing activities		-10,394,480.93	-2,896,974.67	16,729,192.70	-4,027,225.64
III. Cash flows from financing activities		—	—	—	—
Cash received from investors					
Including: Cash received by subsidiaries absorbing minority equity investments					
Cash received from borrowings		673,010,000.00	15,000,000.00	772,910,000.00	
Cash received from other financing activities	V. 48	43,814,318.47	365,599,500.00	306,429,590.72	449,469,841.68
Sub-total of cash inflows from financing activities		716,824,318.47	380,599,500.00	1,079,339,590.72	449,469,841.68
Cash paid for debt repayments		733,460,000.00	15,000,000.00	641,280,000.00	
Cash paid for distribution of dividends and profits or payment of interest		24,166,086.12	765,967.92	22,798,392.28	
Including: Dividends, profits paid by subsidiaries to minority shareholders					
Cash paid for other financing activities	V. 48	25,795,639.32	332,000,115.42	527,074,610.08	441,540,000.00

Sub-total of cash outflows from financing activities		783,421,725.44	347,766,083.34	1,191,153,002.36	441,540,000.00
Net cash flows from financing activities		-66,597,406.97	32,833,416.66	-111,813,411.64	7,929,841.68
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		-12,209.93		-8,980.28	
V. Net increase in cash and cash equivalents		-55,571,730.36	1,107,129.10	69,919,927.45	-3,409,194.73
Plus: balance of cash and cash equivalents at the beginning of the period		79,310,253.55	1,039,038.26	9,390,326.10	4,448,232.99
VI. Balance of cash and cash equivalents at the end of the period		23,738,523.19	2,146,167.36	79,310,253.55	1,039,038.26

Legal Representative of Enterprise:

Accounting Principal:

Accounting Firm's Principal:

Consolidated Statement of Changes in Owners' Equity

Prepared by: Chongqing Jianshe Vehicle System Co., Ltd.

Monetary Unit: RMB

Items	Year 2021												
	Equity attributable to owners of the parent company											Minority equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special Reserve	Surplus reserve	Retained earnings	Sub-total		
	Preferred shares	Perpetual bond	Others										
I. Balance as at December 31 of last year	119,375,000.00	-	-	-	958,565,294.29	-	9,800.00	-	125,686,000.00	-1,030,047,421.23	173,588,673.06		173,588,673.06
Plus: adjustments for changes in accounting policies											-		
Adjustments for correction of accounting errors in prior year											-		
Business combination involving entities under common control											-		
Others											-		-
II. Balance as at January 1 of the current year	119,375,000.00	-	-	-	958,565,294.29	-	9,800.00	-	125,686,000.00	-1,030,047,421.23	173,588,673.06	-	173,588,673.06
III. Increase/(decrease) for the current year ("-" for losses)	-	-	-	-	-	-	-	1,713,882.50	-	-25,998,962.72	-24,285,080.22	-	-24,285,080.22
1.Total comprehensive incomes										-25,998,962.72	-25,998,962.7	-	-25,998,962.7

											2		2
2.Capital contributed or reduced by owners	-	-	-	-	-	-	-	-	-	-	-	-	-
(1) Common shares from shareholders											-		-
(2) Investment capital from the holders of other equity instruments											-		-
(3) Amount of the share-based payment included in the owners' equity											-		-
(4) Others											-		-
3.Distribution of profits	-	-	-	-	-	-	-	-	-	-	-	-	-
(1) Withdrawal of surplus reserves											-		-
(2) Distribution to owners or shareholders											-		-
(3) Others											-		-
4.Transfers within the owners` equity	-	-	-	-	-	-	-	-	-	-	-	-	-
(1) Conversion of capital reserves into paid-in capital											-	—	
(2) Conversion of surplus reserves into paid-in capital											-	—	
(3) Recovery of losses by surplus reserve											-	—	
(4) Set benefit plan changes carry-over retained income											-	—	
(5) Other profits changes carry-over related income											-	—	
(6) Others											-	—	
5.Special reserves	-	-	-	-	-	-	-	1,713,882.50	-	-	1,713,882.50	-	1,713,882.50
(1) Amount withdrawn in the current year								2,710,546.82			2,710,546.82	—	
(2) Amount used in the current year								-996,664.32			-996,664.32	—	
6.Others											-		-
IV. Ending balance of the current year	119,375,000.00	-	-	-	958,565,294.29	-	9,800.00	1,713,882.50	125,686,000.00	-1,056,046,383.95	149,303,592.84	-	149,303,592.84

Legal Representative of Enterprise:

Accounting Principal:

Accounting Firm's Principal:

Consolidated Statement of Changes in Owners' Equity

Prepared by: Chongqing Jianshe Vehicle System Co., Ltd.

Monetary Unit:RMB

Items	Year 2020										
	Equity attributable to owners of the parent company									Minority equity	Total owners' equity
	Share capital	Other equity instruments	Capital	Less:	Other	Special	Surplus	Retained	Sub-total		

		Preferre d shares	Perpetua l bond	Other s	reserves	treasur y stock	comprehensiv e income	Reserv e	reserve	earnings			
I . Balance as at December 31 of last year	119,375,000.0 0				958,565,294.2 9		9,800.00		125,686,000.0 0	-1,031,463,363.6 8	172,172,730.6 1		172,172,730.6 1
Plus: adjustments for changes in accounting policies											-		
Adjustments for correction of accounting errors in prior year											-		
Business combination involving entities under common control											-		
Others											-		-
II . Balance as at January 1 of the current year	119,375,000.0 0	-	-	-	958,565,294.2 9	-	9,800.00	-	125,686,000.0 0	-1,031,463,363.6 8	172,172,730.6 1	-	172,172,730.6 1
III. Increase/(decrease) for the current year ("-" for losses)	-	-	-	-	-	-	-	-	-	1,415,942.45	1,415,942.45	-	1,415,942.45
1.Total comprehensive incomes										1,415,942.45	1,415,942.45	-	1,415,942.45
2.Capital contributed or reduced by owners	-	-	-	-	-	-	-	-	-	-	-	-	-
(1) Common shares from shareholders											-		-
(2) Investment capital from the holders of other equity instruments											-		-
(3) Amount of the share-based payment included in the owners' equity											-		-
(4) Others											-		-
3.Distribution of profits	-				-	-	-	-	-	-	-	-	-
(1) Withdrawal of surplus reserves											-		-
(2) Distribution to owners or shareholders											-		-
(3) Others											-		-
4.Transfers within the owners` equity	-	-	-	-	-	-	-	-	-	-	-	-	-
(1) Conversion of capital reserves into paid-in capital											-	—	
(2) Conversion of surplus reserves into paid-in capital											-	—	
(3) Recovery of losses by surplus reserve											-	—	
(4) Set benefit plan changes carry-over retained income											-	—	
(5) Other profits changes carry-over related income											-	—	

(6) Others												-	—	
5.Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(1) Amount withdrawn in the current year												-	—	
(2) Amount used in the current year												-	—	
6.Others												-		-
IV. Ending balance of the current year	119,375,000.0 0	-	-	-	958,565,294.2 9	-	9,800.00	-	125,686,000.0 0	-1,030,047,421.2 3	173,588,673.0 6	-		173,588,673.0 6

Legal Representative of Enterprise:

Accounting Principal:

Accounting Firm's Principal:

Consolidated Statement of Changes in Owners' Equity

Prepared by: Chongqing Jianshe Vehicle System Co., Ltd.

Monetary Unit:RMB

Items	Year 2021										
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special Reserve	Surplus reserve	Retained earnings	Total owners' equity
		Preferred shares	Perpetual bond	Others							
I . Balance as at December 31 of last year	119,375,000.00	-	-	-	958,565,294.29	-	9,800.00	-	125,686,000.00	-1,170,754,809.86	32,881,284.43
Plus: adjustments for changes in accounting policies											
Adjustments for correction of accounting errors in prior year											
Business combination involving entities under common control											
Others											-
II . Balance as at January 1 of the current year	119,375,000.00	-	-	-	958,565,294.29	-	9,800.00	-	125,686,000.00	-1,170,754,809.86	32,881,284.43
III. Increase/(decrease) for the current year ("-" for losses)	-	-	-	-	-	-	-	612,361.09	-	-25,867,265.36	-25,254,904.27
1.Total comprehensive incomes										-25,867,265.36	-25,867,265.36
2.Capital contributed or reduced by owners	-	-	-	-	-	-	-	-	-	-	-
(1) Common shares from shareholders											-
(2) Investment capital from the holders of other equity instruments											-
(3) Amount of the share-based payment included in the owners' equity											-
(4) Others											-
3.Distribution of profits	-				-	-	-	-	-	-	-

(1) Withdrawal of surplus reserves												-
(2) Distribution to owners or shareholders												
(3) Others												-
4.Transfers within the owners` equity	-	-	-	-	-	-	-	-	-			-
(1) Conversion of capital reserves into paid-in capital												
(2) Conversion of surplus reserves into paid-in capital												
(3) Recovery of losses by surplus reserve												
(4) Set benefit plan changes carry-over retained income												
(5) Other profits changes carry-over related income												
(6) Others												
5.Special reserves	-	-	-	-	-	-	-	612,361.09	-	-		612,361.09
(1) Amount withdrawn in the current year								851,766.65				
(2) Amount used in the current year								-239,405.56				
6.Others												-
IV. Ending balance of the current year	119,375,000.00	-	-	-	958,565,294.29	-	9,800.00	612,361.09	125,686,000.00	-1,196,622,075.22		7,626,380.16

Legal Representative of Enterprise:

Accounting Principal:

Accounting Firm's Principal:

Consolidated Statement of Changes in Owners' Equity

Prepared by: Chongqing Jianshe Vehicle System Co., Ltd.

Monetary Unit:RMB

Items	Year 2020										
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special Reserve	Surplus reserve	Retained earnings	Total owners' equity
		Preferred shares	Perpetual bond	Others							
I . Balance as at December 31 of last year	119,375,000.00				958,565,294.29		9,800.00		125,686,000.00	-1,128,138,143.30	75,497,950.99
Plus: adjustments for changes in accounting policies											
Adjustments for correction of accounting errors in prior year											
Business combination involving entities under common control											
Others											-
II . Balance as at January 1 of the current year	119,375,000.00	-	-	-	958,565,294.29	-	9,800.00	-	125,686,000.00	-1,128,138,143.30	75,497,950.99
III. Increase/(decrease) for the current year ("-" for losses)	-	-	-	-	-	-	-	-	-	-42,616,666.56	-42,616,666.56
1.Total comprehensive incomes										-42,616,666.56	-42,616,666.56
2.Capital contributed or reduced by owners	-	-	-	-	-	-	-	-	-	-	-
(1) Common shares from shareholders											-
(2) Investment capital from the holders of other equity instruments											-
(3) Amount of the share-based payment included in the owners' equity											-
(4) Others											-
3.Distribution of profits	-				-	-	-	-	-	-	-
(1) Withdrawal of surplus reserves											-
(2) Distribution to owners or shareholders											
(3) Others											-
4.Transfers within the owners` equity	-	-	-	-	-	-	-	-			-
(1) Conversion of capital reserves into paid-in capital											
(2) Conversion of surplus reserves into paid-in capital											

(3) Recovery of losses by surplus reserve											
(4) Set benefit plan changes carry-over retained income											
(5) Other profits changes carry-over related income											
(6) Others											
5.Special reserves	-	-	-	-	-	-	-	-	-	-	-
(1) Amount withdrawn in the current year											
(2) Amount used in the current year											
6.Others											-
IV. Ending balance of the current year	119,375,000.00	-	-	-	958,565,294.29	-	9,800.00	-	125,686,000.00	-1,170,754,809.86	32,881,284.43

Legal Representative of Enterprise:

Accounting Principal:

Accounting Firm's Principal:

Notes To Financial Statements

I . Corporate Information

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

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

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

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

After the completion of this agreement transfer, Chongqing Jianshe mechanical and Electrical Co., LTD., would no longer hold shares of the company. GSGC became the controlling shareholder of the company, the proportion of shareholding is 71.13%, and the nature of the shares is State-owned legal person shares.

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

As at December 31, 2021, the Company issued 119,375,000 shares in total and had the registered capital of 119,375,000. The registration place: No.1, Janshe Road Huaxi Industry Park, Banan District, Chongqing; the headquarters address: Banan District, Chongqing Municipality. Legal representative: Xuechuan Yan. The main business activities: research and development, processing, manufacturing and related technical services of motorcycles, auto parts, accessories, machinery

products, design, manufacturing and related technical services of tooling (except for those subject to national special provisions); R & D, production and sales of motorcycle engines; research, development and processing of mechanical and electrical products, home appliances, bicycles, environmental protection product; imports, wholesale, retail, commission agency (except auction) of similar products of these products.

The disclosure of the financial report was approved by the Board of Directors on April 28, 2022.

As at December 31, 2021, two subsidiaries were included in the scope of consolidated financial statements of the Company, See "Note VII Equity in other entities" for details of scope consolidated financial statements.

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

II. Basis for the Preparation of financial statements

1. Basis for Preparation

The Company prepares the financial statements on the basis of going concern, according to actual transactions and events, and in accordance with the Accounting Standards for Business Enterprises – Basic Standards and various specific accounting standards issued by the Ministry of Finance on February 15, 2006, the subsequently issued Accounting Standards for Business Enterprises – Application Guidelines, and the Accounting Standards for Business Enterprises – Interpretations and other relevant provisions (hereinafter collectively referred to as – Accounting Standards for Business Enterprises), as well as Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports issued by China Securities Regulatory Commission.

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

2. Going Concern

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

III. Principal accounting policies and accounting estimates

1. Statements on Compliance with Accounting Standards for Business Enterprises

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

2.Accounting period

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

3.Operating cycle

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

4. Functional currency

The functional currency is CNY.

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

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

(1) Business combination under common control

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

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

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

(2) Combination of enterprises not under the common control

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

refers to the acquiree. The acquisition date means the date that the acquirer actually obtains the control right of the acquiree.

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

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

For the business combination under non-common control realized step-by-step through multiple transactions, the multiple transactions shall be judged if belong to “the package deal” according to the “Notice on Issuance of Interpretation of Accounting Standards for Business Enterprises from Ministry of Finance” (Finance and Accounting [2012] No.19) and the judgment standards on “the package deal” in Article 51st of “Accounting Standards for Business Enterprises No.33 – Consolidated Financial Statement” (please see Note III.6 (2)). For the package deal, please refer to above description of this section and Note III.14 “Long-term Equity Investment” to conduction the accounting treatment. For the non-package deal, the relevant accounting treatment should be respectively conducted for the individual financial statement and the consolidated financial statements:

For the individual financial statements, the sum of the book value of equity investment from the purchased party held before the purchase date and the new investment cost at the purchase date shall be as the initial investment cost of the investment.

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

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

6. Preparation of consolidated financial statements

(1) Principle for determining the consolidation scope

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

Once any changes in the relevant facts or situations resulted in any changes in the elements involved in the aforesaid definition of “control”, the Company shall carry out a reassessment.

(2) The method of preparing consolidated financial statements

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

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

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

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

When the control on the original subsidiaries is lost due to the disposal of partial equity investment or other reasons, the remaining equity should be measured again according to the fair value on the control lost date. The difference of the consideration acquired by the disposal of equity and the fair value of the remained equity less the net assets portion of the original subsidiaries calculated from the purchase date as per the original stock proportion shall be recorded into the current investment income after the control lost. Other comprehensive returns relevant to the original subsidiary shares investment shall be disposed through the accounting treatment on the same basis of the direct disposal of the relevant assets or liabilities by the acquiree when the control lost (Namely, all the rest are transferred into the current investment incomes, with the exception of the changes caused by the net liabilities or the net assets of the defined benefit plans re-measured by the original subsidiaries). Thereafter, the subsequent measurement shall be made for the rest equity according to the relevant provisions of "Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investment" or "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments". For the details, please see Notes III.14 "Long-term Equity Investment" or Notes III.10 "Financial Instruments".

For the equity investment in the subsidiary through the step-by-step disposal of multiple transactions till the control right lost, the company should respectively dispose all the transactions if belong to the package deal. As long as the terms, conditions and economic influence on all the transactions of the disposal of the equity investment in the subsidiary meet one status below, it usually shows that the multiple transactions matters should be conducted the accounting treatment as the package deal: ① these transactions are made simultaneously or under the consideration of the influence each other. ② these transactions shall be as the whole to achieve one complete business results. ③ one transaction occurs depending on the appearance of other one transaction at least. ④ one transaction is economic under the consideration with other transactions even if it is not economic when individually considerate. For the non-package deal, each transaction shall be respectively conducted the accounting treatment according to the applicable principles of "Partial Disposal of Long-term Equity

Investment in Subsidiary without Control Lost” (please refer to (2) ④ in Notes III.14) and “The Control on Original Subsidiary Lost due to Disposal of Part of Equity Investment or Other Reasons” (details please see forepart). For the package deal from the transactions after the disposal of equity investment in the subsidiary till the control right lost, the transactions shall be as one transaction of the disposal of subsidiary and the control lost for the accounting treatment. Therefore, every balance between the net assets proportion of the subsidiary shared relative to the disposal price and the disposal investment before the control right lost, shall be recognized as other comprehensive incomes in the consolidated financial treatment and transferred into the current profits and losses when the control lost.

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

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

The company adopts equity method to calculate investment to joint venture by referring to accounting policies stated in "Long-term Stock Ownership for Equity Method Calculation" (please refer to (2) ④ in Notes III.14)

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

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

8. Recognition criteria of cash and cash equivalents

The cash stated in cash flow statement refers to cash in hand and bank deposits usable for payment at any time. Cash equivalent refers to the investments with holding period of less than three months that are readily convertible to known amount of cash and subject to insignificant risk of changes in value.

9. Foreign currency business and foreign currency translation

(1) Translation Method of Foreign Currency Transaction

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

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

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

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

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

(3) Translation Method of Foreign Currency Financial Statement

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

The foreign currency financial statement of the overseas business operation shall be translated as RMB statement as per the following methods: the assets and liabilities in the balance sheet shall be translated at a spot exchange rate on the balance sheet date. For the shareholders' equity items, other items shall be translated at a spot exchange rate when occurring, except for the "undistributed profit" items. The earnings and expenses items in the profit statement shall be translated at a spot exchange rate on the transaction date.

Moreover, the Retained Earnings at the beginning of this year are the profits translated at the end of last year which shall be distributed and listed all the items measurement as per the translated profits. The difference between the translated assets items and the sum of the liability's items and the shareholders' equity items shall be as the translation reserve of foreign currency statement and recognized as other comprehensive incomes. When disposing the overseas business operation and losing the control right, the translation reserves of foreign currency statement related to the overseas business operation which listed in the shareholders' equity items in the balance sheet, are all recorded into the current disposal profits and losses or shifted as per the disposal proportion of the overseas business operation.

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

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

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

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

10. Financial instruments

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

Financial assets and financial liabilities are measured at fair values at the initial recognition: (i) for the financial assets and financial liabilities measured at fair values with variations recorded into the current

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

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

(1) Debt Instruments

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

1) To be measured at amortized costs.

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

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

The company's business model for managing such financial assets is both to receive the contract cash flows and to sell, of which the characteristics of the contract cash flows shall be consistent with the

benchmark lending arrangements, that is, the cash flow generated at a certain date is only the payment of the principal and the interest based on the outstanding principal amount while the financial assets are not designated to be measured at fair values, but their variations are recorded into the current profits and losses. However, such financial assets are measured at fair values and their variations are included in other comprehensive incomes, but impairment losses or gains, exchange gains & losses and interest incomes calculated according to the actual interest rate method are included in the current profits and losses. Furthermore, variations in fair values accumulated into other comprehensive incomes will be carried forward to the current profits and losses when the recognition of such financial assets is terminated. Such financial assets are listed as other lending investments.

3) To be measured at fair values with variations booked into the current profits and losses.

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

(2) Equity Instruments

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

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

(3) Financial Liabilities

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

Financial liabilities measured at fair values with variations recorded into the current profits and losses includes trading financial liabilities and financial liabilities that are specified to be measured at fair values with variations booked into the current profit and loss. Financial liabilities can be designated as financial

liabilities to be measured at fair values at the initial measurement with their variations recorded into the current profits and losses upon the any of the following conditions:

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

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

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

(4) Termination Recognition of Financial Assets and Financial Liabilities

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

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

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

(5) Impairment of Financial Instruments

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

Measuring methods of the company's expected credit losses on financial instruments reflects the following factors: unbiased probability weighted averages as determined by a range of possible outcomes; the time

value of money; reasonable and informed information about past events, current conditions and future economic conditions available up to the balance sheet date without unnecessary additional costs or efforts. The company determines the expected credit losses of relevant financial instruments in the following manners:

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

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

and second stages, the interest income shall be calculated according to the book balance and the actual interest rates; for financial instruments of the third stage, the interest income shall be determined according to its amortized costs and the real interest rates.

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

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

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

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

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

Determining basis of the portfolios is as follows:

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

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

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

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

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

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

(6) Derivatives and Embedded Derivatives

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

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

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

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

(7) Offsets of Financial Assets and Liabilities

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

(8) The Fair Values Determination of Financial Instruments

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

11. Inventories

(1) Classification of inventories

Inventories are classified into: raw materials, work in progress, finished goods, turnover materials, low-value consumables, packaging materials, etc.

(2) Obtaining and Measurement of Inventories

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

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

If the cost of inventories is higher than the net realizable value at the end of each period, this enterprise shall make the provision for the loss on decline in value of inventories. This enterprise makes provision for the loss on decline in value of inventories on the ground of each item of inventories. If the factors causing any write-down of the inventories have disappeared, the amount of write-down shall be resumed and be reversed from the provision for the loss on decline in value of inventories that has been made.

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

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

12. Contract assets and contract liabilities

The company presents contract assets or liabilities in the balance sheet according to the relationship between performance

obligation and customer payment. Contract assets are the right of the company to receive consideration for the goods transferred to the customer, and the right depends on other factors other than the passage of time. Contract liability is the obligation of the company to transfer goods to the customer for the consideration it has received or receivable from the customer.

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

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

13. Held-for-sale assets

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

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

When the non-monetary assets and disposal group were measured by the Company at the beginning or remeasured and divided into held-for-sale category on balance sheet date, if its book value is higher than the net amount after fair value deducts selling expense, the book value will be written down to the net amount after fair value deducts selling expense, and the written-down amount will be confirmed as assets impairment losses and counted into the current profits and losses, and

the impairment provision with held-for-sale assets will be withdrawn in the meanwhile. For the held-for-sale disposal group's confirmed amount of loss of asset impairment, the book value of goodwill will be deducted first, and its book value will then be deducted proportionally according to the book value's percentages of all non-current assets in the disposal group which can be adopted by the measurement stipulations of Accounting Standards for Business Enterprises No.42- Held-for-sale Non-current Assets, Disposal Groups and Operation Termination

If any increment occurs in the net amount after the held-for-sale non-current assets on the subsequent balance sheet date deducts selling expense, the amount deducted previously will be recovered and will be transferred back within the amount of asset impairment losses confirmed after being divided into held-for-sale category, and the amount transferred back will be counted into the current profits and losses. There will be no restitution for asset impairment losses confirmed before being divided into held-for-sale category. The amount previously written down by the disposal group held for sale shall be restored and reversed within the amount of asset impairment loss recognized by non-current assets according to the measurement provisions of Accounting Standards for Business Enterprises No. 42 – non-current assets held for sale, disposal group and termination of operation after being classified as held for sale, and the reversed amount shall be included in the current profits and losses. The book value of the offset goodwill and the non-current assets that are measured according to the Accounting Standards for Business Enterprises No. 42 – non-current assets held for sale, disposal group and termination of operation shall not be reversed before they are classified into the categories held for sale.

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

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

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

14. Long-term equity investment

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

policy, please refer to Notes III.10 "Financing Instruments".

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

(1) Determination of investment cost

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

For the merger of enterprises not under the same control, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The merger costs include the assets paid, liabilities occurred or borne and sum of the fair value of the equity securities issued by the purchaser. For the merger of enterprises not under the same control through gaining the shares of the combined enterprise by multiple steps of deals, it shall deal with it in the following two ways depending on that if it belongs to "a package deal": if it belongs to "a package deal", it shall deal with all the deals as one obtaining the control power; if it does not belong to "a package deal", it shall, on the date of merger, regard the sum of book value of the owner's original equity of the merged enterprise and the newly increased investment cost as the initial cost of the long-term equity investment. For the shares originally held by this enterprise accounted for by weighted equity method, the relevant other comprehensive income shall not be accounted for

temporarily. For the equity investment accounted for as available-for-sale financial asset, the difference of its fair value and its face value and the accumulated changes in its fair value originally recorded as other comprehensive income shall be switched to the profits or losses of the current period.

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

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

(2) Subsequent measurement and recognition of profit or loss

A long-term equity investment of this enterprise that does joint control (not including joint venture) or significant influences over the invested entity shall be measured by employing the equity method. Besides, the cost method is employed in this enterprise's financial reports to measure the long-term equity investment that could form control over the invested entity.

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

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

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

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

When employing the equity method, this enterprise shall, in accordance with the attributable share of the net profits or losses

of the invested entity, recognize the investment profits or losses and adjust the book value of the long-term equity investment. This enterprise shall, in the light of the profits or cash dividends declared to distribute by the invested entity, calculate the proportion it shall obtain, and shall reduce the book value of the long-term equity investment correspondingly. Where any change is made to the owner's equity other than the net profits and losses of the invested entity, the book value of the long-term equity investment shall be adjusted and included in the capital reserves. This enterprise shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. If the accounting policies and accounting periods adopted by the invested entity are different from those adopted by this enterprise, an adjustment shall be made to the financial statements of the invested entity in accordance with the accounting policies and accounting periods of this enterprise and recognize the investment profits or losses and other comprehensive incomes. For the transactions between this enterprise and its joint ventures and associated entities, where the assets invested or sold do not constitute a business, the unrealized internal transaction profits or losses shall be calculated in accordance with proportion shared, with the proportion shared by this enterprise offset and recognize the investment profits or losses based thereof. However, if losses occurred in the internal transaction between the invested entities is the impairment loss of transferred assets, they shall not be offset. When the assets invested by this enterprise to its joint ventures or associated entities constitute a business, and the investing party obtains long-term equity but without control power, the fair value of the invested business shall be recognized as the initial investment cost of the additional long-term equity investment. The total difference between the original investment cost and the book face of the invested business shall be recorded into the profits or losses of the current period. If the assets purchased from the joint ventures or associated entities constitute a business, this enterprise shall account for the business in accordance with this enterprise Accounting Standard No. 20 - Business Combinations, with the total profits or losses associated with the transaction recognized.

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

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

3)Purchase of minority interest

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

Company adjusts its retained income.

4) Disposal of long-term equity investment

In consolidated financial statements, the Company records in shareholders' equity the difference between partial disposals of its long-term equity investments in its subsidiaries and its share of the subsidiaries' net assets if it does not lose control of the subsidiaries; and if such partial disposals result in loss of its control of the subsidiaries, the difference shall be treated in accordance with the accounting policies related and specified in "Compiling Principles for Consolidated Financial Statements". (Please refer to (2) in Notes III.6)

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

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

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

For disposals of long-term investment equity resulting in loss of control over the invested businesses, when compiling individual financial statements, the Company changes to adopt equity method to calculate the remaining equity that is still sufficient to exert joint control or significant influence, and to make adjustments as since it was acquired; and if the remaining equity is not sufficient, it will be handled in accordance with the relevant recognition and measurement principles for financial instruments and the difference between its fair value and book value will be recorded in current profit and loss since the Company loses control of the invested businesses. For other comprehensive gains recognized by equity method or recognition and measurement principles for financial instruments before the Company obtains control over the invested businesses, the Company adopts the same basis to handle the accounts as the invested businesses directly dispose the related assets or liabilities, and among the invested businesses' net assets that are calculated and recognized by equity method are all other equity changes than net profit and loss, other comprehensive gains and profit distribution carried over pro rata to current profit and loss. For the remaining equity calculated by equity method, other comprehensive gains and other ownership interests will be carried over pro rata while for those treated in accordance with the recognition and measurement principles for financial instruments, other comprehensive gains and other ownership interests will be carried over entirely.

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

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

15. Investment property

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

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

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

16. Fixed assets and accumulated depreciation

(1) Criteria for recognition of fixed assets

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

(2) Classification and depreciation policy of fixed assets

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

life and the estimated residual value as follows:

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

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

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

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

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

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

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

(4) Charge for Major repair

The Company conducts regular checking on major overhaul fee incurred in the fixed asset, and any parts of the fee that have unambiguous evidence to indicate they conform with the condition for confirming fixed asset will be counted into the fixed asset costs, otherwise into the profit and loss of the current period. During the interval period of regular major overhaul, the fixed asset will be depreciated as before.

17. Construction in progress

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

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

18. Borrowing expenses

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

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

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

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

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

19. Leases

Lease refers to a contract in which the lessor transfers the right to use assets to the lessee for consideration within a certain period of time. On the commencement date of the contract, the company evaluates whether the contract is a lease or includes a lease. If one party in the contract transfers the right to control the use of one or more identified assets within a certain period in exchange for consideration, the contract is a lease or includes a lease. Unless the terms and conditions of the contract change, the company will not reassess whether the contract is a lease or includes a lease.

(1) The company as lessee

If the contract contains multiple separate leases at the same time, the contract shall be split and each separate lease shall be subject to accounting treatment. If the contract includes both lease and non lease parts, the lease and non lease parts shall be separated, and the contract consideration shall be apportioned according to the relative proportion of the sum of the individual prices of each lease part and the individual prices of the non lease part. The lease term is an irrevocable period during which the company has the right to use the leased assets.

1) Right-of-use asset

Right-of-use asset refer to the right of the company to use the leased assets during the lease term. The categories of leased assets of the company mainly include houses and buildings, means of transport and other equipment.

On the beginning date of the lease term, the company initially measures the right-of-use asset according to the cost, including:

A. The initial measurement amount of lease liabilities; B. For the lease payment paid on or before the beginning of the lease term, if there is lease incentive, the relevant amount of lease incentive enjoyed shall be deducted; C. Initial direct costs incurred; D. The costs that are expected to occur to dismantle and remove the leased assets, restore the site where the leased assets are located or restore the leased assets to the state agreed in the lease terms, but are incurred for the production of inventories, according to the Accounting Standards for Business Enterprises No. 1 - inventories.

After the beginning date of the lease term, the company adopts the cost model for the subsequent measurement of the right-of-use asset, makes a decision according to the expected realization of the economic benefits related to the right-of-use asset, depreciates the right-of-use asset with the straight-line method, and accounts for the identified impairment losses. If the company remeasures the lease liabilities in accordance with the relevant provisions of the lease standards, the book value of the right-of-use asset shall be adjusted accordingly.

2) Lease liability

Lease liabilities reflect the present value of the unpaid lease payments of the company. The company initially measures the lease liabilities according to the present value of the unpaid lease payments at the beginning of the lease term.

Lease payment refers to the amount paid by the company to the lessor related to the right to use the leased assets during the lease term, including: A. Fixed payment and substantial fixed payment. If there is lease incentive, the amount related to lease

incentive shall be deducted; B. The ratio of the lease payment depends on the index at the beginning of the lease term or the index at the beginning of the lease term; C. The company reasonably determines the exercise price of the purchase option when it will exercise the purchase option; D. The lease term reflects the amount to be paid when the company will exercise the option to terminate the lease; E. The amount expected to be paid according to the guarantee residual value provided by the company.

When calculating the present value of lease payments, the company adopts the interest rate embedded in the lease as the discount rate; When the embedded interest rate of the lease cannot be determined, the incremental loan interest rate is used as the discount rate, and the incremental loan interest rate is adjusted based on the bank loan interest rate of the same period and considering relevant factors.

The Company calculates the interest expense of the lease liability in each period of the lease term according to the fixed periodic interest rate and records it into the current profit and loss, but it shall be included into the cost of relevant assets if it should be capitalized.

When the evaluation results of purchase option, renewal option and termination option change, the actual exercise of renewal option and termination option is inconsistent with the original evaluation results, the expected payable amount according to the guarantee residual value changes, the index or ratio used to determine the lease payment changes, or the actual fixed payment changes, the lease liability is remeasured.

3) Change of lease

When the lease change expands the scope of the lease by increasing the use right of one or more leased assets, and the increased consideration is equivalent to the amount adjusted according to the conditions of the contract at the separate price of most of the expanded scope of the lease, the lease change shall be treated as a separate lease. If it is not accounted for as a separate lease, the consideration of the changed contract shall be apportioned, the lease term shall be re-determined, and the lease liability shall be re-measured.

4) Short term leases and low value asset leases

The company recognizes the lease with a lease term of no more than 12 months on the beginning date of the lease term and excluding the purchase option as a short-term lease; A lease with a value of no more than 2 million yuan when a single leased asset is a new asset is recognized as a low value asset lease. If the company sublets or expects to sublet the leased assets, the original lease is not recognized as a low value asset lease. The company chooses not to recognize the right of use assets and lease liabilities for short-term leases and low-value asset leases, and the lease payment amount is included in the relevant asset cost or current profit and loss according to the straight-line method or other systematic and reasonable methods in each period of the lease term.

5) Sale and leaseback transaction

For the sale and leaseback transaction, the company evaluates and determines whether the asset transfer in the sale and leaseback transaction belongs to sales in accordance with the Accounting Standards for Business Enterprises No. 14 - Revenue. If it belongs to sales, the right to use assets formed by the sale and leaseback shall be measured according to the part of the original asset book value related to the right to use obtained by leaseback, and only the relevant gains or losses shall be recognized for the rights transferred to the lessor; If it does not belong to sales, continue to recognize the transferred assets and recognize a financial liability equal to the transfer income.

(2) The company as lessor

On the lease commencement date, the company divides the lease into financial lease and operating lease. The lease that substantially transfers almost all the risks and rewards related to the ownership of the leased asset is financial lease, and in addition, it is operating lease. When the company is the sublessee lessor, the sublease is classified based on the right-of-use asset generated from the original lease.

1) Finance lease

On the beginning date of the lease term, the company recognizes the financial lease receivables for the financial lease and terminates the recognition of the financial lease assets. When the finance lease receivables are initially measured, the net lease investment is taken as the entry value of the finance lease receivables. The net lease investment is the sum of the unguaranteed residual value and the present value of the lease receipts not received on the beginning date of the lease term discounted at the interest rate embedded in the lease.

Lease collection amount refers to the amount that the company should collect from the lessee due to the transfer of the right to use the leased assets during the lease term, including: a. the fixed payment amount and actual fixed payment amount to be paid by the lessee. If there is lease incentive, the relevant amount of lease incentive shall be deducted; B. Variable lease payments depending on index or ratio; C. The exercise price of the purchase option, provided that it is reasonably determined that the lessee will exercise the option; D. The amount to be paid by the lessee to exercise the option to terminate the lease, provided that the lease term reflects that the lessee will exercise the option to terminate the lease; E. The guaranteed residual value provided to the company by the lessee, the party related to the lessee and the independent third party with the financial ability to perform the guarantee obligation.

The company calculates and recognizes the interest income of each period within the lease term according to the fixed periodic interest rate. The amount of variable lease payments obtained by the company that are not included in the measurement of net lease investment shall be included in the current profit and loss when actually incurred.

2) Operating lease

During each period of the lease term, the company adopts the straight-line method to recognize the lease receipts of operating leases as rental income. The amount of variable lease payments not included in the lease receipts shall be included in the

current profits and losses when actually incurred.

If the operating lease is changed, the company will treat it as a new leases for accounting from the effective date of the change, and the amount of lease receipts received in advance or receivable related to the lease before the change is regarded as the amount of new leases receipts.

(3) Sale and leaseback transaction

For the sale and leaseback transaction, the company evaluates and determines whether the asset transfer in the sale and leaseback transaction belongs to sales in accordance with the Accounting Standards for Business Enterprises No. 14 - Revenue. If it belongs to sales, the asset purchase and asset disposal shall be subject to accounting treatment in accordance with the applicable accounting standards; If it does not belong to sales, the transferred asset is not recognized, but a financial asset equal to the transfer income is recognized.

20. Intangible assets

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

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

For the intangible assets that are estimated to produce no more economic benefits in the future, the Company records the book value of such assets all in current profit and loss.

21. Research and development expenses

The expenditures for internal research and development projects of an enterprise shall be classified into research expenditures and development expenditures. The research expenditures shall be recorded into the profit or loss for the current period.

The development expenditures shall be capitalized when they satisfy the following conditions simultaneously: It is feasible technically to finish intangible assets for use or sale; Having the intention to complete the intangible asset and use or sell it;

The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself for the intangible assets will be used internally; It is able to finish the development of the

intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; Expenditures attributable to the development phase of the intangible assets can be measured reliably. Development expenditures that do not meet the above conditions are included in the profits and losses of the current period. After meeting the above conditions, the corresponding projects of the company study their technical feasibility and economic feasibility, and enter the development stage after the formation of the project.

22. Long-term amortizable expenses

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

23. Impairment of the long-term assets

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

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

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

write down the book values of the asset groups or combination of asset groups and then those of other assets pro rata.

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

24. Employee compensation

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

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

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

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

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

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

25. Estimated liabilities

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

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

The estimated liabilities are initially measured on the basis of the best estimate of the expenditure required to meet the

relevant current obligations, taking into account factors such as risks, uncertainties and the time value of the currency associated with contingencies. Where the time value of the currency has a significant impact, the best estimate is determined by discounting the relevant future cash outflows.

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

26. Recognition Principles of Revenues

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

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

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

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

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

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

(1) Sale of Goods

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

goods can be measured reliably.

Specific Principles of Main Revenues

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

1) Big customers

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

2) Customers who pay first and pick up later

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

3) Aftermarket customers

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

(2) Income from providing services

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

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

27. Governmental subsidies

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

assets will be measured according to the nominal amount, and the one measured according to the nominal amount will be directly counted into the current profits and losses.

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

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

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

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

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

28. Deferred income tax assets/Deferred income tax liability

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

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

relevant deferred income tax liabilities also shall not be recognized. Apart from the above-mentioned exceptional cases, the Company recognizes all other deferred income tax liabilities caused by taxable temporary differences.

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

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

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

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

29. Income tax expenses

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

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

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

All taxable temporary differences recognize the relevant deferred income tax liabilities unless the taxable temporary differences arise in the following transactions: A、 The initial recognition of goodwill, or the initial recognition of assets or liabilities arising from a transaction with the following characteristics: the transaction is not a merger of enterprises, and the

transaction does not affect neither accounting profits nor taxable income at the time of the transaction; B、 For taxable temporary differences related to investments in subsidiaries, joint ventures and associated enterprises, the timing of the return of the temporary differences can be controlled and the temporary difference is likely not to be reversed for the foreseeable future.

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

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

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

30. Safety in production expenses

According to the relevant provisions of the Notice on Printing and Distributing the Management Measures for the Withdrawal and Use of Enterprise Safety in Production Expenses (Caiqi [2012] No. 16) issued by the Ministry of Finance and the State Administration of work safety, the Company withdraws the safety in production expenses according to the following standards, that is, the actual operating income of the machinery manufacturing enterprise in the previous year is taken as the basis for withdrawal, and the excess accumulation method is adopted to withdraw them month by month according to the following standards:

- (1) If the operating income does not exceed 10 million yuan, it shall be withdrawn according to 2%;
- (2) The part of operating income exceeding 10 million yuan to 100 million yuan shall be withdrawn at 1%;
- (3) The part of operating income exceeding 100 million yuan to 1 billion yuan shall be withdrawn at 0.2%;
- (4) The part of operating income exceeding 1 billion yuan to 5 billion yuan shall be withdrawn at 0.1%;
- (5) The part of operating income exceeding 5 billion yuan at 0.05%.

The safety in production expenses shall be included in the cost of relevant products or current profits and losses when withdrawn, and shall be included in the special reserve.

When the withdrawn work safety fee is used within the specified scope, if it belongs to expense expenditure, it shall be directly offset against the special reserve; If fixed assets are formed, the expenses incurred are collected through the "construction in progress" subject, and are recognized as fixed assets when the safety project is completed and reaches the expected usable state; At the same time, the special reserve shall be offset according to the cost of forming fixed assets, and the accumulated depreciation of the same amount shall be recognized. The fixed assets will not be depreciated in future periods.

31. Other Main Accounting Policies and Estimates

(1) Discontinued Operation

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

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

For accounting method of Discontinued Operation, please refer to relevant description of Notes III.13 "Held-for-sale assets".

32. Changes in Major Accounting Policies and Estimations

(1) Changes in Major Accounting Policies

1) New leases standards

The Ministry of Finance issued the revised Accounting Standards for Business Enterprises No. 21 - leases (Caikuai [2018] No. 35) (hereinafter referred to as the "new leases standards") on December 7, 2018. The Company will implement the new leases standards from January 1, 2021. According to the relevant provisions of the new leases standards, the company adjusts the amount of retained earnings and other relevant items in the financial statements at the beginning of the year when the standards are first implemented for the cumulative impact of the first implementation of the standards, and does not adjust the information of comparable periods.

The first implementation of the above new standards has no impact on the beginning retained earnings and related items of the financial statements.

2) Change of other accounting policies

None.

(2) Change of accounting estimations

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

IV. Taxation

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

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

Note:

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

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

V. Notes to the items of consolidated financial statements

1. Cash and cash equivalents

Items	2021.12.31	2020.12.31
Cash on hand		5,418.26
Bank deposits	23,738,523.19	79,304,835.29
Other monetary assets	67,940,000.00	80,032,987.92
Total	91,678,523.19	159,343,241.47
Including: Overseas deposits		

Note: The closing balance of other monetary assets of the company is 67,940,000.00 Yuan, including guarantee deposit of 27,940,000.00 Yuan and fixed deposit of 40,000,000.00 Yuan; the opening balance is 80,032,987.92 yuan, including guarantee deposit of 40,032,987.92 Yuan and fixed deposit of 40,000,000.00 Yuan. The above amount of other monetary assets is not regarded as cash and cash equivalents due to restrictions on use.

2. Notes receivable

(1) Notes receivable:

Items	2021.12.31		
	Book Balance	Bad debts Reserves	Book value
Bank Acceptance	2,220,000.00		2,220,000.00
Trade Acceptance			
Total	2,220,000.00		2,220,000.00

&

Items	2020.12.31		
	Book Balance	Bad debts reserves	Book value
Bank Acceptance	65,509,530.50		65,509,530.50
Trade Acceptance	1,039,000.00		1,039,000.00
Total	66,548,530.50		66,548,530.50

(2) Provision for bad debts:

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

1) Band Acceptance

The company measured the loss in accordance with the expected credit loss throughout the duration on December 31st 2021. All the bank`s acceptance bills would not bring credit risk to the company even if there were default by banks or other drawers. So, the company did not withdraw the expected credit impairment loss on the bank acceptance bill.

2) Trade Acceptance

None.

3. Accounts receivable

(1) Accounts receivable measured by amortized cost

	2021.12.31			2020.12.31		
	Book Balance	Bad debts reserves	Book value	Book Balance	Bad debts reserves	Book value
Account receivable	184,917,114.30	35,583,828.66	149,333,285.64	256,413,808.79	35,027,355.89	221,386,452.90
Total	184,917,114.30	35,583,828.66	149,333,285.64	256,413,808.79	35,027,355.89	221,386,452.90

(2) Bad debts reserves

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

① Bad Debt Reserves-single allotment amount on Dec 31st 2021,

	Book balance	Estimated credit loss rate during the period	Bad debts reserves	Reason
Chongqing Hyosow Auto parts Co., Ltd.	12,723,992.31	100.00	12,723,992.31	Unable to recover
Chongqing Bisuyunbo Technology Co., Ltd.	5,217,475.35	100.00	5,217,475.35	Unable to recover
Harbin Hafei Automobile Industry Group Co., Ltd.	3,999,944.43	100.00	3,999,944.43	Unable to recover
Chongqing Kaite Dynamic Technology Co., Ltd.	1,481,654.59	100.00	1,481,654.59	Unable to recover
Guangqi Jiao Automobile Co., Ltd. Luqiao Branch	75,821.20	100.00	75,821.20	Unable to recover
Guangqi Jiao Automobile Co.,	48,579.85	100.00	48,579.85	Unable to recover

Ltd. Dongying Branch				
Hangzhou Fuyang Instrument Co., Ltd.	2,821,287.26	100.00	2,821,287.26	Unable to recover
Guangqi Jiao Automobile Co., Ltd.	67,998.51	100.00	67,998.51	Unable to recover
Hubei Zotye Automobile Co., Ltd.	1,408,811.40	100.00	1,408,811.40	Unable to recover
Baic black leopard (Weihai) Automobile Co., Ltd.	51,021.77	100.00	51,021.77	Unable to recover
Sichuan Yema Automobile Co., Ltd.	12,157.93	100.00	12,157.93	Unable to recover
Jiangxi Zhipin Automobile Co., Ltd. Jingdezhen Branch	750,000.00	100.00	750,000.00	Unable to recover
Jiangxi Zhipin Automobile Co., Ltd.	7,477.79	100.00	7,477.79	Unable to recover
Total	28,666,222.39		28,666,222.39	

②Balance of bad debts reserves:

Portfolio—Aging

	Book Balance	Estimated credit loss rate during the period	Bad debts reserves
1-6 months	140,518,929.68		-
6 months to 1 year	8,680,937.60	5.00	434,046.88
1 to 2 years	572,989.71	10.00	57,615.34
2 to 3 years	61,990.38	30.00	18,597.11
3 to 4 years	8,592.69	50.00	4,296.35

4 to 5 years	22,006.29	80.00	17,605.03
Over 5 years	6,385,445.56	100.00	6,385,445.56
Total	156,250,891.91		6,917,606.27

③The changes of bad debts reserves:

Items	2021.01.01	Increase		Reduce		2021.12.31
		Increased of Enterprise Combination	Provision	Recovery or reversal	Elimination or write-off	
Bad debts Reserves	35,027,355.89		756,472.77	200,000.00		35,583,828.66

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

Company	Amount of reversal or write-off	Reason
Chongqing Bisuyunbo Technology Co., Ltd.	179,300.00	Recovered
Baic Yinxiang Automobile Co., Ltd.	20,700.00	Recovered
Total	200,000.00	

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

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

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

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

The amount of top five account receivable classified by company throughout this duration is 123,121,804.13Yuan, accounting for 66.58% of the whole account receivable at end of term. The provision of bad debts is 13,145,348.96 Yuan at the end of duration.

Company Name	Amount of ending balance	Aging	Proportion of total accounts receivable %	Amount of ending balance for bad debts
PSA Group	69,838,691.30	Within 6 months、 6 months to 1 year	37.77	421,356.65
Chongqing Changan Auto Co., Ltd.	15,225,677.65	1-6 months	8.23	
Chongqing Huansu Auto Co., Ltd.	12,723,992.31	Over 3years	6.88	12,723,992.31
Zhejiang Yuanjing Auto Co., Ltd.	12,672,995.21	1-6 months	6.85	
Great Wall Motor Co., Ltd. Chongqing Yongchuan Branch	12,660,447.66	1-6 months	6.85	
Total	123,121,804.13		66.58	13,145,348.96

4. Financing receivables

Items	2021.12.31
Notes receivable measured at fair value with changes included in other comprehensive income	29,250,840.86
Accounts receivable measured at fair value with changes included in other comprehensive income	
Total	29,250,840.86

The company discounts or endorses bank acceptance bills in its daily fund management. The business model of management takes both the receipt of contract cash flow as the goal and the sale as the goal. It is classified as financial assets measured at fair value and whose changes are included in other comprehensive income and reported as financing receivables.

(1) Bad debts reserves

For notes receivable measured at fair value and whose changes are included in other comprehensive income, the acceptor of

bank acceptance bill is a commercial bank. Because the commercial bank has high credit, short term and low possibility that the bank acceptance bill will not be paid at maturity, the credit reduction will not be withdrawn. However, if such bills are not paid when due, the company will still be jointly and severally liable to the holders in accordance with the provisions of the Law of the People's Republic of China on Negotiable Instruments.

5. Advances to suppliers

(1) Presentation of Prepayments by aging

Aging	2021.12.31		2020.12.31	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	6,871,577.60	95.06	8,133,267.52	95.24
1-2 years	127,554.40	1.76	176,700.00	2.07
2 to 3 years			169,785.97	1.99
Over 3 years	229,348.93	3.18	59,562.66	0.70
Total	7,228,480.93	100.00	8,539,316.15	100.00

(2) The top five prepayments by the debit balance as at December 31, 2021

Company Name	Relations with the Company	Amount	Proportion % of total	Aging	Reason for non-settle
Huayang(Shanghai)trade Co., Ltd.	Non-related party	1,651,000.00	22.84	Within 1 year	non-arrival settlement period
Chongqing Jiantao Aluminum Co., Ltd.	Non-related party	1,445,875.00	20.00	Within 1 year	non-arrival settlement period
Chongqing Bangzhou import and export trade Co., Ltd.	Non-related party	1,420,000.00	19.64	Within 1 year	non-arrival settlement period
Chengdu Chuanxing Technology Industry Co., Ltd.	Non-related party	424,417.01	5.87	Within 1 year	non-arrival settlement period
Chongqing Qifu Machinery Co., Ltd.	Non-related party	358,938.94	4.97	Within 1 year	non-arrival settlement period
Total		5,300,230.95	73.32		

6. Other receivables

Items	2021.12.31	2020.12.31
Interest receivable		
Dividends receivable		
Other receivables	1,431,664.33	1,253,612.91
Total	1,431,664.33	1,253,612.91

(1) Disclosure of other receivables by category

	2021.12.31			2020.12.31		
	Book Balance	Provision for bad debts	Book Value	Book Balance	Provision for bad debts	Book Value
Other receivable with significant single amount and provision for bad debt made on an individual basis	2,364,944.99	2,364,944.99		2,364,944.99	2,364,944.99	
Other receivable with provision for bad debt made on a portfolio with similar risk credit characteristics basis	5,319,771.74	3,888,107.41	1,431,664.33	5,379,862.00	4,126,249.09	1,253,612.91
Total	7,684,716.73	6,253,052.40	1,431,664.33	7,744,806.99	6,491,194.08	1,253,612.91

① Provision for bad debts

A. Provision for bad debts of other accounts receivable at the first stage on December 31, 2021:

	Balance value	Estimated credit loss in the next 12months	Provision for bad debts	Reason
Provision in groups:				
Group 1: aging	5,319,771.74	73.09	3,888,107.41	Recyclability
Group 2: Individually determined				
Others				
Total	5,319,771.74	73.09	3,888,107.41	

B. Provision for bad debts of other accounts receivable at the third stage on December 31, 2021

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

②The moving of provision for bad debts

Provision for bad debts	First stage	Second stage	Third stage	Total
	Estimated credit loss in the next 12 months	Estimated credit loss throughout the duration (no credit loss)	Estimated credit loss throughout the duration (credit loss)	
Balance value on Jan 1st 2021	4,126,249.09		2,364,944.99	6,491,194.08
In the Reporting Period, carrying amount of other receivables on 1 January 2021	4,126,249.09		2,364,944.99	6,491,194.08
—transfer to the first stage				
—transfer to the second stage				
—transfer to the third stage				
Provision throughout the duration				
Reversal during the period	238,141.68			238,141.68
Elimination during the period				
Write off during the period				
Others (Increased of enterprise combination)				
Balance value as at Dec 31st 2021	3,888,107.41		2,364,944.99	6,253,052.40

③ Classification of other receivables:

Item	2021.12.31	2020.12.31
Petty cash, guarantee deposit, social security fee, etc.	1,431,664.33	1,254,002.09
Bad debts have been fully charged for long-term transactions	6,253,052.40	6,490,804.90
Total	7,684,716.73	7,744,806.99

④ The top five other receivables by the debit balance as at December 31, 2021 :

Company Name	Whether it is related party	Business nature	Ending balance	Aging	Proportion % of total other receivables	Ending balance for bad-debt provision
Shenzhen Jianshe motorcycle Co., Ltd.	No	Trading	3,013,664.00	Over 5 years	39.22	3,013,664.00
Chongqing Jianshe Lijue Industrial Co., Ltd.	Yes	Trading	1,478,870.07	1-2 years、 2-3 years	19.24	1,478,870.07
Agency of Ningbo Jianshe	No	Trading	692,035.31	Over 5 years	9.01	692,035.31
Chongqing Hanon Jianshe Automotive Thermal Systems Co., Ltd.	Yes	Trading	640,407.92	Within 1 year	8.33	
Temporary supplier	No	Trading	390,655.08	Over 5 years	5.08	390,655.08
Total	—		6,215,632.38		80.88	5,575,224.46

7. Inventories

(1) Category of Inventory

Item	2021.12.31		
	Book balance	Provision for inventory impairment	Book value

Item	2021.12.31		
	Book balance	Provision for inventory impairment	Book value
Raw materials	24,131,134.23		24,131,134.23
Work in progress	8,477,431.32	42,930.77	8,434,500.55
Finished goods	173,420,234.47	2,170,864.12	171,249,370.35
Turnover materials	4,198,620.71	1,294,020.05	2,904,600.66
Total	210,227,420.73	3,507,814.94	206,719,605.79

&

Item	2020.12.31		
	Book balance	Provision for inventory impairment	Book value
Raw materials	21,059,315.45	1,396.55	21,057,918.90
Work in progress	6,915,376.31	210,319.10	6,705,057.21
Finished goods	141,445,525.10	3,387,974.33	138,057,550.77
Turnover materials	4,636,544.84	1,311,084.94	3,325,459.90
Total	174,056,761.70	4,910,774.92	169,145,986.78

(2) Provision for Inventory

Item	2021.01.01	Increase in current period		Decrease in current period		2021.12.31
		Accrual	Other	Switch back or write-off	Other	
Raw materials	1,396.55			1,396.55		
Work in progress	210,319.10			167,388.33		42,930.77

Finished goods	3,387,974.33			1,217,110.21		2,170,864.12
Turnover materials	1,311,084.94			17,064.89		1,294,020.05
Total	4,910,774.92			1,402,959.98		3,507,814.94

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

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

8. Held-for-sale assets

Items	2021.12.31 Book value	Fair value	Estimated selling expenses	Reasons and methods of sale	Estimated time of sale	Division
Non-current assets	104,982,996.11	169,862,600.00	130,000.00	Transfer	Year 2022	Headquarters
Held-for-sale assets						
Including: Fixes assets	91,236,342.06	106,511,000.00				Headquarters
Land use	13,746,654.05	63,351,600.00				Headquarters
Total	104,982,996.11	169,862,600.00				

Note: the company's asset transfer project went through three rounds of listing in Chongqing United Property and Equity Exchange from November 2, 2021 to February 9, 2022. The company received the notice of transaction results from Chongqing United Property and Equity Exchange on February 10, 2022 (the day after the expiration of the third round of listing), and finally determined Chongqing Jianshe Industry (Group) Co., Ltd. as the transferee of the transfer project, Chongqing Jianshe Industry (Group) Co., Ltd. agreed to transfer the listed assets at the listed price of 152.88 million yuan (including tax). On February 15, 2022, both parties signed the asset transaction contract for the overall transfer project of

housing, land use right, aboveground structures and waste equipment of Chongqing Jianshe Automobile System Co., Ltd. in Chongqing. According to the asset trading contract, Chongqing Jianshe Industry (Group) Co., Ltd. has paid all the transfer price and service fee to Chongqing United Property and Equity Exchange at one time on schedule. Chongqing United Property and Equity Exchange transferred the transaction price of 152.88 million yuan of the listed transferred assets to the designated account of the company on February 22, 2022.

9. Other current assets

Item	2021.12.31	2020.12.31
Overpaid VAT	4,585,170.16	3,396,186.56
Total	4,585,170.16	3,396,186.56

10. Long-term equity investments

(1) Classification of Long-term equity investments

Item	2021.01.01	Increase in current period	Decrease in current period	2021.12.31
Investment on subsidiaries				
Investment on joint ventures	186,213,719.02	15,770,549.70		201,984,268.72
Investment on associate company				
Total	186,213,719.02	15,770,549.70		201,984,268.72
Less: provision for impairment of long-term equity investments				
Total	186,213,719.02	15,770,549.70		201,984,268.72

(2) Details of Long-term equity investments

Investee	Balance as at January 1, 2020	Increase/decrease in 2021 (+/-)				
		Additional investment	Decrease in investment	Profits and losses on investments Recognized under the equity method	Other comprehensive	Changes in other equity

					income	
一、Joint ventures						
Chongqing Jianshe Hanon Co., Ltd.	186,213,719.02			15,770,549.70		
Total	186,213,719.02			15,770,549.70		

&

Investee	Increase/decrease in 2021 (+/-)			Balance as at December 31, 2021	Balance as at December 31, 2021 of provision for impairment
	Declaration of cash dividends or profits	Preparing for impairment provision	Others		
一、Joint ventures					
Chongqing Jianshe Hanon Co., Ltd.				201,984,268.72	
Total				201,984,268.72	

11. Other non-current financial assets

Item	2021.12.31	2020.12.31
Financial assets which measured in fair value and the changes regarded as current period profit and loss	1,140,915.04	1,140,915.04
Including: Investment on Ningbo Jianshe Investment Company	1,140,915.04	1,140,915.04
Provision for impairment	1,140,915.04	1,140,915.04
Total		

12. Investment properties

(1) Investment properties with cost measurement method

Item	House、 Building	Land use rights	Construction in process	Total
------	--------------------	-----------------	----------------------------	-------

Item	House、 Building	Land use rights	Construction in process	Total
I. Original price				
1. Opening balance	36,808,839.38			36,808,839.38
2. Increase in the current period				
(1) Purchase				
(2) Transferred from construction in progress				
(3) Increased of Enterprise Combination				
3、 Decreased amount of the period	36,808,839.38			36,808,839.38
(1) Disposal				
(2) Other transfer	36,808,839.38			36,808,839.38
4、 Closing balance				
II . Accumulated depreciation and accumulated amortization				
1、 Opening balance	13,765,440.86			13,765,440.86
2、 Increase in the current period	595,076.28			595,076.28
(1) Provision or amortization	595,076.28			595,076.28
(2) Transfer from fixed assets				
3、 Decreased amount of the period	14,360,517.14			14,360,517.14
(1) Disposal				
(2) Other transfer	14,360,517.14			14,360,517.14
4、 Balance at period-end				
III. Provisions for impairment				
1、 Opening balance				
2、 Increase in the current period				
(1) Provision				

Item	House、 Building	Land use rights	Construction in process	Total
3、 Increase in the current period				
(1) Disposal				
(2) Other transfer				
4、 Balance at period-end				
IV. Book value				
1、 Book value of the period-end				
2、 Book value of the period-begin	23,043,398.52			23,043,398.52

Note : In this period of investment properties, leasing value of housing buildings decreased 36,808,839.38 Yuan, and it moved from investment properties to fixed assets.

13. Fixed assets

Item	2021.12.31	2020.12.31
Fixed assets	216,541,481.98	310,131,438.69
Fixed assets to be disposed of		
Total	216,541,481.98	310,131,438.69

(1) Fixed assets and accumulated depreciation

① Fixed assets situation

Item	House, Building	Machinery equipment	Transportations	Other equipment	Total
I、 Original price					
1、 Opening balance	218,170,188.82	627,702,493.86	6,142,962.99	19,340,924.12	871,356,569.79
2、 Increase in the current period	39,053,913.41	13,432,254.07	463,361.48	531,255.00	53,480,783.96
(1) Purchase	1,879,936.41	12,921,865.08	463,361.48	475,125.39	15,740,288.36
(2) Transferred from	37,173,977.00	510,388.99		56,129.61	37,740,495.60

Item	House, Building	Machinery equipment	Transportations	Other equipment	Total
construction in progress					
(3) Increased of Enterprise Combination					
(4) others					
3、Decreased amount of the period	154,528,124.05	13,700,826.87	537,472.58	195,249.71	168,961,673.21
(1) Disposal	154,528,124.05	13,700,826.87	537,472.58	195,249.71	168,961,673.21
(2) Decreased of Enterprise Combination					
(3) Transferred to investment properties					
4、Closing balance	102,695,978.18	627,433,921.06	6,068,851.89	19,676,929.41	755,875,680.54
II、Accumulated depreciation					
1、Balance at period-beginning	94,839,368.95	428,951,260.80	5,490,965.17	17,582,940.09	546,864,535.01
2、Increase in the current period	21,652,848.62	25,192,281.42	174,105.25	528,162.38	47,547,397.67
(1) Provision	7,292,331.48	25,192,281.42	174,105.25	528,162.38	33,186,880.53
(2) Increased of Enterprise Combination					
(3) Transferred from construction in progress	14,360,517.14				14,360,517.14
(4) Others					
3、Decrease in the current period	62,354,666.95	4,766,560.62	429,216.74	155,459.94	67,705,904.25
(1) Disposal	62,354,666.95	4,766,560.62	429,216.74	155,459.94	67,705,904.25
(2) Decreased of Enterprise Combination					
(3) Transferred to investment					

Item	House, Building	Machinery equipment	Transportations	Other equipment	Total
properties					
4、 Balance at period-end	54,137,550.62	449,376,981.60	5,235,853.68	17,955,642.53	526,706,028.43
III、 Provisions for impairment					
1、 Balance at period-beginning		14,360,596.09			14,360,596.09
2、 Increase in the current period					
(1) Provision					
(2) Increased of Enterprise Combination					
3、 Decrease in the current period		1,732,425.96			1,732,425.96
(1) Disposal		1,732,425.96			1,732,425.96
(2) Decrease of Enterprise Combination					
4、 Balance at period-end		12,628,170.13			12,628,170.13
IV、 Book Value					
1、 Book Value of period-end	48,558,427.56	165,428,769.33	832,998.21	1,721,286.88	216,541,481.98
2、 Book Value of period-begin	123,330,819.87	184,390,636.97	651,997.82	1,757,984.03	310,131,438.69

Note: As at December 31, 2021, the company didn't occur the situation of leasing fixed assets through financial lease method.

The original value of 36,808,839.38 Yuan of housing buildings are converted from investment properties to fixed assets, which caused roll-in corresponding accumulated depreciation of 14,360,596.09Yuan.

14. Construction in progress

Item	2021.12.31	2020.12.31
Construction in progress	1,811,125.46	1,871,241.59
Material holds for construction of fixed assets		

Total	1,811,125.46	1,871,241.59
--------------	---------------------	---------------------

(1) Information of construction in progress

Item	2021.12.31			2020.12.31		
	Book balance	Provisions for impairment	Book value	Book balance	Provisions for impairment	Book value
Science and technology complex building project	615,980.77		615,980.77	615,980.77		615,980.77
Assembly line system project				461,185.83		461,185.83
Production line project	645,678.17		645,678.17	367,924.53		367,924.53
Mould to be transferred to fixed assets	371,283.18		371,283.18	426,150.46		426,150.46
PDM system upgrade project	53,935.55		53,935.55			
Comprehensive performance test-bed	69,026.55		69,026.55			
2021 workstation computer and desktop computer project	55,221.24		55,221.24			
Total	1,811,125.46		1,811,125.46	1,871,241.59		1,871,241.59

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

Progress name	Budget	Source of fund	Paid accounting for the budget %	Progress of project %
Production line project	18,620,000.00	Self-funding	3.46	3.46
Science and technology complex building	4,427,877.00	Self-funding	91.20	99.66
Assembly line system project	790,000.00	Self-funding	98.87	100.00

&

Process name	2021.1.1	Increase in the period	Decrease in the period	2021.12.31
--------------	----------	------------------------	------------------------	------------

	Beginning balance	Amount	Including: capitalization of interest	Transfer to fixed assets	Other decrease	Closing balance	Including: capitalization of interest
Production line project	367,924.53	277,753.64				645,678.17	
Science and technology complex building project	615,980.77					615,980.77	
Assembly line system project	461,185.83	319,924.53		781,110.36			
Total	1,445,091.13	597,678.17		781,110.36		1,261,658.94	

15. Intangible assets

Item	Land use	Software	Patent right	Non-patented technology	Total
I、Original book value					
1、Opening balance	42,126,408.29	1,880,957.69	2,691,549.96		46,698,915.94
2、Increase in the current period		2,052,791.71			2,052,791.71
(1) Purchase		2,052,791.71			2,052,791.71
(2) Internal R & D					
(3) Increased of Enterprise Combination					
(4) Others					
3、Decrease in the current period	20,902,264.96				20,902,264.96
(1) Disposal	20,902,264.96				20,902,264.96
(2) Decrease of Enterprise Combination					
4、Closing balance	21,224,143.33	3,933,749.40	2,691,549.96		27,849,442.69
II、Accumulated amortization					
1、Balance at period-begin	18,191,424.21	965,108.29	158,326.47		19,314,858.97
2、Increase in the current period	1,126,303.72	508,272.46	474,979.41		2,109,555.59

Item	Land use	Software	Patent right	Non-patented technology	Total
(1) amortization	1,126,303.72	508,272.46	474,979.41		2,109,555.59
(2) Increase of enterprise combination					
(2) Others					
3、Decrease in the current period	7,155,610.91				7,155,610.91
(1) Disposal	7,155,610.91				7,155,610.91
(2) Decrease of enterprise combination					
4、Balance at period-end	12,162,117.02	1,473,380.75	633,305.88		14,268,803.65
III、Provisions for Impairment					
1、Balance at period-begin					
2、Increase in the current period					
(1) Provision					
3、Decrease in the current period					
(1) Disposal					
4、Balance at period-end					
IV、Book Value					
1、Book Value of period-end	9,062,026.31	2,460,368.65	2,058,244.08		13,580,639.04
2、Book Value of period-begin	23,934,984.08	915,849.40	2,533,223.49		27,384,056.97

16. Long-term prepaid expenses

Item	2021.01.01	Increase in the current period	Amortization in the current period	Other Decrease in the current period	2021.12.31	Reason for other decrease
SlidDworks service charge	24,750.00	140,094.34	47,865.57		116,978.77	
Total	24,750.00	140,094.34	47,865.57		116,978.77	

17. Deferred income tax assets and deferred income tax liability

(1) Deferred income tax assets not wrote off

Item	2021.12.31		2020.12.31	
	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences
Provisions for impairment in credit	5,229,979.37	34,862,886.80	5,177,039.68	34,306,803.21
Provisions for impairment in assets	830,638.62	4,522,840.65	1,097,038.44	5,955,882.88
Total	6,060,617.99	39,385,727.45	6,274,078.12	40,262,686.09

(2) Deferred income tax liability not wrote off

Item	2021.12.31		2020.12.31	
	Deferred income tax liability	Taxable temporary differences	Deferred income tax liability	Taxable temporary differences
Estimated added value of assets not under the same control	1,170,509.17	4,682,036.67	1,520,765.13	6,083,060.52
Tax deduction for depreciation of fixed assets	352,809.65	1,411,238.58	387,786.38	1,551,145.52
Total	1,523,318.82	6,093,275.25	1,908,551.51	7,634,206.04

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

Item	2021.12.31	2020.12.31
Deductible temporary differences	19,728,053.72	21,668,149.93
Tax deductible losses	258,870,633.26	190,208,959.14

Item	2021.12.31	2020.12.31
Total	278,598,686.98	211,877,109.07

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

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

Year	2021.12.31	2020.12.31	Notes
2021		1,176,802.39	
2022			
2023	850,355.91	850,355.91	
2024	145,565,134.28	145,565,134.28	
2025	42,616,666.56	42,616,666.56	
2026	68,661,674.12		
Total	257,693,830.87	190,208,959.14	

18. Other non-current assets

Item	2021.12.31	2020.12.31
Prepayment of long - term assets	3,810,800.00	2,141,443.59
Total	3,810,800.00	2,141,443.59

19. Short-term borrowings

(1) Classification of short-term borrowings

Item	2021.12.31	2020.12.31
Credit borrowings	273,250,000.00	170,410,000.00
Guaranteed borrowings	220,210,000.00	383,500,000.00
Mortgaged borrowings		
Pledge loan		
Total	493,460,000.00	553,910,000.00

Notes:

lending institution	Starting date	Termination date	Annual interest rate	Guarantor	Ending balance
China South Industries Group Finance Co., Ltd.	2021/2/25	2022/2/25	4.35%	Credit borrowings	30,000,000.00
China South Industries Group Finance Co., Ltd.	2021/6/16	2022/6/16	3.92%	Credit borrowings	20,000,000.00
China South Industries Group Finance Co., Ltd.	2021/7/7	2022/7/7	4.35%	Credit borrowings	20,000,000.00
China South Industries Group Finance Co., Ltd.	2021/9/17	2022/9/17	4.35%	Credit borrowings	20,000,000.00
China South Industries Group Finance Co., Ltd.	2021/10/20	2022/10/20	4.35%	Credit borrowings	10,000,000.00
China South Industries Group Finance Co., Ltd.	2021/11/15	2022/11/15	3.92%	Credit borrowings	30,000,000.00
China South Industries Group Finance Co., Ltd.	2021/11/18	2022/11/18	4.35%	Credit borrowings	28,000,000.00
China South Industries Group Finance Co., Ltd.	2021/11/22	2022/11/22	4.35%	Credit borrowings	30,000,000.00
China South Industries Group Finance Co., Ltd.	2021/12/2	2022/12/2	4.35%	Credit borrowings	55,790,000.00
China South Industries Group Finance Co., Ltd.	2021/12/8	2022/3/8	4.35%	Credit borrowings	5,960,000.00
China South Industries Group Finance Co., Ltd.	2021/12/13	2022/12/13	4.35%	Credit borrowings	23,500,000.00
Business department of Chongqing rural commercial bank	2021/1/15	2022/1/14	4.57%	Chongqing Jianshe Vehicle System Co., Ltd.	17,710,000.00
Chongqing Jiulongpo branch of Bank of China	2021/3/5	2022/3/4	4.57%	Chongqing Jianshe Vehicle System Co., Ltd.	50,000,000.00
Jiulongpo branch of	2021/4/9	2022/4/8	4.50%	Chongqing Jianshe	20,000,000.00

Chongqing Bank				Vehicle System Co., Ltd.	
Jiulongpo branch of Chongqing Bank	2021/4/23	2022/4/22	4.50%	Chongqing Jianshe Vehicle System Co., Ltd.	25,490,000.00
Jiulongpo branch of Chongqing Bank	2021/5/13	2022/5/12	4.50%	Chongqing Jianshe Vehicle System Co., Ltd.	34,500,000.00
Jiulongpo branch of Chongqing Bank	2021/6/11	2022/6/9	4.57%	Chongqing Jianshe Vehicle System Co., Ltd.	20,000,000.00
Chongqing Branch of China Everbright Bank Co., Ltd.	2021/9/17	2022/9/17	4.35%	Chongqing Jianshe Vehicle System Co., Ltd.	10,000,000.00
Jiulongpo branch of Chongqing Bank	2021/12/9	2022/6/23	4.50%	Chongqing Jianshe Vehicle System Co., Ltd.	17,496,500.00
Jiulongpo branch of Chongqing Bank	2021/12/14	2022/6/23	4.50%	Chongqing Jianshe Vehicle System Co., Ltd.	25,013,500.00

20. Notes payable

Item	2021.12.31	2020.12.31
Bank Acceptance	160,670,000.00	110,020,000.00
Trade Acceptance		
Total	160,670,000.00	110,020,000.00

21. Accounts payable

(1) Presentation of Accounts payable

Aging	2021.12.31	2020.12.31
-------	------------	------------

Within 1 year	186,738,613.09	284,998,378.45
1-2 years	1,219,209.52	1,837,069.84
2-3 years	530,450.87	0.08
Over 3 years	1,804,170.65	1,967,798.70
Total	190,292,444.13	288,803,247.07

(2) Significant accounts payable for over 1 year.

Item	Ending balance	Reason for unreimbursed or transferred
Chongqing Mingxin Machinery Manufacturing Co., Ltd.	467,379.08	Not settled
Xi'an Servo Motor Co., Ltd.	423,560.91	Not settled
Chongqing mechanical and electrical design and Research Institute	375,000.00	Not settled
Shenzhen Jiuzheng mould Co., Ltd.	354,276.00	Not settled
Wuxi Lanli Machine Tool Co., Ltd.	198,100.00	Not settled
Total	1,818,315.99	

22. Contract liabilities

Item	2021.12.31	2020.12.31
Contract liabilities	2,868,604.98	1,479,711.62
Less: contract liabilities that are included in non-current liabilities		
Total	2,868,604.98	1,479,711.62

&

Item	2021.12.31	2020.12.31
------	------------	------------

Advance for manufactured products	2,868,604.98	1,479,711.62
Total	2,868,604.98	1,479,711.62

23. Payroll Payable

(1) Presentation of Payroll Payable

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Short-term remuneration	8,802,162.43	98,061,162.79	101,055,710.73	5,807,614.49
Post-employment benefits - defined contribution plans	7,076,035.45	6,175,613.37	10,232,623.88	3,019,024.94
Dismissal welfare	12,549,204.96	127,500.00	558,821.50	12,117,883.46
Other benefits due within one year				
Others				
Total	28,427,402.84	104,364,276.16	111,847,156.11	20,944,522.89

(2) Presentation of short-term compensation

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
1、Salary, bonus, allowance and subsidy	5,174,763.88	72,839,514.14	75,060,788.14	2,953,489.88
2、Employee benefits	1,097,945.30	5,859,144.24	6,957,089.54	
3、Social insurance expenses	1,446,984.41	9,337,304.60	9,535,033.68	1,249,255.33
Including: medical insurance premium	1,161,051.67	8,925,773.37	8,889,017.52	1,197,807.52
Work-related injury insurance premium	285,932.74	411,531.23	646,016.16	51,447.81
Maternity insurance premium				
4、Housing fund	380,205.46	7,272,033.00	7,301,520.00	350,718.46
5、Labor union expenditures and employee education expenses	702,263.38	2,050,091.19	1,693,203.75	1,059,150.82

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
6、 Short-term absence with payment				
7、 Short-term profit sharing plan				
8、 Others		703,075.62	508,075.62	195,000.00
Total	8,802,162.43	98,061,162.79	101,055,710.73	5,807,614.49

(3) Presentation of defined contribution plans

Item	beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Basic endowment insurance premium	6,778,246.97	5,987,932.64	9,921,657.47	2,844,522.14
Unemployment insurance premium	297,788.48	187,680.73	310,966.41	174,502.80
Enterprise Annuity				
Total	7,076,035.45	6,175,613.37	10,232,623.88	3,019,024.94

24. Taxes and surcharges payable

Tax and surcharge items	2021.12.31	2020.12.31
Value-added tax (VAT)		23,721.14
Corporate income tax		2,762,007.64
Individual income tax	455,942.81	565,599.19
Urban maintenance and construction tax	3,120,764.65	3,132,397.23
Property tax	3,727,900.64	3,727,900.64
Land royalties	1,808,215.20	1,808,215.20
Educational surtax	1,991,810.18	2,000,119.16
Other taxes and surcharges	4,029,488.35	4,086,656.73
Total	15,134,121.83	18,106,616.93

25. Other payable

Item	2021.12.31	2020.12.31
Interest payable		
Dividend payable		
Other payable	6,766,954.83	10,260,888.23
Total	6,766,954.83	10,260,888.23

(1) Other payable

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

Item	2021.12.31	2020.12.31
Cash deposit	883,595.14	1,426,426.77
Reimbursement for occupational injury	182,224.40	216,487.83
Testing cost	444,312.20	1,670,056.33
Party organization funds	500,020.01	541,589.50
Design cost and Others	4,756,803.08	6,406,327.80
Total	6,766,954.83	10,260,888.23

② Significant other payable for over 1 year

Item	Ending balance	Reason for unreimbursed or transferred
Chongqing Xingsu Logistics Co., Ltd.	300,000.00	Undue deposit
Chongqing Chengbei Logistics Co., Ltd.	50,000.00	Undue deposit
Chongqing Huangdao Automobile Transportation Co., Ltd.	50,000.00	Undue deposit
Chongqing Tangshifu Secret Kitchen Katering Management Group Co., Ltd.	50,000.00	Undue deposit
Chongqing Bangbao Auto Parts Co., Ltd.	30,000.00	Undue deposit
Total	480,000.00	

26. Other current liabilities

Item	2021.12.31	2020.12.31
Taxes to be written off	372,918.65	192,362.51
Total	372,918.65	192,362.51

27. Share capital

Item	2021.01.01	Increase in the current period	Decrease in the current period	2021.12.31
Total shares	119,375,000.00			119,375,000.00
Total	119,375,000.00			119,375,000.00

28. Capital reserve

Item	2021.01.01	Increase in the current period	Decrease in the current period	2021.12.31
Capital (or equity) premium	702,032,741.07			702,032,741.07
Other capital reserves	256,532,553.22			256,532,553.22
Total	958,565,294.29			958,565,294.29

29. Other comprehensive income

Item	2021.01.01	Reporting Period					2021.12.31
		Income before taxation in the Current Period	Less: recorded in other comprehensive income in prior period and transferred in profit or loss in the Current Period	Less: Income tax expense	Attributable to owners of the Company as the parent after tax	Attributable to non-controlling interests after tax	
I. Items that will not be reclassified to profit or loss	9,800.00						9,800.00
Of which: Re-measurement of changes in net liabilities or net assets of a defined benefit plan							
Share of other combined income of invested units that cannot be reclassified into profit or loss under the equity method	9,800.00						9,800.00
II. Items that may subsequently be reclassified to profit or loss							
Of which: Share of other comprehensive							

Item	2021.01.01	Reporting Period					2021.12.31
		Income before taxation in the Current Period	Less: recorded in other comprehensive income in prior period and transferred in profit or loss in the Current Period	Less: Income tax expense	Attributable to owners of the Company as the parent after tax	Attributable to non-controlling interests after tax	
income of investees that will be reclassified into profit or loss under equity method							
Gain/Loss on changes in fair value of available -for- sale financial assets							
Investments held to maturity reclassified as gains or losses on marketable financial assets							
Effective portion of cash flow hedging gains and losses							
Translation difference in foreign currency financial statements							
Total of other comprehensive income	9,800.00						9,800.00

30. Special reserve

Item	2021.01.01	Increase in the	Decrease in the	2021.12.31
Safety in production expenses		2,710,546.82	996,664.32	1,713,882.50
Total		2,710,546.82	996,664.32	1,713,882.50

31. Surplus reserves

Item	2021.01.01	Increase in the	Decrease in the	2021.12.31
Statutory Surplus	56,724,000.00			56,724,000.00
Discretionary Surplus	68,962,000.00			68,962,000.00
Reserve fund				
Enterprise development fund				
Total	125,686,000.00			125,686,000.00

32. Retained Earnings

Item	Amount	To extract or distribute the
Adjustments to Retained Earnings as at December 31, 2020	-1,030,047,421.23	
Adjustments to total Retained Earnings as at January 1, 2021 ("+" for increases; "-" for decreases)		
Adjusted Retained Earnings as at January 1, 2021	-1,030,047,421.23	
Add: net profit attributable to owners of parent company in 2021	-25,998,962.72	
Less: Extraction of statutory Surplus reserve		
Extraction of discretionary Surplus reserve		

Extraction of General risk reserve		
Dividends payable to ordinary shares		
Ordinary dividend dividends transferred to capital stock		
Retained Earnings as at December 31, 2021	-1,056,046,383.95	

33. Operating revenue and operating costs

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

Item	Year 2021		Year 2020	
	Revenue	Cost	Revenue	Cost
Primary businesses	663,904,859.33	573,770,883.14	731,571,361.31	634,912,358.18
Other businesses	16,214,107.75	13,130,939.66	9,280,483.94	3,611,284.74
Total	680,118,967.08	586,901,822.80	740,851,845.25	638,523,642.92

(2) Primary businesses (by business):

Name of product	Year 2021		Year 2020	
	Revenue	Cost	Revenue	Cost
Motorcycle and auto parts	663,904,859.33	573,770,883.14	731,571,361.31	634,912,358.18
Total	663,904,859.33	573,770,883.14	731,571,361.31	634,912,358.18

(3) Primary businesses (by product):

Name of product	Year 2021		Year 2020	
	Revenue	Cost	Revenue	Cost
Motorcycle and auto parts	663,904,859.33	573,770,883.14	731,571,361.31	634,912,358.18
Total	663,904,859.33	573,770,883.14	731,571,361.31	634,912,358.18

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

Area name	Year 2021		Year 2020	
	Revenue	Cost	Revenue	Cost
Anhui Province	17,124,052.52	11,707,055.53	17,404,019.16	11,550,377.56
Beijing	455,801.74	327,550.28	8,737,415.97	6,191,546.78

Fujian Province	44,566.37	34,185.08	92,194.69	67,860.82
Guangdong Province	22,382,727.29	15,971,018.56	4,965,172.47	3,393,904.49
Guangxi Province	1,582,781.37	1,105,623.07	2,143,214.13	1,454,238.87
Abroad	233,617,697.59	219,426,859.00	226,077,561.82	214,634,628.96
Hebei Province	2,191,979.02	1,539,337.33	3,295,014.18	2,215,103.44
Henan Province	8,670,161.99	6,057,373.19	4,894,181.39	3,365,463.80
Hubei Province	5,928,016.10	4,022,365.87	30,883,712.83	20,430,654.16
Jilin Province			65,486.74	24,681.74
Jiangsu Province	21,065,621.33	14,455,005.40	9,232,764.33	6,215,398.79
Jiangxi Province	3,112,711.56	2,234,617.24	6,328,746.31	4,416,835.33
Liaoning Province	199,132.70	162,786.96		
Shandong Province	3,026,841.57	2,324,309.20	1,955,016.56	1,421,099.96
Shaanxi Province	175,176.99	124,585.21	505,176.97	359,785.11
Shanghai Province	1,782,811.17	1,206,738.85	4,099,161.46	2,806,999.93
Sichuan Province	11,023,173.14	7,483,708.33	113,828.80	78,986.59
Tianjin	1,158,336.80	795,592.41	2,704,426.60	1,835,873.80
Yunnan Province	4,444.40	3,659.99	40,912.43	33,946.99
Zhejiang Province	65,525,378.21	44,997,776.30	96,149,564.48	67,278,049.97
Chongqing	264,799,571.37	239,763,438.17	311,883,789.99	287,136,921.09
Ningxia Province	20,247.78	15,674.17		
Shanxi Province	13,628.32	11,623.00		
Total	663,904,859.33	573,770,883.14	731,571,361.31	634,912,358.18

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

Item	Motorcycle and auto parts	Engineering construction	Services	Others	Total
Revenue is recognized in a certain period of time					
Revenue is recognized at a certain point in time	680,118,967.08				680,118,967.08
Total	680,118,967.08				680,118,967.08

(6) Information related to performance obligations

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

(7) Information related to transaction value assigned to residual performance obligations:

The amount of revenue corresponding to performance obligations of contracts signed but not performed or not fully performed yet was 2,868,604.98 Yuan at the period-end, among which RMB 2,868,604.98 Yuan was expected to be recognized in 2022.

34. Taxes and surcharges

Item	Year 2021	Year 2020
Urban maintenance and construction tax	1,412,323.01	1,297,889.65
Educational surtax	1,008,802.12	942,394.93
Property tax	1,982,928.97	1,362,504.39
Tenure tax	1,832,315.20	1,266,056.40
Vehicle ship royalties	7,004.80	8,280.00
Stamp duty	453,795.40	556,229.80
Other	10,205.75	9,236.37
Total	6,707,375.25	5,442,591.54

35. Selling expenses

Item	Year 2021	Year 2020
Payroll Payable	7,229,332.62	6,908,470.17
Depreciation costs	60,736.39	45,737.88
Office expenses	230,302.33	72,913.22
Insurance expenses	10,743.48	15,207.32
Exhibition fees	-40,608.00	178,430.05
Advertising expenses	184,158.41	115,226.42
Travel expenses	722,762.61	737,314.20
Consignment expenses	177,584.81	499,920.18

Sales service charge	555,856.21	1,225,779.95
Repair cost	5,439,785.83	4,851,678.62
Storage and storage fee	1,546,418.12	1,463,359.49
Others	678,705.39	517,926.40
Total	16,795,778.20	16,631,963.90

36. General and administrative expenses

Item	Year 2021	Year 2020
Payroll Payable	31,007,429.20	36,780,276.53
Depreciation costs	8,153,164.70	8,812,391.54
Repair charges	9,505,068.66	7,655,837.85
Consulting fee	79,336.50	244,683.58
Office expenses	811,164.13	719,571.66
Agency fee	865,439.58	993,241.03
Travel expenses	411,827.43	397,741.18
Amortization of intangible assets	1,883,417.49	999,818.65
Conference fees	427,465.56	381,923.64
Business entertainment	396,970.60	356,627.75
Sewage charge	1,791,919.34	1,905,796.86
Legal fare	34,215.90	
Insurance and others	6,680,210.08	10,163,006.52
Total	62,047,629.17	69,410,916.79

37. Research and development expense

Item	Year 2021	Year 2020
Salary	22,932,480.67	9,107,110.70
Material cost	1,650,738.65	939,353.55
Travel expenses	383,873.74	258,984.60
Depreciation expense	2,278,310.53	2,011,654.48

Amortization of intangible assets	226,138.10	4,730.40
Others	2,289,231.77	2,962,131.96
Total	29,760,773.46	15,283,965.69

38. Financial expenses

Item	Year 2021	Year 2020
Interest expenses	24,231,685.81	23,719,626.23
Less: Interest income	1,562,787.46	1,572,349.92
Net exchange loss ("- "for gain)	-21,267.77	83,330.26
Cash discount	-61,693.29	31,258.10
Commission Charge and others	428,908.36	224,509.17
Total	23,014,845.65	22,486,373.84

39. Other income

Item	Year 2021	Year 2020
Government subsidy	1,583,305.16	4,449,659.88
Commission for withholding and paying individual income tax		
Others		
Total	1,583,305.16	4,449,659.88

Government subsidy regarded as other income during the period:

Item	Year 2021	Year 2020
Related to assets		
Related to profits:	1,583,305.16	4,449,659.88
Government subsidy	1,583,305.16	4,449,659.88
Total	1,583,305.16	4,449,659.88

Details of government subsidy

Item	Year 2021	Year 2020
Return of stabilization assistance posts of medium-sized enterprises		3,048,959.00
Talent introduction support allowance		400,000.00
Reward from Jiulong Park Finance Office of Chongqing High Tech Industrial Development Zone		45,000.00
Special fund for international trade in services		10,000.00
Quality management reward funds		300,000.00
Subsidy for motorcycle EFI project		100,000.00
Emergency insurance subsidy	50,000.00	100,000.00
Patent funding	58,200.00	61,400.00
Recruitment subsidy	8,400.00	54,200.00
Subsidies for science and technology projects	75,000.00	100,000.00
Special project funds for technological innovation and application development	200,000.00	200,000.00
Third generation service fee	20,680.11	30,100.88
Subsidies for creating an innovation platform in Banan District	300,000.00	
Enterprise subsidy funds from Banan District Commerce Commission	40,000.00	
Award from China South Industries Group Finance Co., Ltd.	50,000.00	
Tax deduction	21,425.05	
Ecological environment subsidy	124,700.00	
R & D subsidy fund	234,900.00	
Incentives for steady growth of industrial enterprises	100,000.00	
Special fund for Industry and informatization	300,000.00	
Total	1,583,305.16	4,449,659.88

40. Investment income

item	Year 2021	Year 2020
------	-----------	-----------

Long-term equity investment income calculated by equity method	15,770,549.70	-5,390,443.20
Investment income from 50% equity of Chongqing Pingshan TK Carburetor Co., Ltd. remeasured according to the fair value on the purchase day		1,939,381.08
Total	15,770,549.70	-3,451,062.12

41. Losses of credit impairment

Item	Year 2021	Year 2020
Impairment losses of accounts receivable credit	-556,472.77	149,123.18
Impairment losses of other receivable credit	238,141.68	-1,407,996.71
Total	-318,331.09	-1,258,873.53

42. Losses from asset impairment

Item	Year 2021	Year 2020
Losses for falling price of inventory	17,064.89	597,106.59
Impairment loss of fixed Asset		-10,550,113.62
Total	17,064.89	-9,953,007.03

43. Asset disposal income

Item	Year 2021	Year 2020	The amount included in the current non-recurring profit and loss.
Total profits of holding unavailability-for-sale non-current assets disposal	1,566,473.14	-448,967.59	1,566,473.14
Including: fixed assets	1,566,473.14	-448,967.59	1,566,473.14

Total	1,566,473.14	-448,967.59	1,566,473.14
--------------	---------------------	--------------------	---------------------

44. Non-operating income

Item	Year 2021	Year 2020	Amounts included in the non-recurrent profit and loss for the current year
Non-current assets damage and retirement gains		2,160.36	
Government subsidies		16,900.00	
Others	319,658.55	74,145.66	319,658.55
Profits from merger of enterprises not under the same control		40,984,783.95	
Total	319,658.55	41,077,989.97	319,658.55

Government subsidies included in current profit and loss

Subsidy item	Year 2021	Year 2020
Related to profits:		
Warehousing reward and R & D investment subsidy of scientific and technological		16,900.00
Total		16,900.00

45. Non-operating expenses

Item	Year 2021	Year 2020	Amounts included in the non-recurrent profit and loss for the current year
Loss of non-current assets damaged and scrapped	169.23	1,572,191.89	169.23
Other	28.95	480.80	28.95
Total	198.18	1,572,672.69	198.18

46. Income tax expenses

(1) Details of income tax expense

Items	Year 2021	Year 2020
Income tax at current period		297,185.27
Deferred income tax	-171,772.56	202,329.74
Total	-171,772.56	499,515.01

(2) Accounting profit and income tax expense adjustment process

Item	Amount of current period
Total profit	-26,170,735.28
Income tax expense at statutory / applicable tax rates	-6,542,683.81
Effect of different tax rates applicable to subsidiaries	-98,683.57
Income tax adjustments on prior periods	
Effect of non-taxable income	-3,942,637.43
The impact of R&D expenses	-4,597,261.86
The impact of non-deductible costs, expenses and losses	360,884.13
Affect the use of deferred tax assets early unconfirmed deductible losses	-59,438.13
Deductible losses of unrecognized deferred income tax assets in the current period	14,708,048.11
The adjustment of tax rate leads to the change of the beginning-balance of deferred income tax assets/liabilities	
Total	-171,772.56

47. Other comprehensive income

Details of the disclosure of other comprehensive income can be found in the notes No.29

48. Items of the statement of cash flows

(1) Cash received from other operating activities

Item	Year 2021	Year 2020
Interest income	1,113,277.82	251,975.74
Government subsidies	1,583,305.16	4,466,559.88
Deposits, petty cash	7,145,658.84	11,827,569.92
Total	9,842,241.82	16,546,105.54

(2) Cash paid for other operating activities

Item	Year 2021	Year 2020
Deposits, petty cash and allotment	1,255,698.63	472,285.28
Expenses paid in cash during the period	23,270,903.78	28,680,763.55
Total	24,526,602.41	29,153,048.83

(3) Cash received from other investing activities

Item	Year 2021	Year 2020
Acquisition of subsidiaries		61,450,668.55
Total		61,450,668.55

(4) Cash paid for other investing activities

Item	Year 2021	Year 2020
Financial periodic deposits		40,000,000.00
Total		40,000,000.00

(5) Cash received from other financing activities

Item	Year 2021	Year 2020
Interest	449,509.64	1,320,374.18
Proceeds from discounting of financing notes received	31,271,812.75	88,769,216.54
Collection of financing	12,092,996.08	216,340,000.00
Total	43,814,318.47	306,429,590.72

(6) cash paid for other financing activities

Item	Year 2021	Year 2020
------	-----------	-----------

Payments for matured financing notes	16,506,825.20	398,125,000.00
cash deposit for financing such as bills and loans	9,288,814.12	128,949,610.08
Total	25,795,639.32	527,074,610.08

49. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

Supplementary information	Year 2021	Year 2020
1、 Net profit adjusted to cash flows from operating activities		
Net profits	-25,998,962.72	1,415,942.45
Add: provision for credit impairment	-17,064.89	1,258,873.53
Provision for assets impairment	318,331.09	9,953,007.03
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	33,781,956.81	33,781,630.33
Depreciation of Right-of-use assets		
Amortization of intangible assets	2,109,555.59	1,004,549.05
Amortization of long-term prepaid expenses	47,865.57	49,500.00
Losses on disposal of assets ("-" for gains)	-1,566,473.14	448,967.59
Losses on discarding of fixed assets ("-" for gains)	169.23	1,572,191.89
Losses from changes in fair value ("-" for gains)		
Financial expenses ("-" for income)	24,231,685.81	23,719,626.23
Investment's losses ("-" for gains)	-15,770,549.70	3,451,062.12
Decreases in the deferred income tax assets ("-" for increases)	213,460.13	-213,146.14
Increases in the deferred income tax liabilities ("-" for decreases)	-385,232.69	1,908,551.51
Decreases in inventories ("-" for increases)	-37,573,619.01	-22,827,528.18
Decreases in operating receivables ("-" for increases)	2,091,660.99	-30,853,916.35
Increases in operating receivables ("-" for decreases)	39,949,584.40	140,343,815.61

Others		
Net cash flows from operating activities	21,432,367.47	165,013,126.67
2、 Significant investment and financing activities involving no cash receipts and payments		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under financial lease		
3、 Net change in cash and cash equivalents:		
Closing balance of cash	23,738,523.19	79,310,253.55
Less: Opening balance of cash	79,310,253.55	9,390,326.10
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-55,571,730.36	69,919,927.45

(2) Component of cash and cash equivalents

Item	Year 2021	Year 2020
1. Cash	23,738,523.19	79,310,253.55
Including: cash on hand		5,418.26
Unrestricted bank deposit	23,738,523.19	79,304,835.29
Other unrestricted Cash and cash equivalents		
Unrestricted bank deposit placed in central bank		
2. Cash equivalents		
Including: bond investments maturing within three months		
3. Balance of cash and cash equivalents as at December 31, 2021	23,738,523.19	79,310,253.55

50. Assets with restrictions on their ownership or use right

Item	Book value as at December 31, 2021	Reason for restriction
Monetary assets	67,940,000.00	Guarantee deposit, fixed deposit
Financing receivables	17,010,000.00	Pledge
Total	84,950,000.00	

51. Government subsidies

(1) Government subsidies confirmed in current period

Subsidy item	Amount	Asset-related		Revenue related				Whether actually received
		deferred income	Write-down of book value	deferred income	Other income	Non-operating income	Write-down of cost	
Emergency insurance subsidy	50,000.00				50,000.00			Yes
Patent funding	58,200.00				58,200.00			Yes
Recruitment subsidy	8,400.00				8,400.00			Yes
Subsidies for science and technology projects	75,000.00				75,000.00			Yes
Special project funds for technological innovation and application development	200,000.00				200,000.00			Yes
Third generation service fee	20,680.11				20,680.11			Yes
Subsidies for creating an innovation platform in Banan District	300,000.00				300,000.00			Yes

Subsidy item	Amount	Asset-related		Revenue related				Whether actually received
		deferred income	Write-down of book value	deferred income	Other income	Non-operating income	Write-down of cost	
Enterprise subsidy funds from Banan District Commerce Commission	40,000.00				40,000.00			Yes
Award from China South Industries Group Finance Co., Ltd.	50,000.00				50,000.00			Yes
Tax deduction	21,425.05				21,425.05			Yes
Ecological environment subsidy	124,700.00				124,700.00			Yes
R & D subsidy fund	234,900.00				234,900.00			Yes
Incentives for steady growth of industrial enterprises	100,000.00				100,000.00			Yes
Special fund for Industry and informatization	300,000.00				300,000.00			Yes
Total	1,583,305.16				1,583,305.16			

2). Government subsidies included in current profit and loss

Subsidy item	Asset-related / revenue-related	Included in the Other income	Included in the Non-operating income	Write-down of cost
Emergency insurance subsidy	Revenue related	50,000.00		
Patent funding	Revenue related	58,200.00		

Subsidy item	Asset-related / revenue-related	Included in the Other income	Included in the Non-operating income	Write-down of cost
Recruitment subsidy	Revenue related	8,400.00		
Subsidies for science and technology projects	Revenue related	75,000.00		
Special project funds for technological innovation and application development	Revenue related	200,000.00		
Third generation service fee	Revenue related	20,680.11		
Subsidies for creating an innovation platform in Banan District	Revenue related	300,000.00		
Enterprise subsidy funds from Banan District Commerce Commission	Revenue related	40,000.00		
Award from China South Industries Group Finance Co., Ltd.	Revenue related	50,000.00		
Tax deduction	Revenue related	21,425.05		
Ecological environment subsidy	Revenue related	124,700.00		
R & D subsidy fund	Revenue related	234,900.00		
Incentives for steady growth of industrial enterprises	Revenue related	100,000.00		
Special fund for Industry and informatization	Revenue related	300,000.00		
Total		1,583,305.16		

VI. Change of consolidation scope

There is no change in the consolidation scope in this period.

VII. Equity in other entities

1. Equity in subsidiaries

(1) Composition of enterprise groups

Name of subsidiary	Main business areas	Registered place	Business nature	Shareholding ratio (%)		Acquisition method
				Directly	Indirectly	
Chongqing Jianshe Automobile A/C Co., Ltd.	Chongqing	Chongqing	Production and sales of Automobile Air Conditioner	100.00		Establishment by investment
Chongqing Pingshan TK Carburetor Co., Ltd.	Chongqing	Chongqing	Production and sales of motorcycle parts	100.00		Merger under different control

2. Equity in joint ventures and associates

(1) Major joint ventures

Name of joint venture or associate	Main business areas	Registered place	Business nature	Shareholding ratio (%)		Accounting treatment methods for the investments in joint ventures or associates
				Directly	Indirectly	
Chongqing Hanon Jianshe Automotive Thermal Systems Co., Ltd.	Chongqing	Chongqing	Compressor assembly and core auto parts production	50.00		Equity method

(2) Major financial information of significant joint ventures

Item	Ending balance / Current amount	Beginning balance / Amount of the previous period
	Chongqing Hanon Jianshe Automotive Thermal Systems Co., Ltd.	Chongqing Hanon Jianshe Automotive Thermal Systems Co., Ltd.
Current assets	196,148,081.75	207,788,619.72
Including: cash and cash equivalents	52,373,714.91	14,910,653.69
Non-current assets	380,490,597.33	403,946,863.16
Total assets	576,638,679.08	611,735,482.88
Current liabilities	158,199,475.93	147,202,798.08
Non-current liabilities	17,587,384.50	95,221,965.54
Total liabilities	175,786,860.43	242,424,763.62
Minority equity		
Equity attributable to the shareholders of parent company	400,851,818.65	369,310,719.26
Shares in net assets calculated according to the shareholding ratios	200,425,909.33	184,655,359.63
Adjustment events		
- Goodwill		
- Unrealized profits of internal transactions		
- Others		
The book values of equity investments in joint ventures	201,984,268.72	186,213,719.02

Item	Ending balance / Current amount	Beginning balance / Amount of the previous period
	Chongqing Hanon Jianshe Automotive Thermal Systems Co., Ltd.	Chongqing Hanon Jianshe Automotive Thermal Systems Co., Ltd.
The fair values of equity investments in joint ventures with a public offer		
Operating income	306,636,095.98	232,203,748.88
Financial expenses	8,227,807.42	4,678,168.50
Income tax expenses		
Net profit	31,541,099.39	-11,136,523.51
Net profit from termination		
Other comprehensive income		
Total comprehensive income	31,541,099.39	-11,136,523.51
Dividends received from joint ventures for the current year		

VIII. Related parties and related party transactions

1. The parent company of the Company

Name of the parent company	Registered place	Business nature	Registered capital	Shareholding ratio in the Company (%)	Voting ratio in the Company (%)
China South Industries Group	Beijing	State-owned assets investment	RMB 35.30 billion	71.13	71.13

Corporation					
-------------	--	--	--	--	--

Note: The ultimate controller of the Company is The State-owned Assets Supervision and Administration Commission of the State Council.

The changes of parent company registered capital (million):

Item	2021.01.01	Increase in 2021	Decrease in 2021	2021.12.31
Amount	35.30 billion			35.30 billion

2. Subsidiaries of the Company

Please refer to Notes VII.1 “Equity in subsidiaries” for the details of subsidiaries of the Company.

3. The joint ventures and associates of the Company

Please refer to Notes VII.2 “Equity in joint ventures and associates” for the details of major joint ventures or associates of the Company.

4. Other related parties of the Company

Name of other related parties	Relationship with the Company
Chongqing Jianshe Electromechanical Construction Co., Ltd.	Under the common control of the same party
Chongqing Jianshe Industry (Group) Co., Ltd. ("Jianshe industry (Group) ")	Under the common control of the same party
South Finance Co., Ltd. ("Finance Company ")	Under the common control of the same party
Chongqing Jianxing Machinery Co., Ltd. ("Jianxing Machinery")	A Joint venture of a subsidiary of a controlling shareholder
Chongqing Changan Automobile Co., Ltd. ("Chongqing Changan")	Under the common control of the same party
Chongqing Changan Automobile Co., Ltd. Beijing Changan Automobile Company	Under the common control of the same party

("Beijing Changan")	party
Chongqing Changan Suzuki Motor Co., Ltd. ("Changan Suzuki ")	A Joint venture of a subsidiary of a controlling shareholder
Hebei Changan Motor Co., Ltd. ("Hebei Changan ")	Under the common control of the same party
Nanjing Changan Motor Co., Ltd. ("Nanjing Changan ")	Under the common control of the same party
Baoding Changan Bus Manufacturing Co., Ltd. ("Baoding Changan")	Under the common control of the same party
Hefei Changan Motor Co., Ltd. ("Hefei Changan")	Under the common control of the same party
Chongqing South Motorcycle Co., Ltd. ("South Motorcycle ")	Under the common control of the same party
Chongqing Changan Motor Customer Service Co., Ltd. ("Changan Motor Customer Service ")	Under the common control of the same party
Chongqing Changan Automobile International Sales & Service Co., Ltd. ("Changan Automobile sales ")	Under the common control of the same party
Chongqing North Construction import and export trade Co., Ltd. ("import and export company")	Under the common control of the same party
Hafei Motor share company ("Hafei motor")	Under the common control of the same party
Sichuan Huaqing Machinery Co., Ltd.	Under the common control of the same party
Changan Ford Motor Co., Ltd. Harbin branch ("Changan Ford Harbin branch")	A Joint venture of a subsidiary of a controlling shareholder
Harbin dongan Motor Power shares Co., Ltd. ("Harbin dongan power")	Under the common control of the same party
South Air International Co., Ltd. ("South Air ")	Under the common control of the same party

Southwest Ordnance Chongqing Environmental Protection Research Institute Co., Ltd. (" Southwest Ordnance")	Under the common control of the same party
China Ordnance Equipment Group commercial factoring Co., Ltd.	Under the common control of the same party
Chongqing Jianshe Yamaha Motorcycle Co., Ltd. ("Jianshe Yamaha")	A Joint venture of a subsidiary of a controlling shareholder
Chongqing Changan Minsheng Logistics Co., Ltd. ("Minsheng Logistics ")	A Joint venture of a subsidiary of a controlling shareholder
Chongqing Jianshe lijue Industrial Co., Ltd. (" Jianshe lijue")	A Joint venture of a subsidiary of a controlling shareholder
Xuechuan Yan	Board Chairman
Aijun Fan	Director、 General manager
Qihong Dong	Board director
Qingong Shi	Board director
Yongqiang Zhou	Board director
Lin Hao	Board director
Jiaming Li	Independent director
Fei Xie	Independent director
Weiwei Song	Independent director
Wei Liu	Independent director
Xianyun Lu	Supervisory board chairman
Lungang Zhang	Supervisor
Guoan Qiao	Supervisor
Jian Liao	Employee supervisor
Qiang Su	Employee supervisor
Wenbiao Yu	Vice-general manager
Mingxian Tan	General Accountant

Yongjiang Li	Vice-general manager
Hushan Zhang	Secretary of the board of directors

5. Related party transactions

(1) Purchasing and selling goods, providing and receiving labor services

① Table of sales of goods

Related party	Content of related party transactions	Amount	
		Year 2021	Year 2020
Chongqing Changan Automobile Co., Ltd.	Auto Parts	131,973,718.97	121,152,914.63
Chongqing Changan Suzuki Automobile Co., Ltd.	Auto Parts	5,615,743.47	8,312,846.45
Hefei Changan Automobile Co., Ltd.	Auto Parts	16,194,939.56	12,311,294.83
Nanjing Changan Automobile Co., Ltd.	Auto Parts	1,820,143.06	1,955,924.44
Baoding Changan Automobile Co., Ltd.	Auto Parts	1,324,434.08	2,231,755.78
Hebei Changan Automobile Co., Ltd.	Auto Parts		104,905.84
Beijing Changan Automobile Co., Ltd.	Auto Parts		2,557.55
Chongqing Changan Automobile customer Service Co., Ltd.	Auto Parts	6,851.20	18,532.42
South Air International Co., Ltd. ("South Air ")	Auto Parts	144,000.00	144,000.00
Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	Motorcycle Parts	11,944,592.17	3,469,076.51
Chongqing Jianshe industry (Group) Co., Ltd.	Parts inspection	427,878.59	280,236.11
Chongqing Jianshe Electromechanical Construction Co., Ltd.	Material	207,747.94	
Chongqing Hanon Jianshe Automotive Thermal Systems Co., Ltd.	Auto Parts	4,829,474.48	
Chongqing Hanon Jianshe Automotive Thermal Systems Co., Ltd.	Material	8,679,058.73	

Total		183,168,582.25	149,984,044.56
--------------	--	-----------------------	-----------------------

② Table of purchase of goods, received labor services

Related party	Content of related party transactions	Amount	
		Year 2021	Year 2020
Chongqing Jianshe industry (Group) Co., Ltd.	Parts inspection	699,441.80	948,359.57
Chongqing Changan Minsheng Logistics Co., Ltd.	Warehousing service	3,735,472.46	581,396.56
Southwest Ordnance Chongqing Environmental Protection Research Institute Co., Ltd.	Parts inspection	1,736,605.88	1,039,838.83
Chongqing Jianshe industry (Group) Co., Ltd.	Material	1,567,203.06	0.00
Chongqing Changan Automobile Co., Ltd. and its affiliated enterprises	Maintenance service	1,163,939.02	0.00
Total	Auto Parts	8,902,662.22	2,569,594.96

(2) The situation of related-party lease

① The Company as a lessor:

The name of lessor	The kind of leased assets	Leasing asset of 2021	Leasing asset of 2020
Chongqing Jianshe Electromechanical Construction Co., Ltd.	Plant		3,187,684.37

② The Company as a lessee:

The name of lessor	The kind of leased assets	Leasing asset of 2021	Leasing asset of 2020
Chongqing Jianshe Electromechanical Construction Co., Ltd.	Plant		3,131,505.24

(3) Related Guarantee

The Company as the guarantor

Guarantee	Guaranteed amount	Starting date of guaranty	Maturity date of guaranty	Whether the guarantee has been fulfilled
Chongqing Jianshe Automobile A/C Co., Ltd.	17,710,000.00	2021/1/15	2022-1-14	No
Chongqing Jianshe Automobile A/C Co., Ltd.	50,000,000.00	2021-3-5	2022/3/4	No
Chongqing Jianshe Automobile A/C Co., Ltd.	20,000,000.00	2021-4-9	2022-4-8	No
Chongqing Jianshe Automobile A/C Co., Ltd.	25,490,000.00	2021-4-23	2022-4-22	No
Chongqing Jianshe Automobile A/C Co., Ltd.	34,500,000.00	2021-5-13	2022-5-12	No
Chongqing Jianshe Automobile A/C Co., Ltd.	20,000,000.00	2021-6-11	2022-6-9	No
Chongqing Jianshe Automobile A/C Co., Ltd.	10,000,000.00	2021-9-17	2022-9-17	No
Chongqing Jianshe Automobile A/C Co., Ltd.	17,496,500.00	2021-12-9	2022-6-23	No
Chongqing Jianshe Automobile A/C Co., Ltd.	25,013,500.00	2021/12/14	2022/6/23	No
Chongqing Jianshe Automobile A/C Co., Ltd.	17,496,500.00	2021-1-11	2022-1-10	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	25,013,500.00	2021-1-25	2022/1/24	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	17,710,000.00	2020-1-17	2021-1-16	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	30,000,000.00	2020-6-19	2021-6-18	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	30,000,000.00	2020-7-29	2021-7-28	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	30,000,000.00	2020-8-11	2021-8-10	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	55,790,000.00	2020-12-4	2021-12-3	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	24,997,000.00	2020-4-13	2021-4-12	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	9,999,500.00	2020-4-20	2021-4-19	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	25,013,500.00	2020-4-28	2021-4-27	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	34,500,000.00	2020-10-12	2021-5-24	Yes

Chongqing Jianshe Automobile A/C Co., Ltd.	20,000,000.00	2020-10-12	2021-5-24	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	25,490,000.00	2020-10-19	2021-5-24	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	10,000,000.00	2020-8-27	2021-8-27	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	20,000,000.00	2020-11-3	2021-5-18	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	50,000,000.00	2020-2-28	2021-2-27	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	25,020,000.00	2020-7-31	2021-1-31	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	46,400,000.00	2020-9-23	2021-3-16	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	25,000,000.00	2020-10-16	2021-4-13	Yes

(4) Payroll of core management staff

Item	2021	2020
Payroll of core management staff	3,574,756.20	3,956,919.45

(5) Deposits in related parties

Related-party name	2021.01.01	Increase during the period	Decrease during the period	2021.12.31
Finance company of China South Industries Group	75,299,945.03	1,722,071,692.34	1,730,287,453.61	67,084,183.76

Note: The total deposit interest of related parties received in the current period is 918,031.22 Yuan.

(6) Loan from related parties

Related-party name	Starting date	Termination date	Annual interest rate	Guarantor	Ending balance
Finance company of China	2021/2/25	2022/2/25	4.35%	Credit borrowings	30,000,000.00

South Industries Group					
Finance company of China South Industries Group	2021/6/16	2022/6/16	3.92%	Credit borrowings	20,000,000.00
Finance company of China South Industries Group	2021/7/7	2022/7/7	4.35%	Credit borrowings	20,000,000.00
Finance company of China South Industries Group	2021/9/17	2022/9/17	4.35%	Credit borrowings	20,000,000.00
Finance company of China South Industries Group	2021/10/20	2022/10/20	4.35%	Credit borrowings	10,000,000.00
Finance company of China South Industries Group	2021/11/15	2022/11/15	3.92%	Credit borrowings	30,000,000.00
Finance company of China South Industries Group	2021/11/18	2022/11/18	4.35%	Credit borrowings	28,000,000.00
Finance company of China South Industries Group	2021/11/22	2022/11/22	4.35%	Credit borrowings	30,000,000.00
Finance company of China South Industries Group	2021/12/2	2022/12/2	4.35%	Credit borrowings	55,790,000.00
Finance company of China South Industries Group	2021/12/8	2022/3/8	4.35%	Credit borrowings	5,960,000.00
Finance company of China South Industries Group	2021/12/13	2022/12/13	4.35%	Credit borrowings	23,500,000.00

Note: The total loan interest paid to related parties in this period is 8,774,059.98 Yuan.

6. Related party receivables/payables

(1) The item of receivables

Item	Related parties	2021.12.31		2020.12.31	
		book balance	bad-debt provision	book balance	bad-debt provision
Accounts receivable	Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	978,730.60		1,600,948.83	
Accounts receivable	Chongqing Hanon Jianshe Automotive Thermal Systems Co.,	2,062,836.40		1,057,181.69	

	Ltd.				
Accounts receivable	Chongqing Changan Automobile Co., Ltd.	15,225,677.65		35,860,898.25	
Accounts receivable	Hefei Changan Automobile Co., Ltd.	4,584,439.91		6,144,169.57	
Accounts receivable	Baoding Changan Automobile Co., Ltd.	178,907.37		176,024.12	
Accounts receivable	Chongqing Changan Suzuki Automobile Co., Ltd.	413,084.63		144,754.60	
Accounts receivable	Nanjing Changan Automobile Co., Ltd.	779,950.94		757,093.89	
Accounts receivable	Hebei Changan Automobile Co., Ltd.	51,911.53		125,588.19	
Accounts receivable	Hafei motor Co., Ltd.	3,999,944.43	3,999,944.43	3,999,944.43	3,999,944.43
Accounts receivable	Chongqing Changan Motor Customer Service Co., Ltd.	3,870.93			
Notes receivable	Baoding Changan bus Manufacturing Co., Ltd.			1,080,000.00	
Notes receivable	Chongqing Changan Automobile Co., Ltd.	5,340,000.00		20,462,109.25	
Notes receivable	Hefei Changan Automobile Co., Ltd.	1,781,515.49		4,501,490.44	
Notes receivable	Nanjing Changan Automobile Co., Ltd.	200,000.00		880,000.00	
Other receivables	Chongqing Jianshe Lijue Industry Co., Ltd.	1,478,870.07	1,478,870.07	1,478,870.07	1,478,870.07
Other receivables	China South Industries Group Corporation			39,300.00	
Other receivables	Chongqing Hanon Jianshe Automotive Thermal Systems Co., Ltd.	640,407.92			

(2) The item of payables

Item	Related parties	2021.12.31	2020.12.31
		book balance	book balance
Accounts payable	Chongqing Yamaha Motorcycle Co., Ltd.	23,210.00	23,210.00
Accounts payable	China South Industries Group Commercial Factoring Co., Ltd.	23,610,000.00	32,950,000.00
Accounts payable	Chongqing Hanon Jianshe Automotive Thermal Systems Co., Ltd.	497,923.20	
Other payable	Chongqing Jianshe Industrial (Group) Co., Ltd.	233,241.12	563,402.75

7. Commitments by related parties

None.

IX. Commitments or contingencies

1. Significant commitment events

As at December 31, 2021, the Company did not need to disclose important commitments.

2. Contingencies

As at December 31, 2021, the Company did not need to disclose important contingencies.

X. Subsequent events

As the approval date of audit report, the Company did not need to disclose important subsequent events.

XI. Other significant events

As at December 31, 2021, the Company did not need to disclose other significant events.

XII. Notes to the main items of financial statements of parent company

1. Accounts receivable

(1) Accounts receivable measured as amortized cost

	2021.12.31			2020.12.31		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Accounts receivable	4,443,972.39	1,291,496.94	3,152,475.45	3,480,832.08	1,291,496.94	2,189,335.14
Total	4,443,972.39	1,291,496.94	3,152,475.45	3,480,832.08	1,291,496.94	2,189,335.14

(2) Bad debt reserves

No matter whether there is material financing component, the company measured losses reserves provision using estimated credit losses method during the period.

①Accounts receivable with provision for bad debt made on a portfolio with similar aging

	Book balance	Estimated credit losses during the period	Provision for impairment
Within one year	3,152,475.45		
1-2 years			
2-3 years			
Over 3 years	1,291,496.94	100.00	1,291,496.94
Total	4,443,972.39		1,291,496.94

②Changes of Bad debt

Item	2021.01.01	Increase during the period	Decrease during the period		2021.12.31
			Recovery or reversal	Elimination or write-off	
Accounts receivable provision for	1,291,496.94				1,291,496.94

impairment					
------------	--	--	--	--	--

(3) Top five accounts receivable as at December 31, 2021:

Total amount of top five accounts receivable is 4,056,402.35 Yuan, which accounting for 91.29% of total accounts receivable, and the corresponding provision of accounts receivable bad debts impairment is 1,014,835.35 Yuan.

Company Name	Amount of ending balance	Aging	Proportion of total accounts receivable %	Amount of ending balance for bad debts
Chongqing Jianshe Hanon Heat Management System Co., Ltd.	2,062,836.40	Within 6 months	46.42	
Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	978,730.60	Within 6 months	22.02	
Wuhan Longchang Company Wujiao Market Department	473,539.96	Over 5 years	10.66	473,539.96
China Aerospace Science and Technology Corporation long March Machinery Factory	395,296.04	Over 5 years	8.90	395,296.04
Chongqing Chihai Machinery Manufacturing Co., Ltd.	145,999.35	Over 5 years	3.29	145,999.35
Total	4,056,402.35		91.29	1,014,835.35

2. Other receivables

Item	2021.12.31	2020.12.31
Interest receivable		
Dividend receivable		
Other receivables	1,153,592.45	934,239.22
Total	1,153,592.45	934,239.22

(1) Situation of other receivables

	2021.12.31			2020.12.31		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Other receivables	6,836,089.77	5,682,497.32	1,153,592.45	6,854,489.04	5,920,249.82	934,239.22
Total	6,836,089.77	5,682,497.32	1,153,592.45	6,854,489.04	5,920,249.82	934,239.22

1) Provision of bad debts

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

2021

	Book balance	Estimated credit losses during the period	Provision for impairment	Reason
Provision in portfolio				
Aging	5,041,699.86	73.75	3,888,107.41	Low recovery possibility
Total	5,041,699.86	73.75	3,888,107.41	

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

2021

	Book balance	Estimated credit losses during the period	Provision for impairment	Reason
Provision in single entity				
Chongqing Jinxiang Hoisting equipment manufacturing	16,800.00	100.00	16,800.00	Low recovery possibility
Yangzhou Qionghua decoration engineering equipment	56,500.00	100.00	56,500.00	Low recovery possibility
Chongqing China Customs	78,825.36	100.00	78,825.36	Low recovery possibility
Goods pending quality	163,394.48	100.00	163,394.48	Low recovery possibility

inspection and goods on exhibition				
Chongqing Jianshe Iijue Industrial Co., Ltd.	1,478,870.07	100.00	1,478,870.07	Low recovery possibility
Total	1,794,389.91	100.00	1,794,389.91	

2) Changes of bad debts provision

Provision of impairment	Stage One	Stage Two	Stage Three	Total
	Estimated credit losses in next 12 months	Estimated credit losses during the period (not happened)	Estimated credit losses during the period (happened)	
Balance as at Jan 1 st 2021	4,125,859.91		1,794,389.91	5,920,249.82
Beginning book balance in this period				
-transfer to the first stage				
-transfer to the second stage				
-transfer to the third stage				
Provision during the period				
Reversal during the period	237,752.50			237,752.50
Elimination during the period				
Write off during the period				
Other changes				
Balance as at Dec 31 st 2021	3,888,107.41		1,794,389.91	5,682,497.32

3) Nature classification of other receivables

Nature	2021.12.31	2020.12.31
--------	------------	------------

Commercial intercourse	6,836,089.77	6,854,489.04
Total	6,836,089.77	6,854,489.04

4) Top five other receivable as at December 31, 2021

Total amount of top five accounts receivable is 6,154,606.03 Yuan, which accounting for 90.12% of total accounts receivable, and the corresponding provision of accounts receivable bad debts impairment is 5,514,198.11 Yuan.

Company Name	Related Party	Nature	Amount of ending balance	Aging	Percentage of whole other receivables%	Provision of impairment of ending balance
Shenzhen Jianshe Motorcycle Co., Ltd.	No	Trading	3,013,664.00	Over 5 years	44.08	3,013,664.00
Chongqing Jianshe Ijue Industrial Co., Ltd.	Yes	Trading	1,478,870.07	1-2 years、 2-3 years	21.63	1,478,870.07
Ningbo Jianshe Auto Co., Ltd. Chongqing Office	No	Trading	692,035.31	Over 5 years	10.12	692,035.31
Chongqing Hanon Jianshe Automotive Thermal Systems Co., Ltd.	No	Trading	640,407.92	Within 6 months	9.37	
Ningbo Jianshe Motorcycle Co., Ltd.	No	Trading	329,628.73	Over 5 years	4.82	329,628.73
Total			6,154,606.03		90.02	5,514,198.11

3. Long-term equity investments

(1) Classification of long-term equity investment

Item	2021.12.31			2020.12.31		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in	199,045,443.95		199,045,443.95	199,045,443.95		199,045,443.95

Item	2021.12.31			2020.12.31		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
subsidiaries						
Investments in associates and joint ventures	201,984,268.72		201,984,268.72	186,213,719.02		186,213,719.02
Total	401,029,712.67		401,029,712.67	385,259,162.97		385,259,162.97

(2) Investments in subsidiaries

Investee	2021.01.01	Increase in 2021	Decrease in 2021	2021.12.31
Chongqing Jianshe Automobile A/C Co., Ltd.	160,000,000.00			160,000,000.00
Chongqing Pingshan TK Carburetor Co., Ltd.	39,045,443.95			39,045,443.95
Less: provision for long-term investment impairment				
Total	199,045,443.95			199,045,443.95

(3) Investments in associates and joint ventures

Investee	2021.01.01	Increases/decreases in the current year				
		Additional investment	Decrease in investment	profits and losses on investments recognized under the equity method	Other comprehensive income	Changes in other equity
Joint ventures						
Chongqing Jianshe Hanon	186,213,719.02			15,770,549.70		

Heat Management System Co., Ltd.					
Total	186,213,719.02			15,770,549.70	

&

Investee	Increases/decreases in the current year			Balance as at December 31, 2021	Balance as At December 31, 2021 of Provision for impairment
	Declaration of cash dividends or profits	Provision for impairment	Other		
Joint ventures					
Chongqing Jianshe Hanon Heat Management system Co., Ltd.				201,984,268.72	
Total				201,984,268.72	

4. Operating income and operating costs

(1) Operating income and costs are as follows:

Item	Year 2021		Year 2020	
	Income	Cost	Income	Cost
Primary businesses	493,566,986.58	499,200,539.40	574,099,625.36	562,455,438.02
Other businesses	11,820,268.31	10,319,273.71	8,020,335.84	3,413,711.76
Total	505,387,254.89	509,519,813.11	582,119,961.20	565,869,149.78

(2) The main operating income and costs (by business) are as follows:

Product Name	Year 2021		Year 2020	
	Income	Cost	Income	Cost
Motorcycle and auto parts	493,566,986.58	499,200,539.40	574,099,625.36	562,455,438.02
Total	493,566,986.58	499,200,539.40	574,099,625.36	562,455,438.02

(3) The main operating income and costs (by product) are as follows:

Product Name	Year 2021		Year 2020	
	Income	Cost	Income	Cost
Motorcycle and auto parts	493,566,986.58	499,200,539.40	574,099,625.36	562,455,438.02
Total	493,566,986.58	499,200,539.40	574,099,625.36	562,455,438.02

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

Product Name	Year 2021		Year 2020	
	Income	Cost	Income	Cost
Chongqing	493,566,986.58	499,200,539.40	574,099,625.36	562,455,438.02
Total	493,566,986.58	499,200,539.40	574,099,625.36	562,455,438.02

5. Investment income

item	Year 2021	Year 2020
Long-term equity investment income calculated by equity method	15,770,549.70	-5,390,443.20
Disposal of a long-term equity investment of investment returns		
Others	—	—
Total	15,770,549.70	-5,390,443.20

XIII. Supplementary information

1. Detailed statement of current non-recurring profit and loss

Item	Amount	Remark
Gains and losses on disposal of non-current assets	1,566,473.14	
Tax returns, deduction and exemption approved beyond the authority or without official approval documents		
Government grants included in current profits and losses (except for government grants closely related to the enterprise business, obtained by quota or quantity at unified state standards)	1,583,305.16	

Payment for use of state funds received from non-financial institutions recorded in current profits and losses		
Gains from the difference between the investment costs of acquisition of subsidiaries, associates and joint ventures and share in the net fair value of the identifiable assets of the investee when investing		
Gains or losses from non-monetary asset exchange		
Gains or losses from entrusting the investments or management of asset		
Impairment provision for force majeure such as natural calamities		
Profits or losses from debt restructuring		
Restructure expenses, such as the compensation for employee relocation and integration costs		
Gains or losses from transactions with obvious unfair transaction price		
Current net profit and loss of subsidiaries from the beginning of the period to the date of business combination under the common control		
Profits or losses arising from contingencies not related to the company's normal business		
Except for effective hedging business related to the normal business of the company, profits or losses from fair value changes in held-for-trading financial assets and held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets		
Disposal of transactional financial assets, transactional financial liabilities and return on investments available for sale		
Reversal of the impairment provision for receivables subject to separate impairment test	200,000.00	
Profits or losses from entrusted loans		

Profits or losses from fair value changes in investment property subsequently calculated with the fair value mode		
Impacts of one-time adjusting the current profits or losses in accordance with requirements of tax and accounting laws and regulations on the current profits and losses		
Custodian income from entrusted management		
Other non-operating income and expenditure except for the above items	319,460.37	
Other profits or losses which can be deemed as non-recurring profits or		
Total non-recurrent gains and losses	3,669,238.67	
Less: income tax impact of non-recurrent gains and losses		
Net non-recurrent gains and losses	3,669,238.67	
Less: net effect of non-recurrent gains and losses attributable to minority shareholders		
Non-recurring gains and losses attributable to common shareholders of the company	3,669,238.67	

2. Rate of return on net assets and earnings per share

Profit during the reporting period	Weighted average rate of return on net assets (%)	Earnings per share (Yuan)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	-16.10	-0.218	0.218
Net profit attributable to ordinary shareholders of the Company after deducting the non-recurring profit and loss	-18.38	-0.249	-0.249

Chongqing Jianshe Vehicle System Co., Ltd.

April 28, 2022