



CHANGCHAI COMPANY, LIMITED

ANNUAL REPORT 2022

April 2023

Part I Important Notes, Table of Contents and Definitions

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

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

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

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

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

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

Table of Contents

Part I Important Notes, Table of Contents and Definitions.....	2
Part II Corporate Information and Key Financial Information.....	6
Part III Management Discussion and Analysis.....	11
Part IV Corporate Governance.....	46
Part V Environmental and Social Responsibility.....	65
Part VI Significant Events.....	66
Part VII Share Changes and Shareholder Information.....	77
Part VIII Preferred Shares.....	86
Part IX Bonds.....	87
Part X Financial Statements.....	88

Documents Available for Reference

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

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

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

Definitions

Term	Definition
“Changchai”, the “Company” or “we”	Changchai Company, Limited and its consolidated subsidiaries, except where the context otherwise requires
Changchai Benniu	Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.
Changchai Wanzhou	Changchai Wanzhou Diesel Engine Co., Ltd.
Horizon Investment	Changzhou Horizon Investment Co., Ltd.
Horizon Agricultural Equipment	Changzhou Changchai Horizon Agricultural Equipment Co., Ltd.
Changchai Robin	Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.
Xingsheng Real Estate Management	Changzhou Xingsheng Real Estate Management Co., Ltd.
Changchai Machinery	Jiangsu Changchai Machinery Co., Ltd.
Zhenjiang Siyang	Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.
RMB, RMB’0,000	Expressed in the Chinese currency of Renminbi, expressed in tens of thousands of Renminbi
The “Reporting Period” or “Current Period”	The period from 1 January 2022 to 31 December 2022

Part II Corporate Information and Key Financial Information

I Corporate Information

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

II Contact Information

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

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

Newspapers designated by the Company for information disclosure	Securities Times, Ta Kung Pao (HK)
Website designated by CSRC for publication of this Report	http://www.cninfo.com.cn
Place where this Report is lodged	Board Secretariat of the Company

IV Change to Company Registered Information

Unified social credit code	91320400134792410W
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Change to principal activity of the Company since going public	No change
Every change of controlling shareholder since incorporation	On 22 November 2018, the State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government transferred its entire holdings of 170,845,236 shares in the Company (a stake of 30.43%) to Changzhou Investment Group Co., Ltd. for no compensation, which has thus become the controlling shareholder of the Company.

V Other Information

The independent audit firm hired by the Company:

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

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

Applicable Not applicable

Name	Office address	Representatives	Supervision period
China Industrial Securities Co., Ltd.	10/F, China Industrial Securities Plaza, 36 Changliu Road, Pudong New District, Shanghai	Wang Lingxiao, Li Lihong	5 July 2021-31 December 2022
Donghai Securities Co., Ltd.	6/F, Donghai Securities Plaza, 1928 Dongfang Road, Pudong New District, Shanghai	Wang Jiangqin, Xu Qin	5 July 2021-31 December 2022

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

Applicable Not applicable

VI Key Financial Information

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

Yes No

	2022	2021	2022-over-2021 change (%)	2020
Operating revenue (RMB)	2,182,043,095.61	2,452,430,515.60	-11.03%	2,296,464,711.24
Net profit attributable to the listed company's shareholders (RMB)	76,684,796.91	103,006,232.54	-25.55%	52,432,443.05
Net profit attributable to the listed company's	-73,636,511.02	5,329,092.87	—	25,483,147.57

shareholders before exceptional gains and losses (RMB)				
Net cash generated from/used in operating activities (RMB)	364,930,277.84	-266,323,779.30	—	251,796,654.53
Basic earnings per share (RMB/share)	0.1087	0.1657	-34.40%	0.0934
Diluted earnings per share (RMB/share)	0.1087	0.1657	-34.40%	0.0934
Weighted average return on equity (%)	2.51%	3.86%	-1.35%	2.40%
	31 December 2022	31 December 2021	Change of 31 December 2022 over 31 December 2021 (%)	31 December 2020
Total assets (RMB)	5,219,359,853.42	4,860,382,961.26	7.39%	3,952,954,464.45
Equity attributable to the listed company's shareholders (RMB)	3,284,710,665.90	3,077,550,018.33	6.73%	2,273,349,347.02

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

Yes No

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

Yes No

Item	2022	2021	Note
Operating revenue (RMB)	2,182,043,095.61	2,452,430,515.60	Production and sales of the Company's primary products of diesel engines, gasoline engines, etc.
Deductions from operating revenue (RMB)	36,475,111.66	48,310,768.54	Other business revenue than the main operations
Operating revenue exclusive of deductions (RMB)	2,145,567,983.95	2,404,119,747.06	Diesel engines, gasoline engines, and accessories

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

1. Net Profit and Equity under CAS and IFRS

Applicable Not applicable

No difference for the Reporting Period.

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

Applicable Not applicable

No difference for the Reporting Period.

VIII Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	675,718,729.65	502,503,762.39	545,599,669.07	458,220,934.50
Net profit attributable to the listed company's shareholders	-31,087,265.83	16,491,996.22	150,405,621.57	-59,125,555.05
Net profit attributable to the listed company's shareholders before exceptional gains and losses	-12,317,891.45	6,508,531.38	-5,566,500.16	-62,260,650.79
Net cash generated from/used in operating activities	-47,199,474.48	-27,101,026.64	-8,250,338.30	447,481,117.26

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

Yes No

IX Exceptional Gains and Losses

Applicable Not applicable

Unit: RMB

Item	2022	2021	2020	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	393,161.73	155,515.49	263,408.53	
Government grants through profit or loss (exclusive of government grants consistently given in the Company's ordinary course of business at fixed quotas or amounts as per governmental policies or standards)	3,774,298.59	4,268,950.18	7,763,215.65	
Capital occupation charges on non-financial enterprises			344,842.86	

that are recognized in profit or loss				
Gain or loss on fair-value changes on held-for-trading financial assets and liabilities & income from disposal of held-for-trading financial assets and liabilities and available-for-sale financial assets (exclusive of the effective portion of hedges that arise in the Company's ordinary course of business)	162,319,373.53	114,738,153.54	27,526,935.85	Increase in the fair value of the Company's interest in Jiangsu Horizon New Energy Technology Co., Ltd., as well as decreased prices of the shares held by wholly-owned subsidiary Horizon Investment in Jiangsu Liance Electromechanical Technology Co., Ltd. and Kailong High Technology Co., Ltd.
Reversed portions of impairment allowances for receivables which are tested individually for impairment	30,000.00	147,611.25		
Non-operating income and expense other than the above	1,735,346.51	2,400,863.71	-1,571,453.49	
Negative goodwill due to business combination not under common control	1,904,132.58			
Less: Income tax effects	19,859,063.58	24,027,164.56	7,122,148.63	
Non-controlling interests effects (net of tax)	-24,058.57	6,789.94	255,505.29	
Total	150,321,307.93	97,677,139.67	26,949,295.48	--

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

Applicable Not applicable

No such cases for the Reporting Period.

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

Applicable Not applicable

No such cases for the Reporting Period.

Part III Management Discussion and Analysis

I Industry Overview for the Reporting Period

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

(1) Basic information on the industry

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

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

(2) Development pattern and trend of the industry

In terms of policies, at the beginning of 2023, the 20th No. 1 Document guiding the work on agriculture, rural areas, and farmers issued by the central government demonstrated the government's intention to attach greater importance to agriculture and strengthen agricultural development. In a bid to do so, the government will step up efforts to enhance agricultural science and technology and provide more equipment, drive to tackle key problems of key and core technologies in agriculture, and make agricultural machinery more intelligent and automated. In terms of industry concerns, the upgrade and conversion to products that meet the National Emission Standard IV raise challenges to enterprises. At the end of 2022, the central government appropriated RMB211.5 billion of agriculture-related transfer payment funds for 2023 in advance, including RMB14.5 billion for subsidies of agricultural machinery procurement and application. The central government allocated substantive funds for subsidies and implemented policies to strengthen agriculture and benefit farmers, indicating that the state will continue to attach great importance to agricultural mechanization.

In terms of industrial development, after a ten-year golden period of development, since 2016, the entire agricultural machinery industry has entered a period of deep adjustment that has lasted for years. Although short-term explosive growth was seen in 2020, it went down again, entering a phase of updating existing machinery from the growth of new machine procurement. 2022, the first year of switching to the National Emission Standard IV for Non-road Vehicles, the agricultural machinery industry faced pressures such as the shrinking of the demand side, premature market overdraft, participation of tycoons from other industries, and the impact of new energy market on the traditional market. Currently, multiple segmented scenarios still require all-weather and continuous input and output, which is an advantage of diesel engines that cannot be substituted in a short time. Furthermore, new development opportunities have been brought about in the process of national strategic deployment and acceleration of transformation and upgrade. Therefore, the traditional market of agricultural machinery still has a brilliant future.

China's diesel engine and gasoline engine industries present a pattern of multiple competitions. As the state adopts increasingly strict environmental protection policy and the emission standards continue to upgrade, the core technology and key parts of internal combustion engines will be rapidly developed and applied, and the research, development, promoting and application of environmentally friendly and efficient diesel engines and gasoline engines will become the mainstream trend, which promotes the wide use of the fuel injection system, high-efficiency supercharger and high-efficiency after-treatment. In the new normal, the internal combustion engine industry and agricultural machinery industry will improve the industry's capability of independent innovation, support the whole machine development, and organize and implement green manufacturing and intelligent manufacturing, so as to improve the overall strength of the industry. The market share of diesel and gasoline engines is gradually concentrated in a few large-scale enterprises with technical and capital strength.

The present development trend of internal combustion engine industry is as follows: (1) energy saving and emission reduction; (2) intelligent manufacturing; (3) lightweight. Medium- and low-end internal combustion engines with low technical content and low added value will be gradually squeezed out of the market. The upgrade of emission standards and the market's demand for high-end products will eliminate those small enterprises with low level of research and development or less technology reserves.

(3) Sales of internal combustion engine industry in 2022

The total volume of the market dropped significantly due to factors such as subsidy policy change, tight supply chain, upgrading of the National Emission Standard IV for Non-road Vehicles, and intensified existing competition. The total sales of internal combustion engines in 2022 were 43,154,700 units, a decrease of 14.51% compared to 2021. The total sales of diesel engines for the year were 4,286,600 units, down by 29.82% year on year. Specifically, 837,200 engines for construction machinery, 1,222,300 engines for agricultural machinery, 39,700 engines for shipborne machinery, and 311,700 engines for electricity generation were sold. The sales of gasoline internal combustion engines were 38,856,000, a drop of 12.39% year on year.

On the whole, the internal combustion engine market showed a declining tendency for the whole year, with the construction and agricultural machinery still showing an adjustment trend. The agricultural machinery industry faced a major shakeout, focusing on the switching of products that meet the China IV emission standards for non-road mobile machinery. According to the information on the subsidies of agricultural machinery procurement, the main terminal products that need to be upgraded to meet China IV emission standards are large and medium tractors, wheat harvesters, forage harvesters, and spray rod-type sprayers. The market paid more attention to whether they can be adequately verified to meet China IV emission standards and whether mass production can be realized. In the second half of 2022, the sales of large and medium tractors, wheat harvesters, and corn harvesters peaked, showing that the traditional demand cycle was altered.

In terms of the segments of the internal combustion engine market, in 2022, 897,300 units of construction machinery were sold, down by 21.00% year on year; 4,141,300 units of agricultural machinery were sold, down by 22.87% year on year; 39,700 units of shipborne machinery were sold, down by 1.18% year on year; 1,253,000 units of generator sets were sold, down by 19.02 year on year; and 1,645,400 units of horticultural machinery were sold, down by 34.15% year on year. Compared with last year, the year-over-year growth of all kinds of machinery was negative.

Due to the impact of international trade and the characteristics of the enterprise scale, the internal combustion engine industry was steady and showed a positive trend on the whole. In 2022, the total volume of imports and exports was USD30,086 million, down by 2.47% year on year; specifically, the import volume was USD8,803 million, down by 18.63% year on year and the export volume was USD21,284 million, up by 6.27% year on year.

II Principal Activity of the Company in the Reporting Period

1. Principal Operations of the Company

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

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

2. Main Products of the Company

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

Main products	Graphic display	Product description	Product features	Application fields
Diesel engine		Our diesel engine products include single-cylinder diesel engines and multi-cylinder engines, covering power range from 1.62kW to 117.6kW, and cylinder diameters from 65mm to 135mm, with one or more cylinders. Besides sale in domestic market, our diesel engines are sold to Southeast Asia, South America, the Middle East and Africa.	High power, low oil consumption, low noise, compact structure, low emission, good reliability	Agricultural machinery, construction machinery, generator sets, shipborne machinery
Gasoline engine		Our gasoline engines are mainly general-purpose small gasoline engines, covering the power range from 1.5kW to 7.0kW. Besides sale in domestic market, our gasoline engines are sold to Southeast Asia, the Middle East, Europe and America, Africa, Japan and other countries and regions.	Simple structure, good reliability, easy maintenance	Agricultural machinery, small construction machinery

3. Major Business Models

(1) R&D model

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

(2) Purchasing model

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

department's sales plan, and provide it to the supplier, and urge the supplier to prepare for the goods.

(3) Production model

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

(4) Sale model

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

4. The Company's position in the market

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

5. Key Performance Drivers

(1) National policy driver

In recent years, various departments of the state have introduced a series of preferential policies to encourage the development of internal combustion engine industry. In terms of agricultural machinery, the central government has taken solving the problems relating to "agriculture, rural areas and farmers" as the top priority of the work of the Party and the government, and issued a series of policies to benefit farmers, creating a good atmosphere for promoting the development of agriculture and economy and society in rural areas; in terms of construction machinery, the strategy of "western development", the "eight vertical and eight horizontal" high-speed railway network plan and the policy of "new rural construction" have all created a good policy environment for the application of internal combustion engine in downstream construction machinery.

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

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

(3) Stable and efficient R&D team

We have experienced technical management team and perfect technical support team. Our key technical personnel

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

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

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

III Core Competitiveness Analysis

1. Advantages in Brand

Changchai is a national industrial enterprise with a history of over one hundred years. It is one of the earliest professional manufacturers of internal combustion engines in China. The brand "Changchai" is the earliest domestic trademark of production goods known as China's well-known trademarks. The diesel engine of "Changchai" brand is China's brand-name product. The enterprise has been certified by ISO9001 and IATF16949 quality systems, ISO14001 environmental management system, IATF16949 automotive product quality management system, and accessed to the national export-free enterprise qualification. Changchai was honorably ranked among "the Top One Hundred Chinese Enterprises in Engineering Industry" and "China Pacesetter Enterprise of Industrial Industry" for several times, and was awarded the honorary title of "State-level Enterprise of Observing Contracts and Keeping Promise", "China's Agricultural Machinery Parts and Components Leading Enterprises", "China's Agricultural Machinery AAA Credit Enterprise", "Quality Management Excellence Award of Jiangsu Province" and "Mayor Quality Award of Changzhou City". The Company has been among the 10 users' most satisfied leading brands in "Jing Geng" competition for many years. In 2022, the Company was awarded honorary titles such as Top 500 Machinery Industry In China, National Demonstration Enterprise of Product and Service Quality Integrity, National Quality Leader of Internal Combustion Engine Industry, National Quality Leading Brand of Internal Combustion Engine Industry, Product with Guaranteed Quality and Reputation in China, Stable Qualified Product in National Quality Inspection, Top Ten Enterprises of Agricultural Machinery and Equipment Industry in Jiangsu Province, and Three Star Enterprise in Changzhou. For many years, in the process of achieving steady economic development of the enterprise, we developed in a sound manner and cultivated the "Changchai" brand, a famous small diesel engine brand of China with independent intellectual property rights.

2. Advantages in Technology

The Company has a state-level technology center and post-doctoral research station, and a research center of small and medium-power internal combustion engine engineering and technology in Jiangsu Province. Currently, it is mainly engaged in production of small and medium-power single-cylinder and multi-cylinder diesel engine. It has a complete product range, a wide power level coverage, a high reputation and intellectual property rights for its main products. During the Reporting Period, the Company obtained the Re-assessment Certificate of the National Enterprise Technology Centre, and seven models including EH36 and ZN490B were recognized as High-tech

Products of Changzhou City. In addition, the Company won the honor of the research and development base of the intelligent and lightweight diesel engine of the agricultural machinery and equipment industry in Jiangsu Province. During the Reporting Period, the Company was granted 23 patents. As of the end of 2022, it has a total of 159 valid patents at home and abroad, including 13 invention patents.

3. Advantages in Marketing

Changchai has built up a sales service network covering the whole country, with 5 sales business units, 26 sales service centers, and 698 designated maintenance stations. In addition, in order to meet the National Emission Standard IV for Non-Road Vehicles and provide better after-sales service for customers, a service monitoring platform with Changchai characteristics has been put in place. With a perfect diesel sales service network system, the Company is able to provide high quality, efficient and timely services for customers.

IV Core Business Analysis

1. Overview

In 2022, the domestic and international political and economic situation was complex and volatile. China's economy continued to face multiple pressures such as shrinking demand, supply interruptions, and weakened expectations. The total volume of the market dropped due to factors such as subsidy policy change, tight supply chain, upgrading of the National Emission Standard IV for Non-road Vehicles, and intensified existing competition. Facing the new normal of the complicated and volatile development and declining trend of the agricultural machinery industry, the Company united all employees and further focused on products, market, and quality to seek progress while maintaining stability and innovation. The Company spared no effort to advance the implementation of the annual operation policy and objectives, effectively combined product operation and capital management, and accelerated production upgrade and industrial chain expansion to maintain a stable and orderly development tendency. During the Reporting Period, the Company sold approximately 607,300 diesel engines, gasoline engines and generator sets, including approximately 147,000 gasoline engines, generating total sales revenue of RMB2.182 billion, a decrease of 11.03% year-on-year.

In terms of product development and support, the Company completed the development and support certification for mainstream models of single-cylinder and multi-cylinder engines that met the National Emission Standard IV for Non-road Vehicles and launched them to the market through mass production. The Company orderly advanced the extension of multi-cylinder engines' upper and lower power ranges. The high-power multi-cylinder engines were launched to the market through mass production after completing support verification and the optimized multi-cylinder products with small cylinder diameters made breakthroughs in terms of the supporting fields. In addition, the development of the diesel outboard engine made phased progress and passed RCD, MED EU certification, and CCS certification.

In terms of market services, domestic and overseas sales maintained the stability of the foundation and expanded new markets. The single-cylinder orderly completed the switch of accessories that met the National Emission Standard IV for Non-Road Engines of main engine factories and promoted the sales of products in the non-agriculture fields by active guidance and network optimization. In terms of multi-cylinder engines, the market share of accessories in the key fields was increased. In addition, the foreign trade market maintained sales growth in core market segments and made breakthroughs in the emerging market. The Company stepped up efforts to manage the appraisals of service sites in the service process and further optimized the resource allocation of the service sites. The Company completed the function iteration and development of the remote monitoring platform of engines, which will provide effective technical support for the Company's product design and development and

the after-sales services of repair, replacement and return.

In terms of quality management, the Company stepped up efforts to develop the quality management system, implemented the quality responsibility system, strengthened the quality loss control of the entire production and manufacturing process, and effectively reduced quality loss. The Company organized to implement the management review, internal review of the quality system, product review, and process review and properly adjust the content of the system documents based on reality, and successfully passed the annual external audit of the quality management system.

In terms of internal management, the Company continued to carry out the three-year action of special safety rectification of safety production, promoted the “safety code” in all respects, made the hidden risk screening and governance institutionalized and standardized, and successfully passed the ISO14001 environmental system supervision and review during the year. The Company initiated the standard implementation of the management system of the integration of “information technology and industrialization” within the year and successfully passed the assessment of the AA-grade integration of “information technology and industrialization” management system. During the Reporting Period, the Company adopted multiple measures to reduce costs and increase efficiency to cope with the continuous rise in raw material prices at home and abroad. Great efforts were made to resolutely crack down on infringements in the market and the Company’s intellectual property was effectively safeguarded through innovative measures.

In the Reporting Period, the Company acquired 41.5% of the equity of Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. by bidding. On 16 May 2022, Zhenjiang Siyang convened a general meeting of shareholders, a meeting of the Board of Directors and a meeting of the Supervisory Committee to re-elect members for the Board of Directors, the Supervisory Committee and management. Zhenjiang Siyang has been included in the consolidated financial statements of the Company.

2. Revenue and Cost Analysis

(1) Breakdown of Operating Revenue

Unit: RMB

	2022		2021		Change (%)
	Operating revenue	As % of total operating revenue (%)	Operating revenue	As % of total operating revenue (%)	
Total	2,182,043,095.61	100%	2,452,430,515.60	100%	-11.03%
By operating division					
Internal combustion engines	2,145,567,983.95	98.33%	2,404,119,747.06	98.03%	-10.75%
Other	36,475,111.66	1.67%	48,310,768.54	1.97%	-24.50%
By product category					
Diesel engines	1,971,005,207.88	90.33%	2,241,032,641.05	91.38%	-12.05%
Gasoline engines	148,144,749.68	6.79%	149,717,934.82	6.10%	-1.05%
Other	62,893,138.05	2.88%	61,679,939.73	2.52%	1.97%

By operating segment					
Domestic	1,857,845,869.48	85.14%	2,038,317,678.97	83.11%	-8.85%
Overseas	324,197,226.13	14.86%	414,112,836.63	16.89%	-21.71%
By marketing model					
Distribution	770,975,653.30	35.33%	689,413,386.97	28.11%	11.83%
Direct sales	1,411,067,442.31	64.67%	1,763,017,128.63	71.89%	-19.96%

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

Applicable Not applicable

Unit: RMB

	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
By operating division						
Internal combustion engines	2,145,567,983.95	1,924,209,350.48	10.32%	-10.75%	-6.22%	-4.33%
By product category						
Diesel engines	1,971,005,207.88	1,795,214,080.08	8.92%	-12.05%	-6.77%	-5.16%
Gasoline engines	148,144,749.68	125,625,016.85	15.20%	-1.05%	-2.60%	1.35%
By operating segment						
Domestic	1,857,845,869.48	1,633,460,073.55	12.08%	-8.85%	-3.08%	-5.23%
Overseas	324,197,226.13	315,216,962.97	2.77%	-21.71%	-21.69%	-0.03%
By marketing model						
Distribution	770,975,653.30	678,293,018.21	12.02%	11.83%	18.49%	-4.95%
Direct sales	1,411,067,442.31	1,270,384,018.31	9.97%	-19.96%	-16.17%	-4.07%

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

Applicable Not applicable

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

Yes No

Operating division	Item	Unit	2022	2021	Change (%)
Diesel engines	Unit sales	Unit	458,300	596,279.00	-23.14%

	Output	Unit	439,604	601,253.00	-26.89%
	Inventory	Unit	64,867	83,563.00	-22.37%

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

Applicable Not applicable

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

Applicable Not applicable

(5) Breakdown of Cost of Sales

Unit: RMB

Product category	Item	2022		2021		Change (%)
		Cost of sales	As % of total cost of sales (%)	Cost of sales	As % of total cost of sales (%)	
Diesel engines	Raw materials	1,560,381,852.91	80.07%	1,659,710,451.07	79.61%	-5.98%
Diesel engines	Labor cost	229,434,494.85	11.77%	240,110,930.78	11.52%	-4.45%
Diesel engines	Depreciation	56,624,131.58	2.91%	71,198,110.78	3.42%	-20.47%
Diesel engines	Energy	15,340,866.19	0.79%	30,044,125.27	1.44%	-48.94%

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

Yes No

The Sixth Extraordinary Meeting of the Board of Directors in 2021 held by the Company on 28 October 2021 deliberated on and approved the Proposal on Participation in Bidding for 41.5% Equity Interests in Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd., authorizing the Management of the Company to participate in bidding for 41.5% equity interest in Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. (hereinafter referred to as "Zhenjiang Siyang") that had been put out for sale by Jiangsu Keda Assets Marketing Co., Ltd. (hereinafter, "Keda Assets"). On 12 January 2022, Jiangsu Assets and Equity Exchange Co., Ltd. issued the Confirmation of Transaction on the Transfer of 41.5% Equity Interests (Corresponding to Capital Contribution of RMB830,000) in Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. The Company won the bid for the 41.5% equity interests in Zhenjiang Siyang at a price of RMB33,520,800.00. On 23 February 2022, the Company signed the Contract on Transfer of State-owned Property Rights with Keda Assets. On 9 March 2022, Zhenjiang Siyang has completed the relevant registration alteration formalities with the competent industrial and commercial administration. On 16 May 2022, Zhenjiang Siyang held meetings of shareholders, the Board of Directors and the Supervisory Committee to elect and appoint new members for the Board of Directors, the Supervisory Committee and management, with the Company taking over half of the seats in the Board of Zhenjiang Siyang. As such, Zhenjiang Siyang has been included in the consolidated financial statements of the Company, bringing the number of consolidated subsidiaries to eight.

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

Applicable Not applicable

(8) Major Customers and Suppliers

Major customers:

Total sales to top five customers (RMB)	1,054,121,258.48
Total sales to top five customers as % of total sales of the Reporting Period (%)	48.31%
Total sales to related parties among top five customers as % of total sales of the Reporting Period (%)	0.00%

Information about top five customers:

No.	Customer	Sales revenue contributed for the Reporting Period (RMB)	As % of total sales revenue (%)
1	Customer 1	550,073,305.21	25.21%
2	Customer 2	207,614,866.65	9.51%
3	Customer 3	174,674,496.40	8.01%
4	Customer 4	66,280,122.00	3.04%
5	Customer 5	55,478,468.22	2.54%
Total	--	1,054,121,258.48	48.31%

Other information about major customers:

Applicable Not applicable

Major suppliers:

Total purchases from top five suppliers (RMB)	288,156,794.05
Total purchases from top five suppliers as % of total purchases of the Reporting Period (%)	18.39%
Total purchases from related parties among top five suppliers as % of total purchases of the Reporting Period (%)	0.00%

Information about top five suppliers:

No.	Supplier	Purchase in the Reporting Period (RMB)	As % of total purchases (%)
1	Supplier 1	128,212,300.00	8.18%
2	Supplier 2	57,147,375.28	3.65%
3	Supplier 3	43,433,746.37	2.77%
4	Supplier 4	35,757,706.62	2.28%
5	Supplier 5	23,605,665.79	1.51%
Total	--	288,156,794.05	18.39%

Other information about major suppliers:

Applicable Not applicable

3. Expense

Unit: RMB

	2022	2021	Change (%)	Reason for any significant change
Selling expense	102,630,223.71	117,242,290.32	-12.46%	
Administrative expense	119,511,189.72	98,890,284.22	20.85%	
Finance costs	-21,589,704.63	1,203,615.80	—	Increased exchange gains and interest income
R&D expenses	81,239,597.06	82,390,284.14	-1.40%	

4. R&D Investments

√ Applicable □ Not applicable

Major R&D project	Purpose	Progress	Specific objectives	Expected impact on the Company
Development project of the lightweight, low-emission diesel engine of common rail series	Developing the multi-cylinder diesel engine with small cylinder diameters that can meet the supporting requirements of rice transplanters, plant protection spray machines, tractors, small construction machinery, and horticultural machinery	In progress	Optimizing and upgrading based on the M series diesel engine. Increasing engine power by adopting the high-pressure common rail system, electronic control technical route, supercharger and post-processing technology to meet the National Emission Standard IV for Non-Road Vehicles and expand market supporting fields.	After the implementation of the project, the upgraded diesel engine will have a broad and good market application prospects and will be more competitive in the market.
The power and assembly R&D project of diesel outboard engines	Developing efficient, eco-friendly, and energy-saving power and assembly of diesel outboard engines.	In progress	Making an optimal design of the engine's structure and performance to significantly improve product indicators such as reliability, fuel consumption, and emission to meet the advanced level of similar products abroad as well as the requirements of the National Emission Standard IV for Non-road Vehicles.	After the implementation of the project, the product will meet the requirements of the National Emission Standard IV for Non-road Vehicles and will have extensive application scenarios and broad market prospects.
Development	Developing	In	Realizing energy saving,	After the

project of the special diesel engine of the high horsepower outboard engines	efficient, eco-friendly, and energy-saving outboard engines	progress	meeting the requirements of the National Emission Standard IV for Non-road Vehicles, and meeting the supporting requirements of various types of small fishery machinery by applying high-performance technologies such as diesel engine energy saving, noise reduction, environmental protection, material saving, and service life extension.	implementation of the project, the product will have salient advantages in terms of power performance, safety, economic efficiency, and environmental protection and meet the requirements of the National Emission Standard IV for Non-road Vehicles.
Development project of the special diesel engine of the motorcycle	Developing lightweight single-cylinder, water-cooled, high-speed diesel engines to meet the power requirements of motor-tricycle in the market	In progress	Making major optimization of the diesel engine's structure and performance to meet the advanced level of similar products abroad as well as the requirements of the National Emission Standard IV for Three-wheelers.	Diversifying the Company's products, further expanding the power market, and meeting non-emission regulatory requirements can bring about new growth points for the Company's benefits.
Development project of 4G29 diesel engine	Developing diesel engines that have higher performance and meet the emission requirements	In progress	Further making diesel engines more technical and lowering the harmful substance emissions of diesel engines to make their indicators better, meet domestically advanced level in terms of economic efficiency and power performance and meet the requirements of the National Emission Standard IV for Non-road Vehicles.	After the implementation of the project, the upgraded diesel engine will meet the requirements of the National Emission Standard IV for Non-road Vehicles and drive the Company's non-road vehicle technologies to be more mature and well-developed.
Development project of single-cylinder diesel engines with a mechanical pump that can meet the National	Developing single-cylinder diesel engines with a mechanical pump that have higher performance and meet the National Emission Standard IV for Non-road	In progress	Improving diesel engine's power performance, economic efficiency of fuel, and other performance indicators, as well as service life and making the emission indicators meet the National Emission Standard IV for Non-road Vehicles	After the implementation of the project, the product will meet the requirements of the National Emission Standard IV for Non-road Vehicles in terms of the emission indicators and meet the

Emission Standard IV for Non-road Vehicles	Vehicles			supporting requirements of machinery, bringing about new growth points for the Company's benefits.
Development of V402 diesel engine	Developing a higher-performance light multi-cylinder diesel engine that meets the emission requirements	In progress	Conducting structural optimization of diesel engine components to improve product performance and reliability.	After the implementation of the project, the product will meet the requirements of non-road China IV vehicle emission regulations, the supporting requirements of machinery, and market demand.
Development of D15 diesel outboard engine	Developing more efficient, environmentally friendly and energy-saving diesel-powered products	In progress	Conducting major design optimization of the engine structure and performance to improve the reliability, fuel consumption, emissions and other indicators of the product, so as to reach the advanced level of similar foreign products.	After the implementation of the project, the product will meet the requirements of non-road China IV vehicle emission regulations and open up the market of ship machinery.
Development of diesel-electric hybrid products	Developing efficient and environmentally friendly diesel-powered products	In progress	Improving the emission characteristics and economic characteristics of diesel-electric hybrid diesel engines to enhance the energy efficiency, endurance and reliability.	After the implementation of the project, the product meets the market demand and makes the goods quality and logistics efficiency of the cold chain timely, safe and efficient, providing a whole-procedure temperature and quality management solution.

Details about R&D personnel:

	2022	2021	Change (%)
Number of R&D personnel	236	264	-10.61%
R&D personnel as % of	8.89%	9.55%	-0.66%

total employees			
Educational background of R&D personnel			
Bachelor's degree	101	117	-13.68%
Master's degree	7	13	-46.15%
Age structure of R&D personnel			
Below 30	25	34	-26.47%
30~40	84	95	-11.59%

Details about R&D investments:

	2022	2021	Change (%)
R&D investments (RMB)	81,239,597.06	82,390,284.14	-1.40%
R&D investments as % of operating revenue	3.72%	3.36%	0.36%
Capitalized R&D investments (RMB)	0.00	0.00	—
Capitalized R&D investments as % of total R&D investments	0.00%	0.00%	—

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

5. Cash Flows

Unit: RMB

Item	2022	2021	Change (%)
Subtotal of cash generated from operating activities	2,150,597,784.38	1,878,728,640.47	14.47%
Subtotal of cash used in operating activities	1,785,667,506.54	2,145,052,419.77	-16.75%
Net cash generated from/used in operating activities	364,930,277.84	-266,323,779.30	—
Subtotal of cash generated from investing activities	944,067,348.19	385,166,151.68	145.11%
Subtotal of cash used in investing activities	1,082,020,854.62	850,680,343.34	27.19%
Net cash generated from/used in investing activities	-137,953,506.43	-465,514,191.66	—
Subtotal of cash generated from financing activities	135,437,700.65	711,844,747.79	-80.97%
Subtotal of cash used in financing activities	114,312,925.54	45,328,892.65	152.19%
Net cash generated from/used in financing activities	21,124,775.11	666,515,855.14	-96.83%
Net increase in cash and cash	247,948,744.46	-67,537,318.91	—

equivalents			
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Explanation of why any of the data above varies significantly:

Applicable Not applicable

The significant year-on-year change in net cash generated from/used in operating activities was primarily because the Company strengthened the collection of payments by customers, destocked due to the rising emission standards (resulting in decreased procurement expenditure), and discounted certain bank acceptance notes from customers with high credit levels for cash management purposes in pursuit of higher income in the Reporting Period.

The significant year-on-year change in net cash generated from/used in investing activities was primarily due to the Company's acquisition of a 41.5% interest in Zhenjiang Siyang, a capital increase to Jiangsu Horizon New Energy Technology Co., Ltd., and the proper use of idle funds for cash management purposes, in the Reporting Period.

The significant year-on-year change in net cash generated from/used in financing activities was primarily because the Company raised a gross amount of RMB634,999,936.40 (net proceeds: RMB620,665,733.97) in a private placement of 144,318,181 shares of the RMB-denominated ordinary stock (A-stock) last year, while there were no such financing activities during the Reporting Period.

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

Applicable Not applicable

The big difference between the net operating cash flow and the net profit for this Reporting Period was mainly because of the impact on the current income of the fair value changes of the financial assets held by the Company, and the discounting of certain bank acceptance notes with high credit levels.

V Analysis of Non-Core Businesses

Applicable Not applicable

Unit: RMB

	Amount	As % of gross profit	Source	Recurrent or not
Return on investment	7,969,467.19	9.75%	Stock dividends and income from cash management	Yes
Gains/losses on changes in fair value	145,243,457.17	177.75%	increased fair value of the Company's interest in Jiangsu Horizon New Energy Technology Co., Ltd., as well as the decreased prices of the shares held by wholly-owned subsidiary Horizon Investment in Jiangsu Liance Electromechanical Technology Co., Ltd. and Kailong High Technology Co., Ltd.	No
Asset impairment loss	-14,367,197.27	-17.58%	Inventory valuation loss	No
Non-operating income	4,257,942.65	5.21%	Negative goodwill and amounts that require no payment due to business combination not under common control	No
Non-operating expense	618,463.56	0.76%	Loss on retirement of non-current assets	No

VI Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB

	31 December 2022		1 January 2022		Change in percentage (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary assets	930,013,350.97	17.82%	707,966,678.74	14.57%	3.25%	The strengthened collection of payments by customers, and the discounting of certain bank acceptance notes from customers in the Reporting Period.
Accounts receivable	370,322,179.77	7.10%	375,209,126.48	7.72%	-0.62%	
Inventories	571,996,881.74	10.96%	651,083,758.18	13.40%	-2.44%	
Investment property	42,160,779.65	0.81%	44,597,255.21	0.92%	-0.11%	
Fixed assets	720,061,387.76	13.80%	402,915,521.65	8.29%	5.51%	Majority-owned subsidiary Changchai Machinery's lightweight engine and casting relocation project was transferred from construction in progress to fixed assets in the Reporting Period.
Construction in progress	30,281,547.56	0.58%	270,305,690.91	5.56%	-4.98%	Majority-owned subsidiary Changchai Machinery's lightweight engine and casting relocation project was transferred from construction in progress to fixed assets in the Reporting Period.
Short-term borrowings	115,437,700.65	2.21%	73,971,466.65	1.52%	0.69%	Certain bank acceptance notes with low credit levels were discounted in the Reporting Period, which were undue at the period-end.
Contract liabilities	32,843,692.83	0.63%	26,864,081.97	0.55%	0.08%	

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

Applicable Not applicable

2. Assets and Liabilities at Fair Value

Applicable Not applicable

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes charged to equity	Impairment allowance for the Reporting Period	Purchased in the Reporting Period	Sold in the Reporting Period	Other change	Ending amount
Financial assets								
1. Held-for-trading financial assets (derivative financial assets exclusive)	404,053,261.57	-42,836,741.19			969,060,767.00	960,173,684.81		370,103,602.57
4. Investment in other equity instruments	779,877,646.53		770,990,240.08					955,560,240.08
Subtotal of financial assets	1,183,930,908.10	-42,836,741.19	770,990,240.08		969,060,767.00	960,173,684.81		1,325,663,842.65
Other	150,398,226.39	187,411,361.54			75,000,000.00			412,809,587.93
Total of above	1,334,329,134.49	144,574,620.35	770,990,240.08		1,044,060,767.00	960,173,684.81		1,738,473,430.58
Financial liabilities	0.00							0.00

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

Yes No

3. Restricted Asset Rights as at the Period-End

Item	Ending carrying value	Reasons
Monetary assets	95,662,384.92	Security deposits associated with bank acceptance notes, environment, etc.
Buildings	1,530,890.90	Collateral for bank loan
Land use right	879,275.35	Collateral for bank loan
Plant and equipment	31,222,420.22	Collateral for bank loan
Payment obligations in relation to discounted notes that were undue	110,000,000.00	
Payment obligations in relation to transferred notes that were undue	66,395,231.83	
Total	305,690,203.22	

VII Investments Made

1. Total Investment Amount

Applicable Not applicable

Investments made in Reporting Period (RMB)	Investments made in same period of last year (RMB)	+/-%
108,520,800.00	160,000,000.00	-32.17%

2. Major Equity Investments Made in the Reporting Period

Applicable Not applicable

Unit: RMB

Investee	Main business	Investment method	Investment amount	Shareholding percentage	Capital resources	Partner	Investment term	Type of products	Progress as of the balance sheet date	Estimated income	Profits or losses of investment in the Reporting Period	Involving in lawsuits or not	Disclosure date (if any)	Disclosure index (if any)
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Zhe njian g Siya ng Dies el Engi ne Man ufact urin g Co., Ltd.	Man ufact urin g and mar ketin g of dies el engi ne sets for ship s	Acq uisiti on	33,5 20,8 00.0 0	41.5 0%	Self- fund ed	Non e	Lon g-ter m	Man ufact urin g and mar ketin g of dies el engi ne sets for ship s	Tran sacti on com plete d with the relev ant equit y inter ests trans ferre d	0.00	1,90 4,13 2.58	Not	29 Octo ber 2021	2021 -068
Jian gsu Hori zon New Ener gy Tech nolo gy Co., Ltd.	Lithi um diap hrag m	Capi tal incre ase	75,0 00,0 00.0 0	5.36 %	Self- fund ed	Non e	Lon g-ter m	Lithi um diap hrag m	Own ershi p chan ge regis tered with the indu strial and com merc ial admi nistr ation	0.00	186, 000, 000. 00	Not	27 Aug ust 2022	2022 -049
Tota l	--	--	108, 520, 800. 00	--	--	--	--	--	--	0.00	187, 904, 132. 58	--	--	--

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

Applicable Not applicable

4. Financial Investments

(1) Securities Investments

Applicable Not applicable

Unit: RMB

Varie ty of	Code of	Nam e of	Initia l	Acco untin g	Begi nning	Gain/ loss on	Accu mula ted	Purc hase d in	Sold in the	Gain/ loss in	Endi ng carry	Acco untin	Fund ing
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security	security	security	investment cost	measurement method	carrying amount	fair value changes in the Reporting Period	fair value changes recorded in equity	the Reporting Period	Reporting Period	the Reporting Period	ing amount	g title	source
Domestic/foreign stock	600166	Foton Motor	41,784,000.00	Fair value method	497,080,000.00	0.00	364,261,000.00	0.00	0.00	0.00	406,045,000.00	Investment in other equity instruments	Self-funded
Domestic/foreign stock	600919	Bank of Jiangsu	42,786,000.00	Fair value method	136,422,000.00	0.00	127,800,000.00	0.00	0.00	0.00	170,586,000.00	Investment in other equity instruments	Self-funded
Domestic/foreign stock	300912	Kailong High Technology	20,001,268.00	Fair value method	24,136,339.00	-10,543,928.00	0.00	0.00	0.00	-10,543,928.00	13,592,411.00	Held-for-trading financial assets	Self-funded
Domestic/foreign stock	688113	Liance Technology	7,200,000.00	Fair value method	87,840,000.00	-27,777,600.00	0.00	0.00	0.00	-27,777,600.00	60,062,400.00	Held-for-trading financial assets	Self-funded
Domestic/foreign stock	605368	Lantan Gas	160,744.76	Fair value method	289,000.00	-42,000.00	0.00	0.00	0.00	-42,000.00	247,000.00	Held-for-trading financial assets	Self-funded
Domestic/foreign stock	8328	Stars	3,600	Fair	9,675	-4,83	0.00	0.00	0.00	-4,83	4,83	Held	Self-

estic/ forei gn stock	85	Scien ce and Tech nolo gy	,000. 00	value meth od	,000. 00	7,500 .00				7,50 0.00	7,50 0.00	-for-t radin g finan cial asset s	fund ed
Total			115,5 32,01 2.76	--	755,4 42,33 9.00	-43,2 01,02 8.00	492, 061, 000. 00	0.00	0.00	-43,2 01,0 28.0 0	655, 370, 311.0 0	--	--

(2) Investments in Derivative Financial Instruments

Applicable Not applicable

No such cases in the Reporting Period.

5. Use of Raised Funds

Applicable Not applicable

(1) Overall Use of Raised Funds

Applicable Not applicable

Unit: RMB'0,000

Year for fund-ra ising	Method of fund-ra ising	Total raised funds	Total raised funds that have been used in the current period	Total raised funds that have been used accumu latively	Total raised funds with altered purpos es during the Reporti ng Period	Total accumu lative raised funds with altered purpos es	Proport ion of total accumu lative raised funds with altered purpos es	Total raised funds that have not been used yet	Use and own ers hip change of unused raised funds	Raised funds that have been left unused for over two years
2021	Non-pu blic offerin g	63,500. 00	8,944.4 5	34,682. 81	0.00	0.00	0.00%	28,817. 19	Special account for deposit ing raised funds	0.00
Total	--	63,500. 00	8,944.4 5	34,682. 81	0.00	0.00	0.00%	28,817. 19	--	0.00

Explanation of the overall use of raised funds

On 17 December 2020, the Company received the Reply Concerning the Approval of the Non-public Offering of Shares of Changchai Co., Ltd. (CSRC Permit [2020] No. 3374) from the China Securities Regulatory Commission, which approved the non-public offering of up to 168,412,297 shares of the Company. On June 11, 2021, the subscribers of this non-public offering have fully remitted the subscription funds to the bank account designated by the sponsor institution, and the total amount of funds raised was RMB634,999,996.40. After the capital verification by Gongzheng Tianye Accounting Firm (Special General Partnership), the Capital Verification Report of the Funds Raised by the Non-public Issuance of Changchai Co., Ltd. (S.G.W [2021] B061) was issued. With the issuance expenses deducted, the actual net funds raised were RMB620,665,733.97. On June 15, 2021, the aforementioned raised funds were remitted to the special account set up by the Company for raised funds from the non-public offering of shares. After the capital verification by Gongzheng Tianye Accounting Firm (Special General Partnership), the Capital Verification Report of the Funds Raised by the Non-public Issuance of Changchai Co., Ltd. (S.G.W [2021] B062) was issued. The raised funds have all been deposited in the special account for the raised funds and a tripartite supervision agreement has been signed with the sponsor institution and the account opening bank for the funds raised. There is no material difference between the tripartite supervision agreement and the model tripartite supervision agreement of Shenzhen Stock Exchange, and the Company strictly complies with it when using the raised funds. As of 31 December 2022, RMB346.8281 million of raised funds has been used cumulatively, with the unused raised funds being RMB288.1719 million.

(2) Committed Projects of Raised Funds

√ Applicable □ Not applicable

Unit: RMB'0,000

Committed investment projects and investment of excessive raised funds	Whether projects have been altered (including partial alternation)	Total committed investment with raised funds	Adjusted total investment amount (1)	The investment amount during the Reporting Period	Accumulative investment amount as of the end of the Reporting Period (2)	Investment progress as of the end of the Reporting Period (3) = (2)/(1)	Date when the projects are ready for their intended use	Benefits recorded during the Reporting Period	Whether the estimated benefits are reached	Whether there are material changes in the project feasibility
Committed investment projects										
Relocation project of light engines and casting	No	54,766.71	54,766.71	8,311.17	32,418.32	59.19%	31 May 2022	-1,639.88	No	No
Innovation capacity building project of the technical center	No	8,733.29	7,299.86	633.28	759.21	10.40%	31 December 2023	Not applicable	Not applicable	No
Subtotal of	--	63,500	62,066	8,944.45	33,177	--	--	-1,639.88	--	--

committed investment projects		0.00	6.57	45	7.53					
Investment of excessive raised funds										
Not applicable										
Total	--	63,500.00	62,066.57	8,944.45	33,177.53	--	--	-1,639.88	--	--
Cases and reasons for failing to reach the planned progress or predicted return (by specific projects)	<p>The reasons for the failure to realize the benefits of the relocation project of light engines and casting during the Reporting Period: The project met the hoped condition for use in May 2022. However, due to market factors, the production line failed to achieve the expected production volume. The sales revenue of the products was inadequate to cover the costs of the depreciation of new fixed assets and administrative expenses. As a result, the project failed to achieve the anticipated benefit as of 31 December 2022.</p> <p>The reasons for the slow payment progress of the relocation project of light engines and casting: As of 31 December 2022, the project did not complete the final account audit and final acceptance inspection of equipment, compromising the payment progress. As of 31 March 2023, the payment amount reached RMB476.1310 million, accounting for 86.94% of the total amount. The unpaid funds mainly refer to the supporting working capital and the balance of the remaining unaccepted equipment.</p> <p>The reasons for the slow payment progress of the innovation capacity construction of the technology centre: As of 31 December 2022, half of the construction period of the innovation capacity construction of the technology centre was passed and some R&D objectives were achieved. However, the payment progress of the project was slow for the following specific reasons: 1. From the beginning of the project initiation, the Company adhered to the principles of saving capital and increasing the asset utilisation rate. It utilised existing equipment to complete some of the R&D processes, saving some expenses of equipment. 2. The balance of some signed contracts was not paid. 2. The balance of some signed contracts was not paid.</p>									
Explanations of the material changes in the project feasibility	Not applicable									
Amount, use, and use progress of excessive raised funds	Not applicable									
Implementation of location changes in the investment projects with the raised funds	Applicable									
	Occurred during the Reporting Period									
	The Proposal on Adding Implementation Location to the Private Placement Raised Funds Investment Project of Innovation Capacity Building of the Technical Centre was approved at the 13th Meeting of the 9th Board of Directors and the 12th Meeting of the 9th Supervisory Committee of the Company on 22 August 2022. The Company decided to add the sites of certain branches of the Company as the parent and wholly-owned subsidiary Changchai Machinery as locations to place the R&D equipment and									

	implement the R&D project. This change will not re-purpose the raised funds and will help carry forward the technical innovation project.
Implementation of method adjustments to the investment projects with the raised funds	Not applicable
Early investment and placement concerning the investment projects with the raised funds	<p>Applicable</p> <p>Prior to the availability of the raised funds, in order to ensure the smooth implementation of the investment projects with raised funds, the Company used its own funds to invest in part of the investment projects with raised funds and paid part of the issuance expenses. As of 17 June 2021, the cumulative amount of the Company's self-financing funds pre-invested in the investment projects with raised funds was RMB181,803,327.94, the amount of issuance expenses advanced was RMB2,358,490.56, totaling RMB184,161,818.50, and the proposed replacement amount was RMB184,161,818.50. The capitals were verified by the Gongzheng Tianye Accounting Firm (Special General Partnership), and the Verification Report on the Pre-investment of Self-financing Funds into the Investment Project with Raised Funds and the Payment of Issuance Expenses by Self-financing Funds of Changchai Co., Ltd. (S.G.W [2021] E1347) was issued on 25 June 2021. On 28 June 2021, the Third Interim Meeting of the Board of Directors of the Company in 2021 deliberated and approved the Proposal on Replacing the Funds Pre-invested in the Project and Advanced Issuance Expenses with the Raised Funds, agreeing to use the raised funds from the non-public offering of shares to replace the self-financing funds totaling RMB184,161,818.50 that had been pre-invested in the project prior to the availability of the raised funds. In addition, Xingye Securities Co., Ltd. and Donghai Securities Co., Ltd. issued a verification opinion on the use of raised funds to replace self-financing funds that had been invested in advance in the projects with raised funds. For details, see the Announcement on the Use of Raised Funds to Replace Pre-invested Project Funds and Advanced Issue Expenses (Announcement No. 2021-036) published on Cninfo (http://www.cninfo.com.cn) on 30 June 2021.</p>
Temporary replenishment of working capital with the idle raised funds	Not applicable
Surplus raised funds for project implementation and reasons for the surplus	Not applicable
Use and ownership change of unused raised	Some are deposited in the special account for raised funds and some temporarily idle raised funds are used to purchase wealth management products

funds	
Problems in the use of raised funds and disclosure, or other cases	<p>On 13 July 2021, the Fourth Interim Meeting of the Board of Directors of the Company in 2021 deliberated and approved the Proposal on Changing the Implementation Entity of Some Investment Projects with Raised Funds, agreeing to change the implementation entity of the Company's investment projects with funds raised through non-public offering of shares, the "relocation project of light engines and casting", from Changchai Machinery, a wholly-owned subsidiary of the Company, to the parent company of Changchai Co., Ltd. The matter did not change the use and implementation of the funds raised and was not a significant change in the investment projects with raised funds.</p> <p>The Proposal on Adding Implementation Entity to the Private Placement Raised Funds Investment Project of Relocation of Light Engines and Casting was approved at the 13th Meeting of the 9th Board of Directors and the 12th Meeting of the 9th Supervisory Committee of the Company on 22 August 2022. As such, the Company has added Changchai Machinery as another operating entity with the Company as the parent to joint operate the relocation project for better operational flexibility and stronger market competitiveness.</p>

(3) Altered Projects of Raised Funds

Applicable Not applicable

VIII Sale of Major Assets and Equity Interests

1. Sale of Major Assets

Applicable Not applicable

No such cases in the Reporting Period.

2. Sale of Major Equity Interests

Applicable Not applicable

IX Major Subsidiaries

Applicable Not applicable

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

Unit: RMB

Name	Relationship with the Company	Principal activity	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Changcha	Subsidiar	Productio	55,063,000.00	155,037,7	80,050,38	190,631,8	-9,633,75	-8,323,25

i Benniu	y	n of diesel engine accessories		13.45	1.90	59.08	8.49	6.01
Changchai Wanzhou	Subsidiary	Diesel engine assembly	85,000,000.00	70,361,727.25	49,264,108.12	34,281,252.72	-658,955.59	-652,107.80
Horizon Investment	Subsidiary	External investment and consulting	40,000,000.00	94,446,635.52	80,931,101.39	0.00	-40,971,243.24	-30,437,809.17
Horizon Agricultural Equipment	Subsidiary	agricultural machinery product of rice transplanter etc.	10,000,000.00	9,071,468.38	-15,054,466.60	3,513,853.60	-4,209,358.80	-4,209,358.80
Changchai Robin	Subsidiary	Gasoline engines assembly	37,250,000.00	107,556,955.89	86,383,808.82	148,144,749.68	12,403,784.38	11,452,347.12
Changchai Machinery	Subsidiary	Internal combustion engine and related accessories	300,000,000.00	577,467,039.02	277,452,220.47	27,200,812.94	-23,984,344.72	-18,691,434.92
Xingsheng Real Estate Management	Subsidiary	Real estate management service	1,000,000.00	2,614,116.80	559,218.04	4,640,127.66	197,076.51	141,777.64
Zhenjiang Siyang	Subsidiary	Manufacturing and marketing of diesel engines for ships	2,000,000.00	108,595,310.06	88,360,053.89	35,440,983.37	4,616,942.04	4,885,811.05

Subsidiaries obtained or disposed of in the Reporting Period:

√ Applicable □ Not applicable

Company name	How the subsidiary was obtained or disposed of in the Reporting Period	Impact on the Company's operations and operating results
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Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.	The Company won the bid of RMB33.5208 million of own funds for the 41.5% equity interests in Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd., which was put out for sale by Jiangsu Keda Assets Marketing Co., Ltd.	This transaction will help the Company expand its product chain, complete its business portfolio and promote long-term development.
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Other information about principal subsidiaries and joint stock companies: N/A

X Structured Bodies Controlled by the Company

Applicable Not applicable

XI Prospects

1. Development strategy of the Company

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

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

(1) Accelerating technological upgrading and area expansion for traditional products

First, the Company will continue to promote the mass production of the full range of models that meet the National Emission Standard IV for Non-road Vehicles. It will further optimize the products that meet the National Emission Standard IV for Non-road Vehicles and develop its capability of production, manufacturing, and after-sales service to ensure that the products' power performance, economic efficiency, and reliability can meet market demands.

Second, traditional products will be developed in the direction of intelligent and networked high-end products. Based on the electronic, networked and intelligent characteristics of the development of agricultural machinery products, the Company will promote the application of advanced technologies such as the Internet, big data, artificial intelligence and new materials to product development, further improve the diesel engines' functions of intelligent control, real-time monitoring and big data collection and analysis, accelerate the R&D of intelligent terminals and hybrid power, promote the products to develop towards the high end, strengthen the existing advantageous products, and raise the added value of products to better meet user demands.

Third, traditional products will be developed in the terminal direction. The diesel engine is an intermediate product and a core product to develop in the terminal direction. At present, the Company's main products are small and medium-power diesel engines and general gasoline engines, the market of supporting facilities is mainly distributed in agricultural machinery, plant protection machinery, construction machinery, shipborne machinery, and other non-road areas. The Company is now focusing on terminal fields such as generating sets, outboard engines, cold chains, fishing boats, and iron towers, with a broad prospect. Currently, the Company has successfully acquired 41.5% of the equity of Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd., ("Zhenjiang Siyang") becoming the largest shareholder and gaining control. Zhenjiang Siyang mainly engages in the diesel engine units of lifeboats and rescue boats, which is a top 1 brand of the main engine of lifeboats in the

world. Meanwhile, the outboard engine project has made phased progress, with the small-power outboard engines gradually completing market verification. In addition, a domestic and overseas market sales system has been built, which is conducive to expanding the product chain and improving the business structure. The Company will make full use of the capital platform of the listed company to cut in at the right time through joint venture cooperation, mergers and acquisitions, restructuring, etc., to accelerate the extension of the industrial chain and build new competitive advantages.

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

The irreversible development of new energy has impacted internal combustion engine products, but the opportunity exists for a long time. While tapping the advantages of traditional industries, internal combustion engines should develop with the development of new energy as well. At present, the Company has invested in Jiangsu Horizon New Energy Technology Co., Ltd. through equity participation, mainly engaging in the products of the project of wet-process separator film for lithium batteries, with a good development momentum. In the future, the Company will seize the development opportunities of the “carbon peaking and carbon neutrality” strategy raised by the state, continue to increase its efforts to explore new energy areas such as lithium battery and hydrogen fuel, promote cooperation and penetration of related green industry, and drive it to expand to new fields.

2. Operation plan for the Year 2023:

The Company will consolidate the traditional market of agricultural machinery, explore the emerging area of power, raise quality to create fine products with core technologies, highlight efficiency by integrating resources, stimulate vitality by deepening reform, and leverage capital to promote development. In 2023, sales revenue is expected to be RMB2.2 billion, with revenue of USD52 million through export.

The above operation plan does not represent the profit forecast of Y2023 by the listed company, and whether can be realized depends on various factors on the changes of market conditions and the effort level of the management team. There is a lot of uncertainty, and investors should pay special attention on it.

3. Possible future risks and countermeasures of the Company

(1) Market risk:

The total volume of the market will drop due to factors such as subsidy policy change, tight supply chain, upgrading of the National Emission Standard IV for Non-road Vehicles, and intensified existing competition. In recent years, the agricultural machinery industry has still been in a period of deep adjustment. The diesel engine market faces limited total demand, the delivery capacity and environment of products need to be improved, and the lower user revenue compromises the increase in the demand side.

Countermeasures: First, the Company solidifies the traditional supporting fields, further expands the Company’s advantages in the field of agricultural machinery, and continues to promote the mass production of the full range of models that meet the National Emission Standard IV for Non-road Vehicles to ensure the continuous supply level of supply chains and meet market demands. Second, the Company expands applications in shipborne generator sets, high-speed rice transplanters, cold chain vehicles, excavators and other small construction machinery, conducts in-depth research and development in new areas and development and supporting of key products. Third, the Company creates the “internal combustion engine+” mode, actively promotes the application of advanced technologies such as the Internet, big data, artificial intelligence and new materials to product development, further improves the diesel engines’ functions of intelligent control, real-time monitoring and big data collection and analysis, accelerates the R&D of intelligent terminals and hybrid power, promotes the products to develop towards the high end, and builds new competitive edges.

(2) Industrial risk

In recent years, the state advocates energy conservation and emission reduction. New energy power represented by pure electric, hybrid power and hydrogen fuel power has grabbed the market share of diesel engine to a certain

extent. At present, new energy power is mainly used in vehicles. Its use in agricultural machinery is still facing problems such as high cost and complex operating environment. However, as breakthroughs have been made in new energy battery technology, the local application scenario of diesel engine may be replaced by new energy power.

Countermeasures: The Company strengthens exploration in the new energy sector, and actively promotes project construction and development. Meanwhile, the Company makes proper efforts in product R&D, develops efficient and eco-friendly products, and expands new development directions and application areas.

(3) Foreign trade risk

In the context of the complex and changeable global economic environment and the turmoil in the breadbasket of Europe caused by the Russia-Ukraine conflict, the prices of imported agricultural products, fertilizer, feed, oil, and gas increase, which directly compromise the planting costs and purchasing power of farmers. The unstable factors have brought about certain impacts on product export.

Countermeasures: The Company will actively deal with the foreign trade market changes, strengthen the maintenance and management of overseas key markets and customers, intensify efforts in the development of emerging markets and new users, and endeavor to improve the sales of high-value-added products.

(4) Foreign exchange risk

Some of the Company's exports are settled in USD. In the future, due to the significant exchange rate fluctuation of RMB against USD, the Company may face the risk of adverse impact on product sales due to exchange rate fluctuation.

Countermeasures: First, the Company will enhance risk control to ensure its capital security, constantly pay attention to the depreciation of currencies and shortage of USD in the market, and lower risk by changing payment methods change and insuring export credit insurance. Second, the Company will promptly adjust product prices and payment terms to cope with fluctuations in exchange rates and material prices.

(5) Talent risk:

The Company needs high-level talents, highly skilled talents and lacks talents to help the Company improve its operational efficiency and strengthen technological innovation to cope with the increasingly fierce market competition and industry development trend. Therefore, the demand for professional talents and senior management talents has increased significantly.

Countermeasures: First, the Company has stepped up efforts to cultivate and appoint young leaders and recruited more professional talents. Second, the Company has promoted the reform program of appraisal and motivation, recruited advanced talents through multiple approaches, and constantly enhanced the development of skill experts, technical and management personnel, and workers and technicians so as to raise the contribution rate of human resources in all respects.

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

√ Applicable □ Not applicable

Date of visit	Place of visit	Way of visit	Type of visitor	Visitor	Contents and materials provided	Index to main inquiry information
4 January 2022	http://irm.cn info.com.cn	Other	Individual	Individual investor	Product usage of Horizon New Energy Technology	http://irm.cn info.com.cn

					Co., Ltd.	
6 January 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Development, products, and financing of Horizon New Energy Technology Co., Ltd.	http://irm.cninfo.com.cn
12 January 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Product status and development suggestions of Horizon New Energy Technology Co., Ltd.	http://irm.cninfo.com.cn
18 January 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Company's production and operation status and product suggestions	http://irm.cninfo.com.cn
20 January 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Impact of the results of Horizon New Energy on the Company	http://irm.cninfo.com.cn
27 January 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The intention of the Company to repurchase shares	http://irm.cninfo.com.cn
31 January 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The Company's product R&D, market advantages, and situation of the outboard engine product	http://irm.cninfo.com.cn
8 February 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The Company's product R&D, application, and market advantages	http://irm.cninfo.com.cn
9 February 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Product production and sales of Horizon New Energy Technology Co., Ltd., the progress of the Company's relocation project, and product application	http://irm.cninfo.com.cn
10 February 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Product capacity release of Phase II Shanxi Base Project of Horizon New Energy	http://irm.cninfo.com.cn
13 February 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Impact of the development direction of Horizon New Energy Technology Co., Ltd. and progress of the Company's relocation project on the Company	http://irm.cninfo.com.cn
22 February 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The Company's monthly production capacity	http://irm.cninfo.com.cn
28 February 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The monthly production capacity of Horizon New Energy Co., Ltd.	http://irm.cninfo.com.cn
3 March 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The Company's overseas customers	http://irm.cninfo.com.cn
18 March 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Product application of	http://irm.cninfo.com.cn

	info.com.cn	r	idual	investor	Horizon New Energy Technology Co., Ltd.	nfo.com.cn
21 March 2022	http://irm.cninfo.com.cn	Othe r	Indiv idual	Individual investor	The Company's share repurchase intention, production, and sales, and the results of Horizon New Energy Technology Co., Ltd.	http://irm.cninfo.com.cn
30 March 2022	http://irm.cninfo.com.cn	Othe r	Indiv idual	Individual investor	The Company's product expansion and R&D, the customer profile and production capacity in 2021 of Horizon New Energy Technology Co., Ltd.	http://irm.cninfo.com.cn
14 April 2022	http://irm.cninfo.com.cn	Othe r	Indiv idual	Individual investor	The monthly production capacity of the separator film of Horizon New Energy	http://irm.cninfo.com.cn
21 April 2022	Online meeting	Othe r	Othe r	Investors and the public	The Company's production and operating activities, and investments	Information on 000570 Changchai's Results Presentation and Roadshow on www.cninfo.com.cn dated 21 April 2022
28 April 2022	http://irm.cninfo.com.cn	Othe r	Indiv idual	Individual investor	The Company's assets, and intention to sell the held Liance Technology shares	http://irm.cninfo.com.cn
6 May 2022	http://irm.cninfo.com.cn	Othe r	Indiv idual	Individual investor	The shipments in Q1 of Horizon New Energy Technology Co., Ltd.	http://irm.cninfo.com.cn
11 May 2022	http://irm.cninfo.com.cn	Othe r	Indiv idual	Individual investor	The impact of the "Belt and Road" on the Company	http://irm.cninfo.com.cn
16 May 2022	http://irm.cninfo.com.cn	Othe r	Indiv idual	Individual investor	The Company's sales in Q1 and customers	http://irm.cninfo.com.cn
13 June 2022	http://irm.cninfo.com.cn	Othe r	Indiv idual	Individual investor	Supply and customers of Horizon New Energy Technology Co., Ltd.	http://irm.cninfo.com.cn
14 June 2022	http://irm.cninfo.com.cn	Othe r	Indiv idual	Individual investor	Company's shareholding in Horizon New Energy Technology Co., Ltd.	http://irm.cninfo.com.cn
15 June 2022	http://irm.cninfo.com.cn	Othe r	Indiv idual	Individual investor	The Company's relocation project, the use of the funds raised, product R&D progress, the Company's	http://irm.cninfo.com.cn

					development direction and progress, assistance of controlling shareholders to the Company, and operation and customers of Horizon New Energy Technology Co., Ltd.	
17 June 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Product application fields of the subsidiary, Zhenjiang Siyang	http://irm.cninfo.com.cn
20 June 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Purchase and storage	http://irm.cninfo.com.cn
23 June 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The Company's application fields of diesel engine products	http://irm.cninfo.com.cn
27 June 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The development intentions of the Company's subsidiaries	http://irm.cninfo.com.cn
19 July 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The shipments in Q2 of Horizon New Energy Technology Co., Ltd.	http://irm.cninfo.com.cn
21 July 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The development intentions of the Company	http://irm.cninfo.com.cn
23 July 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The shipments of Horizon New Energy Technology Co., Ltd.	http://irm.cninfo.com.cn
24 July 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The shipments of Horizon New Energy Technology Co., Ltd.	http://irm.cninfo.com.cn
25 July 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The companies invested by the Company	http://irm.cninfo.com.cn
26 July 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Product applicability of Horizon New Energy Technology Co., Ltd.	http://irm.cninfo.com.cn
27 July 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Product applicability of Horizon New Energy Technology Co., Ltd. and the situation of its subsidiary, Horizon New Material	http://irm.cninfo.com.cn
1 August 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Number of shareholders	http://irm.cninfo.com.cn
2 August 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Suggestions on the Company's development	http://irm.cninfo.com.cn
2 August 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Suggestions on the Company's development	http://irm.cninfo.com.cn
3 August 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Equity situation of Changzhou Synergetic Innovation Private	http://irm.cninfo.com.cn

					Equity Fund invested by the Company	
5 August 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The Company's business	http://irm.cninfo.com.cn
8 August 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The product capacity of Horizon New Material, a subsidiary of Horizon New Energy Technology Co., Ltd.	http://irm.cninfo.com.cn
11 August 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The Company's products	http://irm.cninfo.com.cn
17 August 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The Company's products and business	http://irm.cninfo.com.cn
18 August 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The Company's products and business	http://irm.cninfo.com.cn
19 August 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The application of the Company's products in shipborne machinery	http://irm.cninfo.com.cn
22 August 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The Company development suggestions and progress in relocation, purchase and storage	http://irm.cninfo.com.cn
25 August 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Impact of the results of Horizon New Energy and subsidies of agricultural machinery on the Company's sales	http://irm.cninfo.com.cn
26 August 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The Company's development	http://irm.cninfo.com.cn
31 August 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Impact of the Company's investment in Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership) of the Company	http://irm.cninfo.com.cn
1 September 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The Company's capital increase in Horizon New Energy Technology Co., Ltd.	http://irm.cninfo.com.cn
13 September 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The Company's product export	http://irm.cninfo.com.cn
30 September 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The supporting fields of the Company's products	http://irm.cninfo.com.cn
12 October 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The Company's progress in purchase and storage, investment, shareholding intentions of employees, and production capacity after the relocation	http://irm.cninfo.com.cn

20 October 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Customers of Horizon New Material, a subsidiary of Horizon New Energy Technology Co., Ltd.	http://irm.cninfo.com.cn
25 October 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Customers of Horizon New Material, a subsidiary of Horizon New Energy Technology Co., Ltd.	http://irm.cninfo.com.cn
8 November 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Relocation expenses	http://irm.cninfo.com.cn
16 November 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Impact of the National Emission Standard IV for Non-road Vehicles on the Company's products and sales, and the Company's product certification and featured service monitoring platforms	http://irm.cninfo.com.cn
17 November 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The Company's production, sales, and market of diesel engines that meet the National Emission Standard IV for Non-road Vehicles	http://irm.cninfo.com.cn
24 November 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The intention of going public, product applicability, and product orders of Horizon New Energy Technology Co., Ltd.	http://irm.cninfo.com.cn
27 November 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Customer cooperation of Horizon New Energy Technology Co., Ltd.	http://irm.cninfo.com.cn
30 November 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The Company's product application and sales, purchase and storage, prototyping testing of the cold chain hybrid power product, and extension of Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership)	http://irm.cninfo.com.cn
5 December 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Supporting fields of generating sets	http://irm.cninfo.com.cn
21 December 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	The Company's development suggestions, and the production line and product capacity of Horizon New Energy Technology Co., Ltd.	http://irm.cninfo.com.cn

23 December 2022	http://irm.cninfo.com.cn	Other	Individual	Individual investor	Production capacity of Horizon New Energy Technology Co., Ltd.	http://irm.cninfo.com.cn
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Part IV Corporate Governance

I General Information of Corporate Governance

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

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

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

Yes No

No such cases in the Reporting Period.

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

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

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

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

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

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

5. Business: The Company has an independent and complete business system with independent and autonomous

production and operational capability. The Company conducts related transactions reasonably on the principle of independence.

III Horizontal Competition

Applicable Not applicable

IV Annual and Special General Meetings Convened during the Reporting Period

1. General Meeting Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Date of the meeting	Disclosure date	Resolution
The 2021 Annual General Meeting	Annual General Meeting	32.33%	6 May 2022	7 May 2022	All proposals were approved. See Announcement No. 2022-027 on Resolutions of the 2021 Annual General Meeting.

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

Applicable Not applicable

V Directors, Supervisors and Senior Management

1. General Information

Name	Office title	Incumbent /Former	Gender	Age	Start of tenure	End of tenure	Ending shareholding (share)
Shi Xinkun	Chairman of the Board	Incumbent	Male	59	18 October 2016	Ongoing	0
Zhang Xin	Director, General Manager	Incumbent	Male	57	18 October 2016	Ongoing	0
Lin Tian	Director	Incumbent	Male	60	17 December 2018	Ongoing	0
Xu Yi	Director, Vice-general	Incumbent	Male	59	16 April 2020	Ongoing	0

	Manager						
Jiang He	Director, Chief Accountant	Incumbent	Male	51	16 April 2020	Ongoing	0
Yang Feng	Director	Incumbent	Male	51	16 April 2020	Ongoing	0
Wang Mancang	Independent director	Incumbent	Male	60	16 April 2020	Ongoing	0
Xing Min	Independent director	Incumbent	Male	69	16 April 2020	Ongoing	0
Zhang Yan	Independent director	Incumbent	Female	53	16 April 2020	Ongoing	0
Yin Lihou	Vice-general Manager	Incumbent	Male	59	18 October 2016	Ongoing	0
Xie Guozhong	Vice-general Manager	Incumbent	Male	54	16 April 2020	Ongoing	0
Sun Jianzhong	Vice-general Manager	Incumbent	Male	51	16 April 2020	Ongoing	0
He Jianjiang	Vice-general Manager and Secretary of the Board	Incumbent	Male	44	18 October 2016	Ongoing	0
He Jianguang	Chairman of the Supervisory Committee	Incumbent	Male	59	17 December 2020	Ongoing	0
Lu Zhongguo	Supervisor	Incumbent	Male	56	18 October 2016	Ongoing	0
Liu Yi	Supervisor	Incumbent	Male	54	18 October 2016	Ongoing	0
Chen Lijia	Supervisor	Incumbent	Female	40	16 April 2020	Ongoing	0

Ge Jiangli	Supervisor	Incumbent	Female	53	16 April 2020	Ongoing	0
Total	--	--	--	--	--	--	0

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

Yes No

Change of directors, supervisors and senior management:

Applicable Not applicable

2. Biographical Information

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

Shi Xinkun: Now he acts as the Chairman of the Board and Party Secretary in the Company, the Chairman of the Board in Jiangsu Horizon New Energy Technology Co., Ltd., the Chairman of the Board in Shanxi Horizon New Material Technology Co., Ltd., and an Investment and Development Advisor for Changzhou Investment Group Co., Ltd.

Zhang Xin: He successively took the posts of Sales Manager, General Manager Assistant, and vice-general manager in our company. Now, he acts as Director, General Manager, deputy Party Secretary of the Company and executive director of Jiangsu Changchai Machinery Co., Ltd.

Lin Tian: He successively worked as deputy director of enterprise development Dept., GM of investment management Dept. II and I, assistant president and vice president in Changzhou Investment Group Co., Ltd. Now he is an Investment and Development Advisor for Changzhou Investment Group Co., Ltd., and the director of the Company.

Xu Yi: successively served as the director and assistant to the GM of the Company's technology center, and currently serves as the director and deputy GM of the Company, in addition to being a director of Horizon Investment.

Jiang He: successively served as the accountant, assistant to the minister, and vice minister of the financial department of the Company. He is currently a director, chief accountant and minister of the financial department of the Company.

Yang Feng: successively served as the business manager of the Shanghai Investment Banking Department of China Economic Development Trust and Investment Co., Ltd., business director of the investment banking department of Orient Securities Co., Ltd., GM of and assistant chairman of AJ Securities' investment banking department, operation management headquarters, worked in the development finance department and investment banking department, and served as the EGM in the equipment group, investment recommendation group, NEEQ business department and comprehensive group of CITIC Securities Co., Ltd. Currently serving as an executive director of De Xin Investment Manage Co., Limited, and the director of the Company.

Wang Mancang: successively served as a teacher and lecturer in the Department of Management, as well as a financial lecturer and professor in the Department of Finance of the School of Economics and Management of Northwest University, and currently serves as the director of the Department of Finance of the School of Economics and Management of Northwest University, counselor of Xi'an municipal government, chairman of

Shaanxi Securities Research Society, as well as an independent director of Focuslight Technologies Inc., Ccoop Group Co., Ltd., Shaanxi Construction Machinery Co., Ltd, Xi'an Wonder Energy Chemical Co., Ltd., and the Company.

Xing Min: successively served as secretary of the Party Committee and administrative assistant general manager (AGM) of China National Heavy Machinery Corporation; secretary of the Party Committee and GM of China National Machine Tool Sales and Technical Service Corporation (CNMTC); currently Executive Vice Chairman and Secretary-General of China Internal Combustion Engine Industry Association (CICEIA), Independent Director of Zhejiang Zhongjian Technology Co., Ltd., Independent Director of Jiangsu Yunyi Electric Co., Ltd., Independent Director of Weifu High-Technology Group Co., Ltd., Independent Director of Zhejiang Xinchai Co., Ltd., director of ActBlue Co., Ltd., and Independent Director of the Company.

Zhang Yan: successively served as chief accountant of Changzhou Zhengda Certified Public Accountants Co., Ltd., executive deputy chief accountant of Jiangsu Gongzheng Certified Public Accountants Co., Ltd., currently associate professor of Business School of Jiangsu University of Technology, independent non-executive director of S-Enjoy Service Group Co., Limited, director of Changzhou Communications Industry Group Co., Ltd., as well as independent director of Wuxi SAHAT Electric Technology Co., Ltd., Jiangsu Tianmu Lake Tourism Co., Ltd., and the Company.

Yin Lihou: He worked as Minister of Human Resources Department and General Manager Assistant. Now he acts as Deputy General Manager of the Company, and the Chairman of the Board of Changchai Robin.

Xie Guozhong: He used to be General Manager Assistant, Secretary of Party General Branch and Supervisor of the Company. He is now Deputy GM of the Company, GM of the Sales Company, Chairman of the Board of Changchai Wanzhou, and Supervisor of Beiqi Foton Motor Co., Ltd.

Sun Jianzhong: successively served as the director of the technical center and assistant to the general manager of the Company. He is currently the deputy general manager of the Company, the general manager of Changchai Machinery, and the chairman of the board of Changchai Benniu.

He Jianjiang: He used to be the Staff Member, Assistant to the Chief, and Deputy Chief of the Investment and Development Department, and Securities Representative of the Company. Now he is Deputy General Manager, Secretary of the Board, and Chief of the Investment and Development Department of the Company, as well as Chairman of the Board & GM of Horizon Investment, Director of Horizon Agricultural Equipment and Changchai Wanzhou, Chairman of the Board of Zhenjiang Siyang, and Supervisor of Donghai Securities Co., Ltd.

He Jianguang: successively served as deputy chief of Design Section of Changzhou Diesel Engine Factory, engineer of Product Development Department, deputy director of the Company's Joint Venture Office, deputy director of Technology Center, chief engineer, director, general manager, vice chairman of Changzhou Diesel Engine Factory, a member of the Party committee, secretary of the Discipline Inspection Commission and supervisor of Changzhou Investment Group Co., Ltd., currently an investment and development advisor of Changzhou Investment Group Co., Ltd., and chairman of the Supervisory Committee of the Company.

Chen Lijia: Formerly vice president and general manager of risk control legal department of Changzhou Investment Group Co., Ltd.; and currently deputy general manager of Changzhou Metro Group Co., Ltd., and supervisor of the Company.

Ge Jiangli: Formerly head of Human Resources Department of the Company, and currently supervisor of the Company.

Lu Zhonggui: Now he acts as Minister of political Department of the Company, Office Director, Secretary of Organ Party General Branch as well as employee supervisor of the Company and Director of Xingsheng Real Estate Management.

Liu Yi: He successively took the posts of Assistant Minister of Enterprise Management Department. Now he acts as Director of Audit Department and Employee Supervisor of the Company, Director of the Company, Supervisor of Changchai Wanzhou, Changchai Benniu, Horizon Investment, Horizon Agricultural Equipment, Changchai Robin, Changchai Machinery, Xingsheng Real Estate Management and Jiangsu Horizon New Energy Technology Co., Ltd.

Offices held concurrently in shareholding entities:

Applicable Not applicable

Name	Shareholding entity	Office held in the shareholding entity	Start of tenure	End of tenure	Remuneration or allowance from the shareholding entity
Lin Tian	Changzhou Investment Group Co., Ltd.	Investment and Development Advisor	October 2021		Yes
Shi Xinkun	Changzhou Investment Group Co., Ltd.	Investment and Development Advisor	December 2022		No
He Jianguang	Changzhou Investment Group Co., Ltd.	Investment and Development Advisor	December 2022		Yes
Notes	N/A				

Offices held concurrently in other entities:

Applicable Not applicable

Name	Other entity	Office held in the entity	Start of tenure	End of tenure	Remuneration or allowance from the entity
Shi Xinkun	Jiangsu Horizon New Energy Technology Co., Ltd.	Chairman of the Board	19 November 2021		No
	Shanxi Horizon New Material Technology Co., Ltd.	Chairman of the Board	7 February 2021		No
He Jianjiang	Donghai Securities Co., Ltd.	Supervisor	18 January 2023		No
Xie Guozhong	Beiqi Foton Motor Co., Ltd.	Supervisor	15 November 2022		Yes

Yang Feng	De Xin Investment Manage Co., Limited	Executive Director	1 June 2022		No
Wang Mancang	Finance Department of School of Economics & Management Northwest University	Teacher	1 October 1996		Yes
	Xi'an Government	Consultant	1 October 2015		
	Shaanxi Securities Research Society	Chairman	1 October 2017		
	Xi'an Focuslight Technology Co., Ltd.	Independent Director	2 May 2019		
	Ccoop Group Co., Ltd.	Independent Director	1 September 2020		
	Shaanxi Construction Machinery Co., Ltd.	Independent Director	16 November 2018		
	Xi'an Wonder Energy Chemical Co., Ltd.	Independent Director	1 June 2020		
Xing Min	China Internal Combustion Engine Industry Association	Standing Chairman and Secretary-general	1 December 2021		Yes
	Zhongjian Technology Co.,Ltd	Independent Director	20 June 2017		
	Jiangsu Yunyi Electronic Co.,Ltd.	Independent Director	15 July 2019	May 2022	
	Weifu High-Technology Group Co., Ltd.	Independent Director	20 May 2021		
	Zhejiang Xinchai Co., Ltd.	Independent Director	6 December 2019	September 2022	
	ActBlue Co., Ltd.	Director	22 November 2021		
Zhang Yan	Jiangsu University of Technology	Associate professor	1 August 2008		Yes
	Changzhou Communications Industry Group Co., Ltd.	Director	1 May 2022		
	Wuxi SAHAT Electric Technology Co., Ltd.	Independent Director	2 November 2020		
	Jiangsu Tianmu Lake Tourism Co., Ltd.	Independent Director	8 February 2021		
	S-Enjoy Service Group Co., Limited	Independent non-executive director	20 October 2018		
Notes	None				

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

□ Applicable √ Not applicable

3. Remuneration of Directors, Supervisors and Senior Management

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

In 2022, the monthly salaries of directors, supervisors and senior executives in the Company were in line with the stipulations of relevant salary management and grade standards, and the benefits of the Company and assessment results. Director Lin Tian and Supervisors He Jianguang obtained salaries in shareholders' entities.

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

Unit: RMB'0,000

Name	Office title	Gender	Age	Incumbent/Former	Total before-tax remuneration from the Company	Any remuneration from related party
Shi Xinkun	Chairman of the Board	Male	59	Incumbent	85.49	No
Zhang Xin	Director, General Manager	Male	57	Incumbent	85.49	No
Lin Tian	Director	Male	60	Incumbent	0.00	Yes
Xu Yi	Director, Vice-general Manager	Male	59	Incumbent	74.51	No
Jiang He	Director, Chief Accountant	Male	51	Incumbent	73.99	No
Yang Feng	Director	Male	51	Incumbent	0.00	No
Wang Mancang	Independent director	Male	60	Incumbent	10.00	No
Xing Min	Independent director	Male	69	Incumbent	10.00	No
Zhang Yan	Independent director	Female	53	Incumbent	10.00	No
Yin Lihou	Vice-general Manager	Male	59	Incumbent	73.99	No
Xie Guozhong	Vice-general Manager	Male	54	Incumbent	74.51	No
Sun Jianzhong	Vice-general Manager	Male	51	Incumbent	74.51	No
He Jianjiang	Vice-general	Male	44	Incumbent	74.51	No

	Manager and Secretary of the Board					
He Jianguang	Chairman of the Supervisory Committee	Male	59	Incumbent	0.00	Yes
Chen Lijia	Supervisor	Female	40	Incumbent	0.00	Yes
Lu Zhonggui	Supervisor	Male	56	Incumbent	19.92	No
Ge Jiangli	Supervisor	Female	53	Incumbent	20.91	No
Liu Yi	Supervisor	Male	54	Incumbent	23.18	No
Total	--	--	--	--	711.01	--

VI Performance of Duty by Directors in the Reporting Period

1. Board Meetings Convened in the Reporting Period

Meeting	Date of meeting	Disclosure date	Resolution
The 1 st Extraordinary Meeting of the Board of Directors in 2022	19 January 2022	21 January 2022	The meeting deliberated on and approved the Obligations on Conducting Forward Foreign Exchange Settlement
The 11 th Meeting of the 9 th Board of Directors	21 January 2022	—	The meeting deliberated on and approved the Report on the Work of the General Manager for the Year 2021, the Business Policy Objectives of the Company for the Year 2022, the Results of the Performance Appraisal of the Senior Management of the Company for the Year 2021, the Contract on the Performance Appraisal of the Senior Management of the Company for the Year 2022, and the Proposal on Application for Bank Credit Line
The 12 th Meeting of the 9 th Board of Directors	11 April 2022	13 April 2022	The meeting deliberated on and approved the Annual Report for 2021 and Its Summary, the Annual Work Report of the Board of Directors for 2021, Plan of the Profit Distribution and Conversion of Surplus Reserves into Share Capital for 2021, Proposal on the Re-appointment of the Financial Audit Institution for 2022 and Its Audit Expenses, Proposal on the Re-appointment of the Internal Control Audit Institution for 2022, Proposal on Expanding the Business Scope of the Company and Amending the Articles of Association of the Company, Proposal on Amending the Rules of Procedure of the Board Meeting, the Proposal on Amending the Rules of Procedure of the General Meeting, the Proposal on Amending the Policy of Independent Directors, Special Report on the Deposit and Use of Raised Funds for 2021, the Annual Self-Evaluation Report on Internal Control for 2021, the Proposal on the

			Provision of Reserves for Credit Impairment and Asset Impairment, the 2021 Social Responsibility Report, and Proposal on Convening the Annual General Meeting of the Company for 2021
The 2 nd Extraordinary Meeting of the Board of Directors in 2022	28 April 2022	30 April 2022	The meeting deliberated on and approved the Report for the First Quarter of 2022
The 3 rd Extraordinary Meeting of the Board of Directors in 2022	11 July 2022	12 July 2022	The meeting deliberated on and approved the Proposal on Using Own Idle Funds to Purchase Wealth Management Products and Proposal on Using Idle Funds to Purchase Wealth Management Products
The 13 th Meeting of the 9 th Board of Directors	22 August 2022	24 August 2022	The meeting deliberated on and approved the Semi-annual Report for 2022 and Its Summary, Proposal on Provision of Reserves for Credit Impairment and Asset Impairment, Proposal on Change of Accounting Policy, Special Report on the Deposit and Use of Raised Funds for the Semi-annual Period of 2022, Proposal on Adding Implementation Location to the Private Placement Raised Funds Investment Project of Innovation Capacity Building of the Technical Centre, Proposal on Adding Implementation Entity to the Private Placement Raised Funds Investment Project of Relocation of Light Engines and Casting
The 4 th Extraordinary Meeting of the Board of Directors in 2022	25 August 2022	27 August 2022	The meeting deliberated on and approved the Proposal on Planning to Participate in Capital Increase and Share Expansion and Related Transactions of Jiangsu Horizon New Energy Technology Co., Ltd. and the Proposal on Planning to Sell Part of the Trading Financial Assets
The 5 th Extraordinary Meeting of the Board of Directors in 2022	29 September 2022	30 September 2022	The meeting deliberated on and approved the Proposal on Planning to Use Bank Acceptances for Part of the Payments of Fund-raising Projects and Equal Replacement of Raised Funds
The 6 th Extraordinary Meeting of the Board of Directors in 2022	17 October 2022	18 October 2022	The meeting deliberated on and approved the Proposal on Planning to Extend the Operation Period of Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership)
The 14 th Meeting of the 9 th Board of Directors	28 October 2022	29 October 2022	The meeting deliberated on and approved the Report of the Third Quarter of 2022

The 7 th Extraordinary Meeting of the Board of Directors in 2022	15 December 2022	16 December 2022	The meeting deliberated on and approved the Proposal on Using Idle Funds to Purchase the Limit of Wealth Management Products
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2. Attendance of Directors at Board Meetings and General Meetings

Attendance of directors at board meetings and general meetings							
Director	Total number of board meetings the director was eligible to attend	Board meetings attended on site	Board meetings attended by way of telecommunication	Board meetings attended through a proxy	Board meetings the director failed to attend	The director failed to attend two consecutive board meetings (yes/no)	General meetings attended
Shi Xinkun	11	2	9	0	0	No	1
Zhang Xin	11	2	9	0	0	No	1
Lin Tian	11	1	9	1	0	No	1
Xu Yi	11	2	9	0	0	No	1
Jiang He	11	2	9	0	0	No	1
Yang Feng	11	2	9	0	0	No	1
Xing Min	11	2	9	0	0	No	1
Wang Mancang	11	2	9	0	0	No	1
Zhang Yan	11	2	9	0	0	No	1

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

N/A

3. Objections Raised by Directors on Matters of the Company

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

Yes No

No such cases in the Reporting Period.

4. Other Information about the Performance of Duty by Directors

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

Yes No

Suggestions from directors adopted or not adopted by the Company:

All directors of the Company in line with the law, rules, normative documents and obligations given by the Company of the Company law, Article of Associations, Rules of Procedure of the Board and Independent Directors Work Rules, comprehensively focused on the development and operation of the Company, actively attended the general meeting of shareholder and meeting of board of directors. Independent directors given

independent opinions for the significant events of the Company, and effectively maintained the profits of the Company and all the shareholders. The Company actively listened to the suggestions from directors upon the significant events and adopted them. For more details, please refer to the Report on the Work of the Board of Directors for 2022 disclosed by the Company on <http://www.cninfo.com.cn> dated 12 April 2023.

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

Name of committee	Members	Number of meetings convened	Date of meeting	Contents	Important comments and suggestions	Other performance of duties	Specific disputed matters (if any)
Audit Committee	Zhang Yan, Wang Mancang, Lin Tian	3	19 January 2022	The meeting discussed and approved the Report on Financial Pre-audit in 2021, Report on Audit Plan Arrangement for 2021, Report on Internal Audit Work in 2021 and Internal Audit Plan for 2022 and Report on the Deposit and Use of Raised Funds for 2021	The Company's financial statements have been prepared in accordance with the new Accounting Standards for Business Enterprises and the provisions of the Company's relevant financial policies and presented fairly, in all material respects, the financial status of the Company as of 31 December 2021 and the operating results and cash flows for 2021. The Company's financial and accounting statements are authentic and accurate.		
			7 April 2022	The meeting reviewed and approved the Annual Financial Statements of the Company for 2021, Proposal on Provision of Reserves for Asset Impairment, Special Report on the Deposit and Use of Raised Funds for 2021, the Annual Self-Evaluation Report on Internal Control for 2021, Proposal on the Re-appointment of the Financial Audit Institution for 2022 and Its Audit Expenses, and Proposal on the Re-appointment of the Internal Control Audit	It was consented that both the proposals shall be submitted to the Board of Directors for discussion		

				Institution for 2022			
			18 August 2022	The meeting deliberated on and approved the Semi-annual Work Summary of the Audit Department for 2022, the Semi-annual Report for 2022, Proposal on Provision of Reserves for Credit Impairment and Asset Impairment, Special Report on the Deposit and Use of Raised Funds for the Semi-annual Period of 2022, Proposal on Change of Accounting Policy, Proposal on Adding Implementation Location to the Private Placement Raised Funds Investment Project of Innovation Capacity Building of the Technical Centre and Proposal on Adding Implementation Entity to the Private Placement Raised Funds Investment Project of Relocation of Light Engines and Casting	It was consented that both the proposals shall be submitted to the Board of Directors for discussion		
Remuneration and Evaluation Committee	Xing Min, Wang Mancang, Shi Xinkun	1	20 January 2022	The meeting deliberated on and approved the Contract on the Performance Appraisal of the Senior Management of the Company for the Year 2021 and the Contract on the Performance Appraisal of the Senior Management of the Company for the Year 2022	It was consented that both the proposals shall be submitted to the Board of Directors for discussion		

VIII Performance of Duty by the Supervisory Committee

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

Yes No

The Supervisory Committee raised no objections in the Reporting Period.

IX Employees

1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the Company as the parent at the period-end	2,114
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Number of in-service employees of major subsidiaries at the period-end	542
Total number of in-service employees at the period-end	2,656
Total number of paid employees in the Reporting Period	2,656
Number of retirees to whom the Company as the parent or its major subsidiaries need to pay retirement pensions	0
Functions	
Function	Employees
Production	1,731
Sales	195
Technical	356
Financial	42
Administrative	288
Other	44
Total	2,656
Educational backgrounds	
Educational background	Employees
Junior high school graduates and below	1,133
High school graduates	747
College graduates and technical secondary school graduates	487
Bachelors	271
Masters and above	18
Total	2,656

2. Employee Remuneration Policy

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

3. Employee Training Plans

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

4. Labor Outsourcing

Applicable Not applicable

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

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

Applicable Not applicable

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

Special statement about the cash dividend policy	
In compliance with the Company's Articles of Association and resolution of general meeting	Yes
Specific and clear dividend standard and ratio	Yes
Complete decision-making procedure and mechanism	Yes
Independent directors faithfully performed their duties and played their due role	Yes
Non-controlling interests are able to fully express their opinion and desire and their legal rights and interests are fully protected	Yes
In case of adjusting or changing the cash dividend policy, the conditions and procedures involved are in compliance with applicable regulations and transparent	N/A

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

Applicable Not applicable

Final dividend plan for the Reporting Period:

Applicable Not applicable

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB) (tax inclusive)	0.10
Additional shares to be converted from capital reserve for every 10 shares (share)	0
Total shares as the basis for the profit distribution proposal (share)	705,692,507
Cash dividends (RMB) (tax inclusive)	7,056,925.07
Cash dividends in other forms (such as share repurchase) (RMB)	0
Total cash dividends (including those in other forms) (RMB)	7,056,925.07
Distributable profit (RMB)	915,495,909.35
Total cash dividends (including those in other forms) as % of total profit distribution	100%

Cash dividend policy
Other
Particulars about the dividend plan
The Board has approved a final dividend plan as follows: based on the total share capital of the Company at 31 December 2022, a cash dividend of RMB0.10 (tax inclusive) per 10 shares is to be distributed to the shareholders, with no bonus issue from either profit or capital reserves.

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

Applicable Not applicable

No such cases in the Reporting Period.

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

1. Internal Control Formulation and Implementation

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

2. Material Internal Control Weaknesses Identified for the Reporting Period

Yes No

XIII Management of Subsidiaries by the Company during the Reporting Period

Subsidiary	Integration plan	Progress on integration	Problems found in integration	Solutions taken	Solution progress	Subsequent solution
Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.	As the largest shareholder of Zhenjiang Siyang, the Company nominated directors,	On 16 May 2022, Zhenjiang Siyang convened a meeting of shareholders, the Board of Directors, and the Board of Supervisors to elect new members of the Board of	N/A	N/A	N/A	N/A

supervisors, and Management personnel for the new Board of Directors and Board of Supervisors and dispatched Management, financial, and technical personnel to Zhenjiang Siyang for production and operations management.	Directors, the Board of Supervisors and the Management. The directors designated by the Company accounted for more than half and Zhenjiang Siyang was included in the Company's consolidated report. The Company designated three Management personnel to Zhenjiang Siyang for routine management, financial, and technical posts.				
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XIV Self-Evaluation Report or Independent Auditor's Report on Internal Control

1. Internal Control Self-Evaluation Report

Disclosure date of the internal control self-evaluation report	12 April 2023	
Index to the disclosed internal control self-evaluation report	2023-011	
Evaluated entities' combined assets as % of consolidated total assets	100.00%	
Evaluated entities' combined operating revenue as % of consolidated operating revenue	100.00%	
Identification standards for internal control weaknesses		
Type	Weaknesses in internal control over financial reporting	Weaknesses in internal control not related to financial reporting
Nature standard	The Company classified the defects as serious defect, important defect and general defect according to the influence degree from the internal control: (1) Serious defect: refers to one or multiple groups with control defect which may lead the enterprise seriously deviates the control target; (2) Important defect: refers to one or multiple groups with control defect with the severity and the economic results lower than the great defect but may still lead the enterprise seriously deviates the control target; (3) General defect: refers to other defect except for the great defect and significant defect.	Defects with the following random characteristics should be recognized as serious defect: 1) Seriously violated the national laws and administrative regulations and the normative documents; 2) "three significant one great" event had not been through the collective decision-making process; 3) the significant events involved with the production and operation of the Company lacked of systematic control or the institutional system was invalid; 4) the internal control of the information disclosure was

	<p>Nature standards: defects with the following random characteristics should be recognized as serious defect:</p> <p>1) the defect involves with the malpractice of the Directors, Supervisors and Senior Executives; 2) revised the disclosed financial report; 3) CPAs discovered the great misstatement among the current financial statement while which could not be found during the operating process of the internal control; 4) the supervision from the Audit Committee and the internal audit institution of the enterprise was invalid.</p>	<p>invalid, which led the Company be open condemned by the supervision department; 5) the serious defect from the assessment results of the internal control had not been revised.</p>
Quantitative standard	<p>Quantitative standards: The quantitative standards of recognizing the significant degree of the misstatement (including the false negatives) of the consolidated financial report of the Company based on the data from the 2022 consolidated statements was as: Serious defect: misstatement $\geq 5\%$ of the annual profits Important defect: 2.5% of the annual profits \leq misstatement $< 5\%$ of the annual profits General defect $< 2.5\%$ of the annual profits</p>	<p>Refer to the quantitative criteria of the internal control defect of the financial report, to recognize the quantitative criteria of the significant degree of the internal control defect of the non-financial report of the Company as: Serious defect: possibly caused directly losses $\geq 0.1\%$ of the net assets Important defect: 0.05% of the net assets \leq possibly caused directly losses $< 0.1\%$ of the net assets General defect: possibly caused directly losses $< 0.05\%$ of the net assets</p>
Number of material weaknesses in internal control over financial reporting		0
Number of material weaknesses in internal control not related to financial reporting		0
Number of serious weaknesses in internal control over financial reporting		0
Number of serious weaknesses in internal control not related to financial reporting		0

2. Independent Auditor's Report on Internal Control

Applicable Not applicable

Opinion paragraph in the independent auditor's report on internal control	
We believed that Changchai Company, Limited maintained effective internal control of the financial report in significant aspects according to the Basic Norms of Internal Control and relevant regulations on 31 December 2022.	
Independent auditor's report on internal control disclosed or not	Disclosed
Disclosure date	10 April 2023
Index to such report disclosed	S.G. W[2023] E1111
Type of the auditor's opinion	Unmodified unqualified opinion
Material weaknesses in internal control not related to financial reporting	None

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

Yes No

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

Yes No

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

N/A

Part V Environmental and Social Responsibility

I Major Environmental Issues

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

Yes No

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

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

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

Applicable Not applicable

See the 2022 Social Responsibility Report of Changchai Company, Limited disclosed on <http://www.cninfo.com.cn> dated 12 April 2023.

Reasons for not disclosing other environment-related information:

N/A

II Social Responsibility

See the 2022 Social Responsibility Report of Changchai Company, Limited disclosed on <http://www.cninfo.com.cn> dated 12 April 2023.

III Efforts in Poverty Alleviation and Rural Revitalization

N/A

Part VI Significant Events

I Fulfillment of Commitments

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

√ Applicable □ Not applicable

Commitment	Promisor	Type of commitment	Details of commitment	Date of commitment making	Term of commitment	Fulfillment
Commitments made in refinancing	Changzhou Investment Group Co., Ltd.	Abolition of shares	<p>1. The company and its controlled related parties have not reduced their holdings of shares of Changchai Company from the six months prior to the announcement of the decision of the Board of Directors of Changchai Company, Limited ("Changchai Company") concerning the proposal to consider the non-public offering of shares to the date of issuance of this Letter of Commitment.</p> <p>2. The company and its controlled related parties have no plan to reduce their holdings of shares of Changchai Company from the date of issuance of this Letter of Commitment to six months after the completion of this issuance.</p>	29 September 2020	10 October 2019 - 30 June 2022	Expired
	Changzhou Investment Group Co., Ltd.	Abolition of shares	It will not transfer the shares it has obtained in the private placement of Changchai within 36 months starting from the date when the private placement of A-shares is allowed for public trading.	5 July 2021	5 July 2021 - 5 July 2024	Ongoing

		ding re str ict io n				
	Changzhou Investment Group Co., Ltd.	Ot he r	<p>1. It undertakes not to interfere in the Company's operation and management activities beyond its authority and not to encroach on the Company's interests;</p> <p>2. It undertakes not to transfer benefits to other entities or individuals free of charge or on unfair terms, nor to impair the interests of the Company by any other means;</p> <p>3. After the issuance of this Letter of Commitment and before the completion of the Company's non-public offering of shares, if the China Securities Regulatory Commission (CSRC) makes other new regulatory provisions on the return filling measures and commitments, and the aforesaid commitments cannot meet such provisions of the CSRC, it undertakes to issue supplementary commitments in accordance with the latest provisions of the CSRC;</p> <p>4. It undertakes to effectively implement the Company's measures to fill the return and any commitments made thereon. If the Company breaches such commitments and causes losses to the Company or the investors, the Company is willing to compensate the Company or the investors according to law.</p>	11 Ap ril 20 20	11 April 2020 -31 Decemb er 9999	On goi ng
	UBS AG, Caitong Fund Management Co., Ltd., Changzhou Traffic Construction Investment Development General Company, Chen Beiwen, Guotai Asset Management Co., Ltd., Jiangxi Jintou	A bo ut sh ar e tra di	I/We undertake that I/we will not transfer the shares I/we have obtained in the private placement of Changchai within 6 months starting from the date when the private placement of A-shares is allowed for public trading.	5 Jul y 20 21	5 July 2021-5 January 2022	Ex pir ed

	Industrial Development Co., Ltd., Li Xueqin, Nanhua Fund Co., Ltd., Enjoy (Ningbo) Asset Management L.P., Nuode Asset Management Co., Ltd., Sun Meichun, Minmetals Securities Co., Ltd., Yao Jianquan, China National Gold Group Asset Management Co., Ltd., and Zhou Zhiheng	ng re str ict io n				
Other commitments made to minority shareholders	Changchai Company, Limited	A bo ut di vi de nd s	Rewards Plan for Shareholders in Next Three Years(2020-2022) Under the premise of positive distributive profit (remaining after-tax profits after making up for the loss and extracting for the common reserves) in this year or half year and abundant money flow and no influence on the following-up going concern after cash bonus, the profits allocated by cash every year shouldn't be lower than 10% of the allocable profits from parent company. Meanwhile, the accumulated allocable profits by cash in the arbitrary continuous three accounting years should not be lower than 30% of the annual average allocable profits in those three years.	8 M ay 20 20	Year 2020-20 22	Ex pir ed
Fulfilled on time or not	Yes					
Specific reasons for failing to fulfill commitments on time and plans for next step (if any)	N/A					

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

Applicable Not applicable

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

Applicable Not applicable

No such cases in the Reporting Period.

III Irregularities in the Provision of Guarantees

Applicable Not applicable

No such cases in the Reporting Period.

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Changes to the accounting policies and why	Approval process	Remark
The Company starts to implement the "Accounting treatment for sales of products or by-products by enterprises generated from fixed assets before reaching the intended state of availability or from the period of R&D" and "Judgment on onerous contracts" and "Presentation of centralized capital management" stipulated in the Accounting Standards for Business Enterprises Interpretation No. 15 issued by the Ministry of Finance in 2021 since 1 January 2022.	On 22 August 2022, the 13 th Meeting of the 9 th Board of Directors and the 12 th Meeting of the 9 th Supervisory Committee were held by the Company on which the <i>Proposal on Changes of Accounting Policies</i> was approved.	Notes of changes to accounting policies-(1)
The Company starts to implement the "accounting treatment of the income tax effect of financial instrument related dividend whose issuer is classified as equity instrument" and "accounting treatment of share-based payment in cash settlement modified into share-based payment in equity settlement by the enterprise" stipulated in the Accounting Standards for Business Enterprises Interpretation No. 16 issued by the Ministry of Finance in 2022 since 13 December 2022.	/	Notes of changes to accounting policies-(2)

Description of changes in accounting policies:

(1) The impact of implementing the Interpretation No. 15 of Accounting Standards for Business Enterprises on the Company

On 31 December 2021, the Ministry of Finance issued the Interpretation No. 15 of Accounting Standards for Business Enterprises (C.K. [2021] No. 35) (hereinafter referred to as “Interpretation No. 15”). Contents of “accounting treatment of external sales of products or by-product produced by the enterprise before the fixed assets reach the intended usable state or during the research and development process (hereinafter referred to as ‘Trial Sales’)” and “judgment on loss-making contracts” came into force on 1 January 2022.

The Company implemented Interpretation No. 15 since the date of issuance, and the implementation has no material impact on the financial statements during the reporting period.

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

On 13 December 2022, the Ministry of Finance issued the Interpretation No. 16 of Accounting Standards for Business Enterprises (C.K. [2022] No. 31) (hereinafter referred to as “Interpretation No. 16”). The regulations of “accounting treatment for deferred income tax relating to assets and liabilities arising from a single transaction that is not subject to the initial recognition exemption” came into force on 1 January 2023, allowing companies to implement the exemption prior to the year of issuance, which has not been implemented by the Company in advance this year. In addition, the contents of “accounting treatment of the income tax effect of financial instrument related dividend whose issuer is classified as equity instrument” and “accounting treatment of share-based payment in cash settlement modified into share-based payment in equity settlement by the enterprise” came into force on the issuance date.

The Company implemented Interpretation No. 16 since the date of issuance, and the implementation has no material impact on the financial statements during the reporting period.

VII YoY Changes to the Scope of the Consolidated Financial Statements

√ Applicable □ Not applicable

The Sixth Extraordinary Meeting of the Board of Directors in 2021 held by the Company on 28 October 2021 deliberated on and approved the Proposal on Participation in Bidding for 41.5% Equity Interests in Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd., authorizing the Management of the Company to participate in bidding for 41.5% equity interest in Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. (hereinafter referred to as “Zhenjiang Siyang”) that had been put out for sale by Jiangsu Keda Assets Marketing Co., Ltd. (hereinafter, “Keda Assets”). On 12 January 2022, Jiangsu Assets and Equity Exchange Co., Ltd. issued the Confirmation of Transaction on the Transfer of 41.5% Equity Interests (Corresponding to Capital Contribution of RMB830,000) in Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. The Company won the bid for the 41.5% equity interests in Zhenjiang Siyang at a price of RMB33,520,800.00. On 23 February 2022, the Company signed the Contract on Transfer of State-owned Property Rights with Keda Assets. On 9 March 2022, Zhenjiang Siyang has completed the relevant registration alteration formalities with the competent industrial and commercial administration. On 16 May 2022, Zhenjiang Siyang held meetings of shareholders, the Board of Directors and the Supervisory Committee to elect and appoint new members for the Board of Directors, the Supervisory Committee and management. The Company holds more than half of the board seats of Zhejiang Siyang and Zhenjiang Siyang has been included in the consolidated financial statements of the Company. Since then, the number of subsidiaries within the consolidation scope of the Company increases to eight from seven.

VIII Engagement and Disengagement of Independent Auditor

Current independent auditor:

Name of the domestic independent auditor	Gongzheng Tianye Certified Public Accountants (Special General Partnership)
The Company's payment to the domestic independent auditor (RMB'0,000)	60
How many consecutive years the domestic independent auditor has provided audit service for the Company	21
Names of the certified public accountants from the domestic independent auditor writing signatures on the auditor's report	Wang Wenkai, Qin Zhijun
How many consecutive years the certified public accountants have provided audit service for the Company	Two years for Wang Wenkai, two years for Qin Zhijun

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

Yes No

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

Applicable Not applicable

In this year, the Company retained Gongzheng Tianye Certified Public Accountants (Special General Partnership) as the audit institution for its internal control at the audit fees of RMB120,000.

IX Possibility of Delisting after Disclosure of this Report

Applicable Not applicable

X Insolvency and Reorganization

Applicable Not applicable

No such cases in the Reporting Period.

XI Major Legal Matters

Applicable Not applicable

No such cases in the Reporting Period.

XII Punishments and Rectifications

Applicable Not applicable

No such cases in the Reporting Period.

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

Applicable Not applicable

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

XIV Major Related-Party Transactions

1. Continuing Related-Party Transactions

Applicable Not applicable

No such cases in the Reporting Period.

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

Applicable Not applicable

No such cases in the Reporting Period.

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

Applicable Not applicable

No such cases in the Reporting Period.

4. Amounts Due to and from Related Parties

Applicable Not applicable

No such cases in the Reporting Period.

5. Transactions with Related Finance Companies

Applicable Not applicable

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

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

Applicable Not applicable

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

7. Other Major Related-Party Transactions

Applicable Not applicable

On 25 August 2022, the Company held the Fourth Interim Meeting of the Board of Directors and the Fourth Interim Meeting of the Supervisory Committee in 2022 and deliberated and approved the *Proposal on Planning to Participate in Capital Increase and Share Expansion and Related Transactions of Jiangsu Horizon New Energy Technology Co., Ltd.*, agreeing to increase RMB75 million capital to Horizon New Energy for the subscription of its newly registered capital of RMB18,844,200 and authorizing Shi Xinkun, the Company's Chairman, to sign capital increase agreements with related parties. In August 2022, Horizon New Energy and its shareholders signed the *Capital Increase Agreement of Jiangsu Horizon New Energy Technology Co., Ltd.*, agreeing that the registered capital of Horizon New Energy was increased from RMB1,405,622,491 to RMB1.75 billion. In October 2022, Horizon New Energy completed the industrial and commercial change registration procedures according to the aforesaid capital increase agreement and obtained the new business license.

Index to the public announcements about the said related-party transactions disclosed

Title of public announcement	Disclosure date	Disclosure website
Proposal on Planning to Participate in Capital Increase and Share Expansion and Related Transactions of Jiangsu Horizon New Energy Technology Co., Ltd.	27 August 2022	www.cninfo.com.cn

XV Major Contracts and Execution thereof

1. Entrustment, Contracting and Leases

(1) Entrustment

Applicable Not applicable

No such cases in the Reporting Period.

(2) Contracting

Applicable Not applicable

No such cases in the Reporting Period.

(3) Leases

Applicable Not applicable

No such cases in the Reporting Period.

2. Major Guarantees

Applicable Not applicable

Unit: RMB'0,000

Guarantees provided by the Company for external parties (exclusive of those for subsidiaries)								
Guarantee-receiving entity	Disclosure date of the	Line of guarantee	Actual occurrence date	Actual guarantee	Type of guarantee	Term of guarantee	Having expire	Guarantee for a

	guarantee line announcement		(agreement signing date)	amount			and or not	related party or not
Guarantees provided by the Company as the parent for its subsidiaries								
Guarantee-receiving entity	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (agreement signing date)	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not
Changzhou Changchai Horizon Agricultural Equipment Co., Ltd.	15 April 2021	2,000	7 May 2021	2,000	Joint liability	1 year	Yes	No
Total approved line for such guarantees in the Reporting Period (B1)				0	Total actual amount of such guarantees in the Reporting Period (B2)		500	
Total approved line for such guarantees at the end of the Reporting Period (B3)				0	Total actual balance of such guarantees at the end of the Reporting Period (B4)		0	
Guarantees between subsidiaries								
Guarantee-receiving entity	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (agreement signing date)	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not
Total guarantee amount (total of the three kinds of guarantees above)								
Total guarantee line approved in the Reporting Period (A1+B1+C1)				0	Total actual guarantee amount in the Reporting Period (A2+B2+C2)		500	
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)				0	Total actual guarantee balance at the end of the Reporting Period		0	

	(A4+B4+C4)	
Total actual guarantee amount (A4+B4+C4) as % of the Company's net assets		0.00%
Of which:		
Balance of guarantees provided for shareholders, the de facto controller and their related parties (D)		0
Balance of debt guarantees provided directly or indirectly for entities with an over 70% debt/asset ratio (E)		0
Amount by which the total guarantee amount exceeds 50% of the Company's net assets (F)		0
Total of the three amounts above (D+E+F)		0
Possibility of having to execute joint liability on outstanding guarantees (if any)		N/A
Irregularities in the provision of guarantees to external parties (if any)		N/A

Compound guarantees: N/A

3. Cash Entrusted for Wealth Management

(1) Cash Entrusted for Wealth Management

Applicable Not applicable

Overviews of cash entrusted for wealth management during the Reporting Period

Unit: RMB'0,000

Specific type	Capital resources	Amount incurred	Undue balance	Unrecovered overdue amount	Unrecovered overdue amount with provision for impairment
Broker financial products	Self-funded	885	600	0	0
Bank financial products	Self-funded	18,200	18,200	0	0
Broker financial products	Raised-funded	5,000	0	0	0
Bank financial products	Raised-funded	28,000	10,000	0	0
Total		52,085	28,800	0	0

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

Applicable Not applicable

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

Applicable Not applicable

(2) Entrusted Loans

Applicable Not applicable

No such cases in the Reporting Period.

4. Other Major Contracts

Applicable Not applicable

No such cases in the Reporting Period.

XVI Other Significant Events

Applicable Not applicable

XVII Significant Events of Subsidiaries

Applicable Not applicable

Part VII Share Changes and Shareholder Information

I Share Changes

1. Share Changes

Unit: share

	Before		Increase/decrease in the Reporting Period (+/-)					After	
	Number	Percent age (%)	New issues	Shares as dividend converted from profit	Shares as dividend converted from capital reserves	Other	Subtotal	Number	Percent age (%)
1. Restricted shares	144,318,181	20.45%				-87,500,000.00	-87,500,000.00	56,818,181	8.05%
1.1 Shares held by government	0	0.00%				0.00	0.00	0	0.00%
1.2 Shares held by state-owned legal persons	72,045,453	10.21%				-15,227,272.00	-15,227,272.00	56,818,181.00	8.05%
1.3 Shares held by other domestic investors	68,863,638	9.76%				-68,863,638.00	-68,863,638.00	0	0.00%
Among which: Shares held by domestic legal persons	48,818,178	6.92%				-48,818,178.00	-48,818,178.00	0	0.00%
Shares held by domestic natural persons	20,045,460	2.84%				-20,045,460.00	-20,045,460.00	0	0.00%
1.4 Shares held by foreign investors	3,409,090	0.48%				-3,409,090.00	-3,409,090.00	0	0.00%
Among which: Shares held by foreign legal persons	3,409,090	0.48%				-3,409,090.00	-3,409,090.00	0	0.00%

Shares held by foreign natural persons	0	0.00%				0	0	0	0.00%
2. Unrestricted shares	561,374,326	79.55%				87,500,000.00	87,500,000.00	648,874,326	91.95%
2.1 RMB-denominated ordinary shares	411,374,326	58.29%				87,500,000.00	87,500,000.00	498,874,326	70.69%
2.2 Domestically listed foreign shares	150,000,000	21.26%				0	0	150,000,000	21.26%
2.3 Oversea listed foreign shares	0	0.00%				0	0	0	0.00%
2.4 Other	0	0.00%				0	0	0	0.00%
3. Total shares	705,692,507	100.00%				0	0	705,692,507	100.00%

Reasons for the share changes:

Applicable Not applicable

Approval of share changes:

Applicable Not applicable

Transfer of share ownership:

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

2. Changes in Restricted Shares

Applicable Not applicable

Unit: share

Name of the shareholders	Restricted shares amount at the period-begin	Restricted shares relieved of the period	Restricted shares increased of the period	Restricted shares amount at the period-end	Restricted reasons	Restricted shares relieved date
UBS AG	3,409,090	3,409,090	0	0	Additional issuance of 3,409,090 shares	5 January 2022

					through the private placement of shares	
Caitong Fund Management Co., Ltd.	7,909,090	7,909,090	0	0	Additional issuance of 7,909,090 shares through the private placement of shares	5 January 2022
Jiangxi Jintou Industrial Development Co., Ltd.	4,545,454	4,545,454	0	0	Additional issuance of 4,545,454 shares through the private placement of shares	5 January 2022
Guotai Asset Management Co., Ltd.	8,181,818	8,181,818	0	0	Additional issuance of 8,181,818 shares through the private placement of shares	5 January 2022
Enjoy (Ningbo) Asset Management L.P.	6,818,181	6,818,181	0	0	Additional issuance of 6,818,181 shares through the private placement of shares	5 January 2022
Zhou Zhiheng	3,409,090	3,409,090	0	0	Additional issuance of 3,409,090 shares through the private placement of shares	5 January 2022
China National Gold Group Asset Management Co., Ltd.	10,681,818	10,681,818	0	0	Additional issuance of 10,681,818 shares through the private placement of shares	5 January 2022
Sun Meichun	4,545,454	4,545,454	0	0	Additional issuance of 4,545,454 shares through the private placement of shares	5 January 2022
Nuode Asset Management Co., Ltd.	11,363,636	11,363,636	0	0	Additional issuance of 11,363,636 shares through the private placement of shares	5 January 2022
Minmetals Securities Co., Ltd.	4,545,454	4,545,454	0	0	Additional issuance of 4,545,454 shares through the private placement of shares	5 January 2022

Chen Beiwen	7,272,727	7,272,727	0	0	Additional issuance of 7,272,727 shares through the private placement of shares	5 January 2022
Nanhua Fund Co., Ltd.	5,454,545	5,454,545	0	0	Additional issuance of 5,454,545 shares through the private placement of shares	5 January 2022
Yao Jianquan	4,545,454	4,545,454	0	0	Additional issuance of 4,545,454 shares through the private placement of shares	5 January 2022
Changzhou Transportation Construction Investment Development Co., Ltd.	4,545,454	4,545,454	0	0	Additional issuance of 4,545,454 shares through the private placement of shares	5 January 2022
Li Xueqin	272,735	272,735	0	0	Additional issuance of 272,735 shares through the private placement of shares	5 January 2022
Total	87,500,000	87,500,000	0	0	--	--

II. Issuance and Listing of Securities

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

Applicable Not applicable

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

Applicable Not applicable

3. Existing Staff-Held Shares

Applicable Not applicable

III Shareholders and Actual Controller

Unit: share

Number of ordinary shareholders	50,886	Number of ordinary shareholders at the month-end prior to the disclosure of this Report	49,998	Number of preferred shareholders with resumed voting rights	0	Number of preferred shareholders with resumed voting rights at the month-end prior to the disclosure of this Report	0		
5% or greater shareholders or top 10 shareholders									
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Increase/decrease in the Reporting Period	Restricted shares held	Unrestricted shares held	Shares in pledge or frozen		
							Status	Shares	
Changzhou Investment Group Co., Ltd	State-owned legal person	32.26%	227,663,417		56,818,181	170,845,236			
Chen Jian	Domestic natural person	0.71%	4,979,900			4,979,900			
MORGAN STANLEY & CO. INTERNATIONAL PLC.	Foreign legal person	0.45%	3,146,392			3,146,392			
KGI ASIA LIMITED	Foreign legal person	0.44%	3,101,695			3,101,695			
Yang Xuee	Domestic natural person	0.37%	2,611,500			2,611,500			
China Minsheng Bank-Goldstate Yuanqi Dynamic Asset Allocation Mixed Type Securities Investment Fund	Other	0.36%	2,530,800			2,530,800			
CLSA Asset Management Limited-Clients' Capital	Foreign legal person	0.25%	1,780,068			1,780,068			
Dai Wenping	Domestic natural person	0.25%	1,776,200			1,776,200			
Li Suinan	Domestic natural person	0.22%	1,569,100			1,569,100			
Huang Guoliang	Domestic natural person	0.22%	1,528,891			1,528,891			
Strategic investor or general legal		N/A							

person becoming a top-10 ordinary shareholder due to rights issue (if any)			
Related or acting-in-concert parties among the shareholders above	It is unknown whether there is among the top 10 public shareholders and the top 10 unrestricted public shareholders any related parties or acting-in-concert parties as defined in the Administrative Measures for Information Regarding Shareholding Alteration.		
Above shareholders involved in entrusting/being entrusted with voting rights and giving up voting rights	N/A		
Special account for share repurchases (if any) among the top 10 shareholders	N/A		
Top 10 unrestricted shareholders			
Name of shareholder	Unrestricted shares held at the period-end	Shares by type	
		Type	Shares
Changzhou Investment Group Co., Ltd	170,845,236	RMB-denominated ordinary share	170,845,236
Chen Jian	4,979,900	RMB-denominated ordinary share	4,979,900
MORGAN STANLEY & CO. INTERNATIONAL PLC.	3,146,392	RMB-denominated ordinary share	3,146,392
KGI ASIA LIMITED	3,101,695	Domestically listed foreign share	3,101,695
Yang Xuee	2,611,500	RMB-denominated ordinary share	2,611,500
China Minsheng Bank-Goldstate Yuanqi Dynamic Asset Allocation Mixed Type Securities Investment Fund	2,530,800	RMB-denominated ordinary share	2,530,800
CLSA Asset Management Limited-Clients' Capital	1,780,068	RMB-denominated ordinary share	1,780,068
Dai Wenping	1,776,200	RMB-denominated ordinary share	1,776,200
Li Suinan	1,569,100	Domestically listed foreign share	1,569,100
Huang Guoliang	1,528,891	Domestically listed foreign share	1,528,891
Related or acting-in-concert parties among top 10 unrestricted public shareholders, as well as between top 10 unrestricted public shareholders and top 10 shareholders	It is unknown whether there is among the top 10 public shareholders and the top 10 unrestricted public shareholders any related parties or acting-in-concert parties as defined in the Administrative Measures for Information Regarding Shareholding Alteration.		

Top 10 ordinary shareholders involved in securities margin trading (if any)	Shareholders Chen Jian and Dai Wenping held 3,320,000 and 1,610,200 shares respectively in the Company through their margin accounts.
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Indicate by tick mark whether any of the top 10 ordinary shareholders or the top 10 unrestricted ordinary shareholders of the Company conducted any promissory repo during the Reporting Period.

Yes No

No such cases in the Reporting Period.

2. Controlling Shareholder

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

Type of the controlling shareholder: Legal person

Name of controlling shareholder	Legal representative/person in charge	Date of establishment	Unified social credit code	Principal activity
Changzhou Investment Group Co., Ltd	Chen Limin	20 June 2002	91320400467283980X	Property investment and management
Controlling shareholder's holdings in other listed companies at home or abroad in the Reporting Period	None			

Change of the controlling shareholder in the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

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

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

Type of the actual controller: Legal person

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

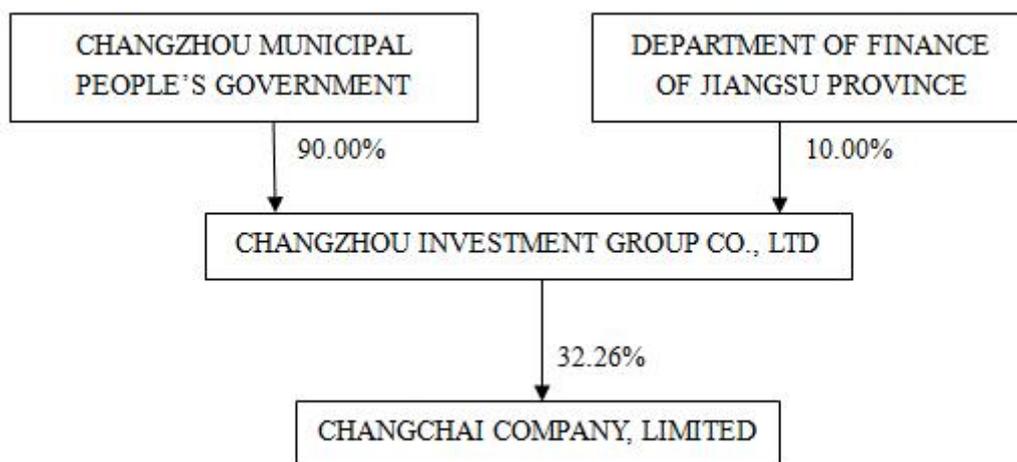
controller in the Reporting Period	
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Change of the actual controller during the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

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



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

Applicable Not applicable

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

Applicable Not applicable

5. Other 10% or Greater Corporate Shareholders

Applicable Not applicable

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

Applicable Not applicable

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

IV Specific Implementation of Share Repurchase during the Reporting Period

Progress on any share repurchase

Applicable Not applicable

Progress on reducing the repurchased shares by means of centralized bidding

Applicable Not applicable

Part VIII Preference Shares

Applicable Not applicable

No preference shares in the Reporting Period.

Part IX Bonds

Applicable Not applicable

Part X Financial Statements

I Independent Auditor's Report

Type of the independent auditor's opinion	Unmodified unqualified opinion
Date of signing this report	10th April 2023
Name of the independent auditor	Gongzheng Tianye Certified Public Accountants (Special General Partnership)
No. of the auditor's report	S.G. No.W[2023]A351
Name of the certified public accountants	Wang Wenkai, Qin Zhijun

Text of the Independent Auditor's Report

To the Shareholders of Changchai Company, Limited,

I Opinion

We have audited the accompanying financial statements of Changchai Company, Limited. (together with its consolidated subsidiaries included in the consolidated financial statements, the "Company"), which comprise the parent's and consolidated balance sheets as at 31 December 2022, the parent's and consolidated income statements, the parent's and consolidated cash flow statements, the parent's and consolidated statements of changes in owners' equity for the year then ended, as well as the notes to the financial statements.

In our opinion, the financial statements attached were prepared in line with the regulations of Accounting Standards for Business Enterprises in all significant aspects which gave a true and fair view of the consolidated and parent financial position of Changchai Company, Limited. As at 31 December 2022 and the consolidated and parent business performance and cash flow for 2022.

II Basis for Opinion

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

III Key Audit Matters

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

(I) Recognition of revenue

1. Description of the item

For details and analysis of the accounting policies for revenue recognition, please refer to accounting policies stated in the notes to financial statements "III. 30. Revenue" and "V. 37. Operating income and operating cost". In 2022, the operating income of Changchai Company amounted to RMB2,182,043,100.

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

2. Response for audit

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

(II) Bad debt provision for accounts receivable

1. Description of the item

As accounting policies stated in the notes to financial statements “III. 10. Impairment of financial instruments” and “V. 4. Accounts receivable”. On 31 December 2022, the book balance of accounts receivable of Changchai Company stood at RMB522,168,300, the bad debt provision amounted to RMB151,846,100 million, and the book value was RMB370,322,200, accounting for 7.10% of the total assets at the end of the reporting period. As the balance of accounts receivable is significant and the judgement of the Management is involved in the withdrawal of bad debt provision of accounts receivable, we consider this as a key audit matter.

2. Response for audit

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

IV Other Information

The Company’s management (hereinafter referred to as “management”) is responsible for the other information. The other information comprises all of the information included in the Company’s 2022 Annual Report other than

the financial statements and our auditor's report thereon.

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

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

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

The management is responsible for the preparation of the financial statements that give a fair view in accordance with CAS, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

VI Auditor's Responsibilities for Audit of Financial Statements

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

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

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

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

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

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

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

Gongzheng Tianye Certified Public Accountants
(Special General Partnership)

Wuxi · China

Chinese CPA: Wang Wenkai
(Engagement Partner)

Chinese CPA: Qin Zhijun

10th April 2023

II Financial Statements

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

1. Consolidated Balance Sheet

Prepared by Changchai Company, Limited

31 December 2022

Unit: RMB

Item	31 December 2022	1 January 2022
Current assets:		
Monetary assets	930,013,350.97	707,966,678.74
Settlement reserve		
Interbank loans granted		
Held-for-trading financial assets	370,103,602.57	404,053,261.57
Derivative financial assets		
Notes receivable	297,125,872.54	334,311,236.78
Accounts receivable	370,322,179.77	375,209,126.48
Accounts receivable financing	242,813,392.79	497,388,826.02
Prepayments	6,330,202.69	8,197,418.39
Premiums receivable		

Reinsurance receivables		
Receivable reinsurance contract reserve		
Other receivables	32,938,305.16	19,515,350.52
Including: Interest receivable		
Dividends receivable		
Financial assets purchased under resale agreements		
Inventories	571,996,881.74	651,083,758.18
Contract assets		
Assets held for sale		
Current portion of non-current assets		
Other current assets	49,279,022.49	44,060,822.57
Total current assets	2,870,922,810.72	3,041,786,479.25
Non-current assets:		
Loans and advances to customers		
Investments in debt obligations	39,309,587.93	37,898,226.39
Investments in other debt obligations		
Long-term receivables		
Long-term equity investments		
Investments in other equity instruments	955,560,240.08	779,877,646.53
Other non-current financial assets	373,500,000.00	112,500,000.00
Investment property	42,160,779.65	44,597,255.21
Fixed assets	720,061,387.76	402,915,521.65
Construction in progress	30,281,547.56	270,305,690.91
Productive living assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	157,392,217.54	155,154,745.91
Development costs		
Goodwill		
Long-term prepaid expense	3,279,970.32	110,345.30
Deferred income tax assets	26,220,575.93	10,693,809.23
Other non-current assets	670,735.93	4,543,240.88
Total non-current assets	2,348,437,042.70	1,818,596,482.01
Total assets	5,219,359,853.42	4,860,382,961.26
Current liabilities:		
Short-term borrowings	115,437,700.65	73,971,466.65

Borrowings from the central bank		
Interbank loans obtained		
Held-for-trading financial liabilities		
Derivative financial liabilities		
Notes payable	471,876,397.72	550,774,400.00
Accounts payable	747,010,098.88	666,186,668.82
Advances from customers	837,425.55	660,965.62
Contract liabilities	32,843,692.83	26,864,081.97
Financial assets sold under repurchase agreements		
Customer deposits and interbank deposits		
Payables for acting trading of securities		
Payables for underwriting of securities		
Employee benefits payable	49,351,022.47	45,385,667.48
Taxes payable	8,570,175.39	5,306,378.82
Other payables	160,046,882.93	148,361,373.29
Including: Interest payable		
Dividends payable	3,891,433.83	3,891,433.83
Handling charges and commissions payable		
Reinsurance payables		
Liabilities directly associated with assets held for sale		
Current portion of non-current liabilities		
Other current liabilities	78,645,741.16	88,938,192.79
Total current liabilities	1,664,619,137.58	1,606,449,195.44
Non-current liabilities:		
Insurance contract reserve		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Provisions		
Deferred income	36,205,625.94	39,615,355.40

Deferred income tax liabilities	161,360,251.33	117,344,161.11
Other non-current liabilities		
Total non-current liabilities	197,565,877.27	156,959,516.51
Total liabilities	1,862,185,014.85	1,763,408,711.95
Owners' equity:		
Share capital	705,692,507.00	705,692,507.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	640,133,963.01	640,676,218.40
Less: Treasury stock		
Other comprehensive income	655,341,704.07	506,011,499.55
Specific reserve	18,848,856.75	18,812,950.04
Surplus reserves	349,197,725.72	334,144,488.46
General reserve		
Retained earnings	915,495,909.35	872,212,354.88
Total equity attributable to owners of the Company as the parent	3,284,710,665.90	3,077,550,018.33
Non-controlling interests	72,464,172.67	19,424,230.98
Total owners' equity	3,357,174,838.57	3,096,974,249.31
Total liabilities and owners' equity	5,219,359,853.42	4,860,382,961.26

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He

2. Balance Sheet of the Company as the Parent

Unit: RMB

Item	31 December 2022	1 January 2022
Current assets:		
Monetary assets	792,744,709.77	615,184,387.01
Held-for-trading financial assets	280,354,111.11	262,004,030.14
Derivative financial assets		
Notes receivable	282,556,327.54	312,118,296.88
Accounts receivable	329,060,940.50	349,135,255.42
Accounts receivable financing	291,837,385.00	497,388,826.02
Prepayments	3,097,586.07	2,727,652.23
Other receivables	179,596,495.57	26,497,081.34
Including: Interest receivable		
Dividends receivable		
Inventories	397,626,837.43	516,588,187.24
Contract assets		
Assets held for sale		
Current portion of non-current assets		
Other current assets	15,594,949.05	21,292,211.46
Total current assets	2,572,469,342.04	2,602,935,927.74
Non-current assets:		
Investments in debt obligations	39,309,587.93	37,898,226.39
Investments in other debt obligations		
Long-term receivables		
Long-term equity investments	569,273,530.03	535,752,730.03
Investments in other equity instruments	955,560,240.08	779,877,646.53
Other non-current financial assets	373,500,000.00	112,500,000.00
Investment property	42,160,779.65	44,597,255.21
Fixed assets	249,558,305.21	325,034,679.67
Construction in progress	18,366,604.84	15,557,418.76
Productive living assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	64,783,364.89	66,621,426.26
Development costs		
Goodwill		
Long-term prepaid expense		
Deferred income tax assets	19,860,262.43	9,613,375.32
Other non-current assets		

Total non-current assets	2,332,372,675.06	1,927,452,758.17
Total assets	4,904,842,017.10	4,530,388,685.91
Current liabilities:		
Short-term borrowings	108,437,700.65	58,971,466.65
Held-for-trading financial liabilities		
Derivative financial liabilities		
Notes payable	518,918,596.58	544,444,400.00
Accounts payable	541,911,517.64	546,689,207.59
Advances from customers	837,425.55	660,965.62
Contract liabilities	24,129,579.35	24,730,270.44
Employee benefits payable	41,558,489.86	37,861,577.50
Taxes payable	3,119,171.69	2,955,053.82
Other payables	151,206,684.89	135,773,368.98
Including: Interest payable		
Dividends payable	3,243,179.97	3,243,179.97
Liabilities directly associated with assets held for sale		
Current portion of non-current liabilities		
Other current liabilities	67,810,395.33	63,535,570.11
Total current liabilities	1,457,929,561.54	1,415,621,880.71
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Provisions		
Deferred income	36,205,625.94	39,615,355.40
Deferred income tax liabilities	149,039,152.68	95,034,251.50
Other non-current liabilities		
Total non-current liabilities	185,244,778.62	134,649,606.90
Total liabilities	1,643,174,340.16	1,550,271,487.61
Owners' equity:		
Share capital	705,692,507.00	705,692,507.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	659,418,700.67	659,418,700.67
Less: Treasury stock		

Other comprehensive income	655,341,704.07	506,011,499.55
Specific reserve	18,848,856.75	18,812,950.04
Surplus reserves	349,197,725.72	334,144,488.46
Retained earnings	873,168,182.73	756,037,052.58
Total owners' equity	3,261,667,676.94	2,980,117,198.30
Total liabilities and owners' equity	4,904,842,017.10	4,530,388,685.91

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He

3. Consolidated Income Statement

Unit: RMB

Item	2022	2021
1. Revenue	2,182,043,095.61	2,452,430,515.60
Including: Operating revenue	2,182,043,095.61	2,452,430,515.60
Interest income		
Insurance premium income		
Handling charge and commission income		
2. Costs and expenses	2,247,441,538.64	2,399,524,185.52
Including: Cost of sales	1,948,677,036.52	2,084,671,762.08
Interest expense		
Handling charge and commission expense		
Surrenders		
Net insurance claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium expense		
Taxes and surcharges	16,973,196.26	15,125,948.96
Selling expense	102,630,223.71	117,242,290.32
Administrative expense	119,511,189.72	98,890,284.22
R&D expense	81,239,597.06	82,390,284.14
Finance costs	-21,589,704.63	1,203,615.80
Including: Interest expense	1,993,453.71	5,907,625.42
Interest income	12,804,077.19	7,921,535.62
Add: Other income	7,184,028.05	6,633,332.38
Return on investment (“-” for loss)	7,969,467.19	9,327,296.95
Including: Share of profit or loss of joint ventures and associates		
Income from the derecognition of financial assets at amortized cost (“-” for loss)		
Exchange gain (“-” for loss)		
Net gain on exposure hedges (“-” for loss)		
Gain on changes in fair value (“-” for loss)	145,243,457.17	104,570,498.36
Credit impairment loss (“-” for loss)	-2,953,740.73	-52,017,151.82
Asset impairment loss (“-” for loss)	-14,367,197.27	-8,676,024.20
Asset disposal income (“-” for loss)	393,161.73	155,515.49
3. Operating profit (“-” for loss)	78,070,733.11	112,899,797.24
Add: Non-operating income	4,257,942.65	4,037,896.76
Less: Non-operating expense	618,463.56	1,637,033.05
4. Profit before tax (“-” for loss)	81,710,212.20	115,300,660.95
Less: Income tax expense	2,464,079.74	12,368,786.58
5. Net profit (“-” for net loss)	79,246,132.46	102,931,874.37
5.1 By operating continuity		

5.1.1 Net profit from continuing operations (“-” for net loss)	79,246,132.46	102,931,874.37
5.1.2 Net profit from discontinued operations (“-” for net loss)		
5.2 By ownership		
5.2.1 Net profit attributable to shareholders of the Company as the parent	76,684,796.91	103,006,232.54
5.2.1 Net profit attributable to non-controlling interests	2,561,335.55	-74,358.17
6. Other comprehensive income, net of tax	149,330,204.52	80,528,741.31
Attributable to owners of the Company as the parent	149,330,204.52	80,528,741.31
6.1 Items that will not be reclassified to profit or loss	149,330,204.52	80,528,741.31
6.1.1 Changes caused by remeasurements on defined benefit schemes		
6.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method		
6.1.3 Changes in the fair value of investments in other equity instruments	149,330,204.52	80,528,741.31
6.1.4 Changes in the fair value arising from changes in own credit risk		
6.1.5 Other		
6.2 Items that will be reclassified to profit or loss		
6.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
6.2.2 Changes in the fair value of investments in other debt obligations		
6.2.3 Other comprehensive income arising from the reclassification of financial assets		
6.2.4 Credit impairment allowance for investments in other debt obligations		
6.2.5 Reserve for cash flow hedges		
6.2.6 Differences arising from the translation of foreign currency-denominated financial statements		
6.2.7 Other		
Attributable to non-controlling interests		
7. Total comprehensive income	228,576,336.98	183,460,615.68
Attributable to owners of the Company as the parent	226,015,001.43	183,534,973.85
Attributable to non-controlling interests	2,561,335.55	-74,358.17
8. Earnings per share		
8.1 Basic earnings per share	0.1087	0.1657
8.2 Diluted earnings per share	0.1087	0.1657

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He

4. Income Statement of the Company as the Parent

Unit: RMB

Item	2022	2021
1. Operating revenue	1,988,473,044.55	2,267,232,119.78
Less: Cost of sales	1,784,345,704.10	1,944,820,462.59
Taxes and surcharges	11,846,885.20	11,893,439.38
Selling expense	97,601,117.35	106,770,873.83
Administrative expense	90,150,661.31	80,635,862.36
R&D expense	72,372,647.10	75,021,386.36
Finance costs	-22,274,862.27	-2,350,968.39
Including: Interest expense	1,531,942.32	3,932,469.12
Interest income	15,122,552.35	8,354,523.54
Add: Other income	6,504,428.46	5,810,480.10
Return on investment (“-” for loss)	36,604,658.62	8,352,714.26
Including: Share of profit or loss of joint ventures and associates	28,800,000.00	
Income from the derecognition of financial assets at amortized cost (“-” for loss)		
Net gain on exposure hedges (“-” for loss)		
Gain on changes in fair value (“-” for loss)	186,354,111.11	35,754,030.14
Credit impairment loss (“-” for loss)	-8,854,137.91	-16,143,004.02
Asset impairment loss (“-” for loss)	-11,526,145.82	-3,866,890.01
Asset disposal income (“-” for loss)	4,181,548.77	6,642.47
2. Operating profit (“-” for loss)	167,695,354.99	80,355,036.59
Add: Non-operating income	345,409.40	3,441,588.57
Less: Non-operating expense	102,766.76	1,086,173.24
3. Profit before tax (“-” for loss)	167,937,997.63	82,710,451.92
Less: Income tax expense	17,405,625.04	-4,219,121.23
4. Net profit (“-” for net loss)	150,532,372.59	86,929,573.15
4.1 Net profit from continuing operations (“-” for net loss)	150,532,372.59	86,929,573.15
4.2 Net profit from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of tax	149,330,204.52	80,528,741.31
5.1 Items that will not be reclassified to profit or loss	149,330,204.52	80,528,741.31
5.1.1 Changes caused by remeasurements on defined benefit schemes		
5.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method		
5.1.3 Changes in the fair value of investments in other equity instruments	149,330,204.52	80,528,741.31
5.1.4 Changes in the fair value arising from changes in own credit risk		
5.1.5 Other		
5.2 Items that will be reclassified to profit or loss		

5.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
5.2.2 Changes in the fair value of investments in other debt obligations		
5.2.3 Other comprehensive income arising from the reclassification of financial assets		
5.2.4 Credit impairment allowance for investments in other debt obligations		
5.2.5 Reserve for cash flow hedges		
5.2.6 Differences arising from the translation of foreign currency-denominated financial statements		
5.2.7 Other		
6. Total comprehensive income	299,862,577.11	167,458,314.46
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He

5. Consolidated Cash Flow Statement

Unit: RMB

Item	2022	2021
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	2,089,127,900.17	1,806,075,487.79
Net increase in customer deposits and interbank deposits		
Net increase in borrowings from the central bank		
Net increase in loans from other financial institutions		
Premiums received on original insurance contracts		
Net proceeds from reinsurance		
Net increase in deposits and investments of policy holders		
Interest, handling charges and commissions received		
Net increase in interbank loans obtained		
Net increase in proceeds from repurchase transactions		
Net proceeds from acting trading of securities		
Tax rebates	38,479,590.77	50,016,426.49
Cash generated from other operating activities	22,990,293.44	22,636,726.19
Subtotal of cash generated from operating activities	2,150,597,784.38	1,878,728,640.47
Payments for commodities and services	1,312,012,931.69	1,648,743,526.28
Net increase in loans and advances to customers		
Net increase in deposits in the central bank and in interbank loans granted		
Payments for claims on original insurance contracts		
Net increase in interbank loans granted		
Interest, handling charges and commissions paid		
Policy dividends paid		
Cash paid to and for employees	313,119,839.28	323,020,547.09
Taxes paid	52,344,111.33	31,276,348.44
Cash used in other operating activities	108,190,624.24	142,011,997.96
Subtotal of cash used in operating activities	1,785,667,506.54	2,145,052,419.77
Net cash generated from/used in operating activities	364,930,277.84	-266,323,779.30
2. Cash flows from investing activities:		
Proceeds from disinvestment	914,060,767.00	373,180,033.58
Return on investment	17,913,476.59	11,396,891.86
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	692,980.99	589,226.24
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities	11,400,123.61	
Subtotal of cash generated from investing activities	944,067,348.19	385,166,151.68
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	48,439,287.62	139,772,849.33
Payments for investments	1,033,581,567.00	709,038,171.10
Net increase in pledged loans granted		

Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities		1,869,322.91
Subtotal of cash used in investing activities	1,082,020,854.62	850,680,343.34
Net cash generated from/used in investing activities	-137,953,506.43	-465,514,191.66
3. Cash flows from financing activities:		
Capital contributions received		633,873,281.14
Including: Capital contributions by non-controlling interests to subsidiaries		
Borrowings raised	7,000,000.00	19,000,000.00
Cash generated from other financing activities	128,437,700.65	58,971,466.65
Subtotal of cash generated from financing activities	135,437,700.65	711,844,747.79
Repayment of borrowings	12,000,000.00	29,000,000.00
Interest and dividends paid	18,689,380.47	1,707,729.02
Including: Dividends paid by subsidiaries to non-controlling interests		
Cash used in other financing activities	83,623,545.07	14,621,163.63
Subtotal of cash used in financing activities	114,312,925.54	45,328,892.65
Net cash generated from/used in financing activities	21,124,775.11	666,515,855.14
4. Effect of foreign exchange rates changes on cash and cash equivalents	-152,802.06	-2,215,203.09
5. Net increase in cash and cash equivalents	247,948,744.46	-67,537,318.91
Add: Cash and cash equivalents, beginning of the period	562,402,221.59	629,939,540.50
6. Cash and cash equivalents, end of the period	810,350,966.05	562,402,221.59

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He

6. Cash Flow Statement of the Company as the Parent

Unit: RMB

Item	2022	2021
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	2,040,092,339.55	1,721,407,332.48
Tax rebates	27,588,745.34	39,451,775.67
Cash generated from other operating activities	21,378,587.89	16,788,453.39
Subtotal of cash generated from operating activities	2,089,059,672.78	1,777,647,561.54
Payments for commodities and services	1,330,893,073.67	1,632,770,616.35
Cash paid to and for employees	243,134,907.26	267,953,154.75
Taxes paid	39,870,320.72	21,295,926.17
Cash used in other operating activities	222,082,917.91	129,115,999.33
Subtotal of cash used in operating activities	1,835,981,219.56	2,051,135,696.60
Net cash generated from/used in operating activities	253,078,453.22	-273,488,135.06
2. Cash flows from investing activities:		
Proceeds from disinvestment	855,000,000.00	
Return on investment	45,708,640.27	10,222,037.17
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	38,250,224.61	124,954.89
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities		
Subtotal of cash generated from investing activities	938,958,864.88	10,346,992.06
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	8,002,707.77	5,665,400.94
Payments for investments	983,520,800.00	484,148,226.39
Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities		1,869,322.91
Subtotal of cash used in investing activities	991,523,507.77	491,682,950.24
Net cash generated from/used in investing activities	-52,564,642.89	-481,335,958.18
3. Cash flows from financing activities:		
Capital contributions received		633,873,281.14
Borrowings raised		5,000,000.00
Cash generated from other financing activities	128,437,700.65	58,971,466.65
Subtotal of cash generated from financing activities	128,437,700.65	697,844,747.79
Repayment of borrowings		10,000,000.00
Interest and dividends paid	18,348,005.18	160,362.10
Cash used in other financing activities	80,503,408.97	14,621,163.63
Subtotal of cash used in financing activities	98,851,414.15	24,781,525.73
Net cash generated from/used in financing activities	29,586,286.50	673,063,222.06
4. Effect of foreign exchange rates changes on cash and cash equivalents	-1,851,060.10	-1,401,721.22
5. Net increase in cash and cash equivalents	228,249,036.73	-83,162,592.40

Add: Cash and cash equivalents, beginning of the period	476,410,739.41	559,573,331.81
6. Cash and cash equivalents, end of the period	704,659,776.14	476,410,739.41

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He

7. Consolidated Statements of Changes in Owners' Equity

2022

Unit: RMB

Item	2022														
	Equity attributable to owners of the Company as the parent											Non-controlling interests	Total owners' equity		
	Share capital	Other equity instruments			Capital reserves	L e s s : T r e a s u r y s t o c k	Other comprehensive income	Specific reserve	Surplus reserves	G e n e r a l r e s e r v e	Retained earnings			O t h e r	Subtotal
	P r e f e r r e d s h a r e s	P e r p e t u a l b o n d s	O t h e r												
1. Balance as at the end of the prior year	705,692,507.00				640,676,218.40		506,011,499.55	18,812,950.04	334,144,488.46		872,212,354.88		3,077,550,018.33	19,424,230.98	3,096,974,249.31
Add: Adjustment for change in accounting policy															
Adjustment for correction of previous error															
Adjustment for business															

combination under common control														
Other adjustments														
2. Balance as at the beginning of the year	705,692,507.00			640,676,218.40	506,011,499.55	18,812,950.04	334,144,488.46	872,212,354.88	3,077,550,018.33	19,424,230.98	3,096,974,249.31			
3. Increase/ decrease in the period (“-” for decrease)				-542,255.39	149,330,204.52	35,906.71	15,053,237.26	43,283,554.47	207,160,647.57	53,039,941.69	260,200,589.26			
3.1 Total comprehensive income					149,330,204.52			76,684,796.91	226,015,001.43	2,561,335.55	228,576,336.98			
3.2 Capital increased and reduced by owners				-542,255.39					-542,255.39	50,478,606.14	49,936,350.75			
3.2.1 Ordinary shares increased by owners														
3.2.2 Capital increased by holders of other equity instruments														
3.2.3 Share-based payments included in owners’ equity														
3.2.4 Other				-542,255.39					-542,255.39	50,478,606.14	49,936,350.75			
3.3 Profit distribution							15,053,237.26	-33,401,242.44	-18,348,005.18		-18,348,005.18			
3.3.1 Appropriation to surplus reserves							15,053,237.26	-15,053,237.26						
3.3.2 Appropriation to general reserve														
3.3.3 Appropriation to owners (or shareholders)								-18,348,005.18	-18,348,005.18		-18,348,005.18			
3.3.4 Other														
3.4 Transfers within owners’														

equity														
3.4.1 Increase in capital (or share capital) from capital reserves														
3.4.2 Increase in capital (or share capital) from surplus reserves														
3.4.3 Loss offset by surplus reserves														
3.4.4 Changes in defined benefit schemes transferred to retained earnings														
3.4.5 Other comprehensive income transferred to retained earnings														
3.4.6 Other														
3.5 Specific reserve							35,906.71				35,906.71		35,906.71	
3.5.1 Increase in the period							4,877,232.12				4,877,232.12		4,877,232.12	
3.5.2 Used in the period							4,841,325.41				4,841,325.41		4,841,325.41	
3.6 Other														
4. Balance as at the end of the period	705,692,507.00			640,133,963.01	655,341,704.07	18,848,856.75	349,197,725.72	915,495,909.35	3,284,710,665.90	72,464,172.67	3,357,174,838.57			

2021

Unit: RMB

Item	2021		
	Equity attributable to owners of the Company as the parent	Non-cont	Total

	Share capital	Other equity instruments			Capital reserves	L e s s : T r e a s u r y s t o c k	Other comprehensive income	Specific reserve	Surplus reserves	G e n e r a l r e s e r v e	Retained earnings	O t h e r	Subtotal	rolling interests	owners' equity
		P r e f e r r e d s h a r e s	P e r p e t u a l b o n d s	O t h e r											
1. Balance as at the end of the prior year	561,374,326.00			164,328,665.43		425,482,758.24	18,812,986.55	325,451,531.14		777,899,079.66		2,273,349,347.02	19,498,589.15	2,292,847,936.17	
Add: Adjustment for change in accounting policy															
Adjustment for correction of previous error															
Adjustment for business combination under common control															
Other adjustments															
2. Balance as at the beginning of the year	561,374,326.00			164,328,665.43		425,482,758.24	18,812,986.55	325,451,531.14		777,899,079.66		2,273,349,347.02	19,498,589.15	2,292,847,936.17	

3. Increase/ decrease in the period (“-” for decrease)	144,318,181.00			476,347,552.97		80,528,741.31	-36.51	8,692,957.32		94,313,275.22		804,200,671.31	-74,358.17	804,126,313.14
3.1 Total comprehensive income						80,528,741.31				103,006,232.54		183,534,973.85	-74,358.17	183,460,615.68
3.2 Capital increased and reduced by owners	144,318,181.00			476,347,552.97								620,665,733.97		620,665,733.97
3.2.1 Ordinary shares increased by owners	144,318,181.00			476,347,552.97								620,665,733.97		620,665,733.97
3.2.2 Capital increased by holders of other equity instruments														
3.2.3 Share-based payments included in owners’ equity														
3.2.4 Other														
3.3 Profit distribution								8,692,957.32		-8,692,957.32				
3.3.1 Appropriation to surplus reserves								8,692,957.32		-8,692,957.32				
3.3.2 Appropriation to general reserve														
3.3.3 Appropriation to owners (or shareholders)														
3.3.4 Other														
3.4 Transfers within owners’ equity														
3.4.1 Increase in capital (or share capital) from capital reserves														

3.4.2 Increase in capital (or share capital) from surplus reserves													
3.4.3 Loss offset by surplus reserves													
3.4.4 Changes in defined benefit schemes transferred to retained earnings													
3.4.5 Other comprehensive income transferred to retained earnings													
3.4.6 Other													
3.5 Specific reserve													
3.5.1 Increase in the period													
3.5.2 Used in the period													
3.6 Other													
4. Balance as at the end of the period	705,692,507.00			640,676,218.40	506,011,499.55	18,812,950.04	334,144,488.46	872,212,354.88	3,077,550,018.33	19,424,230.98	3,096,974,249.31		

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He

8. Statements of Changes in Owners' Equity of the Company as the Parent 2022

Unit: RMB

Item	2022											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferred shares	Perpetual bonds	Other								
1. Balance as at the end of the prior year	705,692,507.00				659,418,700.67		505,663,130.88	18,812,950.04	334,144,488.46	756,385,421.25		2,980,117,198.30
Add: Adjustment for change in accounting policy												
Adjustment for correction of previous error												
Other adjustments												
2. Balance as at the beginning of the year	705,692,507.00				659,418,700.67		505,663,130.88	18,812,950.04	334,144,488.46	756,385,421.25		2,980,117,198.30
3. Increase/ decrease in the period ("-" for decrease)							149,330,204.52	35,906.71	15,053,237.26	117,131,130.15		281,550,478.64
3.1 Total comprehensive income							149,330,204.52			150,532,372.59		299,862,577.11
3.2 Capital increased and reduced by owners												
3.2.1 Ordinary shares												

increased by owners												
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in owners' equity												
3.2.4 Other												
3.3 Profit distribution								15,053,237.26	-33,401,242.44		-18,348,005.18	
3.3.1 Appropriation to surplus reserves								15,053,237.26	-15,053,237.26			
3.3.2 Appropriation to owners (or shareholders)									-18,348,005.18		-18,348,005.18	
3.3.3 Other												
3.4 Transfers within owners' equity												
3.4.1 Increase in capital (or share capital) from capital reserves												
3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Loss offset by surplus reserves												
3.4.4 Changes in defined benefit schemes transferred to retained earnings												
3.4.5 Other comprehensive income transferred to retained earnings												

3.4.6 Other										
3.5 Specific reserve							35,906.71			35,906.71
3.5.1 Increase in the period							4,877,232.12			4,877,232.12
3.5.2 Used in the period							4,841,325.41			4,841,325.41
3.6 Other										
4. Balance as at the end of the period	705,692,507.00				659,418,700.67	654,993,335.40	18,848,856.75	349,197,725.72	873,516,551.40	3,261,667,676.94

2021

Unit: RMB

Item	2021											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferred shares	Perpetual bonds	Other								
1. Balance as at the end of the prior year	561,374,326.00				183,071,147.70	425,482,758.24	18,812,986.55	325,451,531.14	677,800,436.75		2,191,993,186.38	
Add: Adjustment for change in accounting policy												
Adjustment for correction of previous error												
Other adjustments												

2. Balance as at the beginning of the year	561,374,326.0 0				183,071,14 7.70		425,482,7 58.24	18,812,986. 55	325,451,531 .14	677,800,436. 75		2,191,993,1 86.38
3. Increase/ decrease in the period (“-” for decrease)	144,318,181.0 0				476,347,55 2.97		80,528,74 1.31	-36.51	8,692,957.3 2	78,236,615.8 3		788,124,01 1.92
3.1 Total comprehensive income							80,528,74 1.31			86,929,573.1 5		167,458,31 4.46
3.2 Capital increased and reduced by owners	144,318,181.0 0				476,347,55 2.97							620,665,73 3.97
3.2.1 Ordinary shares increased by owners	144,318,181.0 0				476,347,55 2.97							620,665,73 3.97
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in owners’ equity												
3.2.4 Other												
3.3 Profit distribution									8,692,957.3 2	-8,692,957.3 2		
3.3.1 Appropriation to surplus reserves									8,692,957.3 2	-8,692,957.3 2		
3.3.2 Appropriation to owners (or shareholders)												
3.3.3 Other												
3.4 Transfers within owners’ equity												
3.4.1 Increase in capital (or share capital) from capital reserves												

3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Loss offset by surplus reserves												
3.4.4 Changes in defined benefit schemes transferred to retained earnings												
3.4.5 Other comprehensive income transferred to retained earnings												
3.4.6 Other												
3.5 Specific reserve							-36.51					-36.51
3.5.1 Increase in the period							4,023,200.24					4,023,200.24
3.5.2 Used in the period							4,023,236.75					4,023,236.75
3.6 Other												
4. Balance as at the end of the period	705,692,507.00			659,418,700.67	506,011,499.55	18,812,950.04	334,144,488.46	756,037,052.58				2,980,117,198.30

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He

III. Company Profile

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

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

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

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

A non-public offering of up to 168,412,297 new shares was deliberated on and approved as a resolution of the 2020 Annual General Meeting held on 7 May 2021 and approved by the *Approval of the Non-public Offering of Shares of Changchai Co., Ltd.* (CSRC Permit [2020] No. 3374) issued by Changchai Company Limited the China Securities Regulatory Commission. On 16 June 2021, the capital verification report "S.G. W [2021] B062" was issued by Gongzheng Tianye Accounting Firm (Special General Partnership), confirming that the Company had issued 144,318,181 RMB ordinary shares (A shares) in a non-public offering, with an additional paid-in capital (share capital) of RMB144,318,181. The total amount raised was RMB634,999,996.40; the net amount raised was RMB620,665,733.97, which increased the capital reserve (share capital premium) by RMB476,347,552.97. As of 31 December 2021, the total share capital of the Company was RMB705,692,507.

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

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

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

Period.

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

The financial report has been approved to be issued by the Board of Directors on 10 April 2023.

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

IV. Basis for Preparation of the Financial Report

1. Basis for Preparation

With the going-concern assumption as the basis and based on transactions and other events that actually occurred, the Group prepared financial statements in accordance with The Accounting Standards for Business Enterprises—Basic Standard issued by the Ministry of Finance with Decree No. 33 and revised with Decree No. 76, the various specific accounting standards, the Application Guidance of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other regulations issued and revised from 15 February 2006 onwards (hereinafter jointly referred to as “the Accounting Standards for Business Enterprises”, “China Accounting Standards” or “CAS”), as well as the Rules for Preparation Convention of Disclosure of Public Offering Companies No.15 – General Regulations for Financial Reporting (revised in 2014) by China Securities Regulatory Commission.

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

2. Continuation

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

V. Important Accounting Policies and Estimations

Notification of specific accounting policies and accounting estimations:

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

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

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

2. Fiscal Period

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

3. Operating Cycle

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

4. Currency Used in Bookkeeping

Renminbi is functional currency of the Company.

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

(1) Business combinations under the same control:

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

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

If the consideration of the merging enterprise is that it issues equity securities, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The total face value of the stocks issued shall be regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

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

Owing to the reasons such as the additional investment, for the equity investment held before acquiring the

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

(2) Business combinations not under the same control

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

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

6. Methods for Preparing Consolidated Financial Statements

The Company confirms the consolidated scope based on the control and includes the subsidiaries with actual control right into the consolidated financial statement.

The consolidated financial statement of the Company is compiled according to the regulations of No. 33 of ASBE-Consolidated Financial Statement and the relevant regulations and as for the whole significant come-and-go balance, investment, transaction and the unrealized profits should be written off when compiling the consolidated financial statement. The portion of a subsidiary's shareholders' equity and the portion of a subsidiary's net profits and losses for the period not held by the Group are recognized as minority interests and minority shareholder profits and losses respectively and presented separately under shareholders' equity and net profits in the consolidation financial statements. The portion of a subsidiary's net profits and losses for the period that belong to minority interests is presented as the item of "minority shareholder profits and losses" under the bigger item of net profits in the consolidated financial statements. Where the loss of a subsidiary shared by minority shareholders exceeds the portion enjoyed by minority shareholders in the subsidiary's opening owners' equity, minority interests are offset.

The accounting policy or accounting period of each subsidiary is different from which of the Company, which

shall be adjusted as the Company; or subsidiaries shall prepare financial statement again required by the Company when preparing the consolidated financial statements.

As for the added subsidiary company not controlled by the same enterprise preparing the consolidated financial statement, shall adjust individual financial statement based on the fair value of the identifiable net assets on the acquisition date; as for the added subsidiary companies controlled by the same enterprise preparing the financial statement, shall not adjust the financial statement of the subsidiaries, namely survived by integration as participating in the consolidation when the final control party starts implementing control and should adjust the period-begin amount of the consolidated balance sheet and at the same time adjust the relevant items of the compared statement.

As for the disposed subsidiaries, the operation result and the cash flow should be included in the consolidated income statement and the consolidated cash flow before the disposing date; the disposed subsidiaries of the current period, should not be adjusted the period-begin amount of the consolidated balance sheet.

Where the Group losses control on its original subsidiaries due to disposal of some equity investments or other reasons, the residual equity interests are re-measured according to the fair value on the date when such control ceases. The summation of the consideration obtained from the disposal of equity interests and the fair value of the residual equity interests, minus the portion in the original subsidiary's net assets measured on a continuous basis from the acquisition date that is enjoyable by the Group according to the original shareholding percentage in the subsidiary, is recorded in investment gains for the period when the Group's control on the subsidiary ceases. Other comprehensive incomes in relation to the equity investment and the other owners' equities changes except for the net gains and losses, other comprehensive income and profits distribution in the original subsidiary are treated on the same accounting basis as the acquiree directly disposes the relevant assets or liabilities (that is, except for the changes in the net liabilities or assets with a defined benefit plan resulted from re-measurement of the original subsidiary, the rest shall all be transferred into current investment gains) when such control ceases. And subsequent measurement is conducted on the residual equity interests according to the No.2 Accounting Standard for Business Enterprises-Long-term Equity Investments or the No.22 Accounting Standard for Business Enterprises-Recognition and Measurement of Financial Instruments.

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

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

7. Classification of Joint Arrangements and Accounting Treatment of Joint Operations

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

A joint operation refers to a joint arrangement where the Group is the joint operations party of the joint arrangement and enjoys assets and has to bear liabilities related to the arrangement. The Company confirms the following items related to the interests share among the joint operations and executes accounting treatment according to the regulations of the relevant ASBE:

(1) Recognizes the assets that it holds and bears in the joint operation and recognizes the jointly-held assets

according to the Group's stake in the joint operation;

(2) Recognizes the liabilities that it holds and bears in the joint operation and recognizes the jointly-held liabilities according to the Group's stake in the joint operation;

(3) Recognizes the income from sale of the Group's share in the output of the joint operation

(4) Recognizes the income from sale of the joint operation's outputs according to the Group's stake in it

(5) Recognizes the expense solely incurred to the Group and the expense incurred to the joint operation according to the Group's stake in it.

8. Recognition Standard for Cash and Cash Equivalents

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

9. Foreign Currency Businesses and Translation of Foreign Currency Financial Statements

(1) Foreign currency business

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

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

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

(2) Translation of foreign currency

The assets and liabilities items among the balance sheet of the foreign operation shall be translated at a spot exchange rate on the balance sheet date. Among the owner's equity items, except for the items as "undistributed profits", other items shall be translated at the spot exchange rate at the time when they are incurred. And the revenues and expenses items among the balance sheet of the foreign operation shall be translated at the approximate exchange rate of the transaction date. The difference caused from the above transaction of the foreign currency statement should be listed in the other comprehensive income among the owners' equities.

10. Financial Instruments

(1) Classification of Financial Instruments

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

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

(2) Recognition Basis and Measurement Method for Financial Instruments

① Financial assets measured at amortized cost

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

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

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

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

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

④ Financial assets at fair value through profit or loss

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

⑤ Financial liabilities at fair value through profit or loss

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

the carrying value and the paid consideration shall be recorded into the current profit or loss.

⑥ Financial liabilities at amortized cost

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

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

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

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

(4) Derecognition Basis of Financial Liabilities

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

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

The fair value of financial instruments with an active market is determined by the quoted price in the active market. For financial instruments without active market, the fair value is determined by valuation techniques. The Company adopts the valuation techniques applicable to the current conditions which are supported by sufficient data and other information for valuation, and selects the input values consistent with the characteristics of assets or liabilities considered by market participants in asset or liability transactions, with priority to observable input values. Unobservable input values are used only when relevant observable input values are not available or practical.

(6) Impairment of financial instrument

① Impairment measurement and accounting handling of financial instrument

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

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

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

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

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

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

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

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

A. Accounts receivable

For notes receivable, accounts receivable, other receivables and accounts receivable financing with objective evidence indicating impairment and those suitable for individual evaluation, the Company carries out impairment test separately to confirm expected credit loss and prepare provision for impairment of single items. For notes receivable, accounts receivable, other receivables, accounts receivable financing, contract assets and long-term receivables without objective evidence of impairment, or a single financial asset with expected credit loss impossible to be assessed at a reasonable cost, the Company divides the notes receivable, accounts receivable, other receivables and accounts receivable financing into groups according to the characteristics of credit risk, and calculates the expected credit loss based on receivable groups. The basis for recognizing groups is as follows:

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

Basis for recognizing groups of other receivables is as follows:

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

11. Accounts Receivable

See "10. Financial Instruments".

12. Accounts Receivable Financing

See “10. Financial Instruments”.

13. Other Receivables

See “10. Financial Instruments”.

14. Inventory

(1) Category of Inventory

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

(2) Pricing method

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

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

At the balance sheet date, inventories are measured at the lower of the costs and net realizable value. When all the inventories are checked roundly, for those which were destroyed, outdated in all or in part, sold at a loss, etc, the Company shall estimate the irrecoverable part of its cost and withdrawal the inventory falling price reserve at the year-end. Where the cost of the single inventory item is higher than the net realizable value, the inventory falling price reserve shall be withdrawn and recorded into profits and losses of the current period. Of which: in the normal production and operating process, as for the commodities inventory directly for sales such as the finished products, commodities and the materials for sales, should recognize the net realizable value according to the amount of the estimated selling price of the inventory minuses the estimated selling expenses and the relevant taxes; as for the materials inventory needs to be processed in the normal production and operating process, should recognize its net realizable value according to the amount of the estimated selling price of the finished products minuses the cost predicts to be occur when the production completes and the estimated selling expenses as well as the relevant taxes; on the balance sheet date, for the same inventory with one part agreed by the contract price and other parts not by the contract price, should be respectively recognized the net realizable value. For items of inventories relating to a product line that are produced and marketed in the same geographical area, have the same or similar end users or purposes, and cannot be practicably evaluated separately from other items in that product line provision for decline in value is determined on an aggregate basis; for large quantity and low value items of inventories, provision for decline in value is made based on categories of inventories.

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

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

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

15. Contract Assets

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

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

16. Contract Costs

(1) Costs from Acquiring Contract

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

(2) Costs from Executing Contract

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

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

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

17. Assets Held for Sale

The Company recognizes the components (or the non-current assets) which meet with the following conditions as assets held for sale:

- (1) The components must be immediately sold only according to the usual terms of selling this kind of components under the current conditions;
- (2) The Company had made solutions on disposing the components (or the non-current assets), for example, the Company should gain the approval from the shareholders according to the regulations and had acquired the approved from the Annual General Meeting or the relevant authority institutions;

- (3) The Company had signed the irrevocable transformation agreement with the transferee;
- (4) The transformation should be completed within 1 year.

18. Long-term Equity Investments

(1) Judgment standard of joint control and significant influences

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

(2) Recognition for initial investment cost

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

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

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

3) Long-term equity investment obtained by other means

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

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

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

As for long-term investment obtained by the exchange of non-monetary assets, where it is commercial in nature,

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

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

(3) Subsequent measurement and recognition of profits and losses

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

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

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

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

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

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

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

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

The Company shall recognize the net losses of the invested enterprise according to the following sequence: first of all, to write down the book value of the long-term equity investment. Secondly, if the book value of the long-term equity investment is insufficient for written down, should be continued to recognized the investment losses limited to the book value of other long-term equity which forms of the net investment of the investees and to written down the book value of the long-term accounts receivable etc. Lastly, through the above handling, for those should still undertake the additional obligations according to the investment contracts or the agreements, it shall

be recognized as the estimated liabilities in accordance with the estimated duties and then recorded into investment losses at current period. If the invested entity realizes any net profits later, the Company shall, after the amount of its attributable share of profits offsets against its attributable share of the un-recognized losses, resume recognizing its attributable share of profits.

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

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

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

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

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

the recognition and measurement standards of financial instrument, the other comprehensive income and the other owners' equity should be carried forward in full amount.

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

19. Investment Real Estate

Measurement mode of investment real estate:

Measurement of cost method

Depreciation or amortization method

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

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

20. Fixed Assets

(1) Recognition Conditions

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

(2) Depreciation Method

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

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

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

- 1) The leasing contract had agreed that (or made the reasonable judgment according to the relevant conditions on the lease starting date) when the lease term expires, the ownership of leasing the fixed assets could be transferred to the Company;
- 2) The Company owns the choosing right for purchasing and leasing the fixed assets, with the set purchase price which is estimated far lower than the fair value of the fixed assets by finance lease when executing the choosing right, so the Company could execute the choosing right reasonably on the lease starting date;
- 3) Even if the ownership of the fixed assets not be transferred, the lease period is of 75% or above of the useful life of the lease fixed assets;
- 4) The current value of the minimum lease payment on the lease starting date of the Company is equal to 90% or above of the fair value of the lease fixed assets on the lease starting date; the current value of the minimum lease receipts on the lease starting date of the leaser is equal to 90% or above of the fair value of the lease fixed assets on the lease starting date;
- 5) The nature of the lease assets is special that only the Company could use it if not execute large transformation. The fixed assets by finance lease should take the lower one between the fair value of the leasing assets and the current value of the minimum lease payment on the lease starting date as the entry value. As for the minimum lease payment which be regarded as the entry value of the long-term accounts payable, its difference should be regarded as the unrecognized financing expense. For the initial direct expenses occur in the lease negotiations and the signing process of the lease contracts that attribute to the handling expenses, counsel fees, travel expenses and stamp taxes of the lease items, should be included in the charter-in assets value. The unrecognized financing expenses should be amortized by adopting the actual interest rate during the period of the lease term.

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

21. Construction in Progress

(1) Valuation of the progress in construction

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

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

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

22. Borrowing Costs

(1) Recognition principle of capitalization of borrowing costs

The borrowing costs shall include the interest on borrowings, amortization of discounts or premiums on

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

(2) The period of capitalization of borrowing costs

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

(3) Measurement method of capitalization amount of borrowing costs

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

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

23. Intangible Assets

(1) Pricing Method, Service Life, and Impairment Test

(1) Pricing method of intangible assets

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

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

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

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

(2) Amortization method and term of intangible assets

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

limited service life. When the service life and the amortization method of intangible assets are different from those before, the years and method of the amortization shall be changed.

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

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

(2) Accounting Policies of Internal R & D Costs

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

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

24. Impairment of Long-term Assets

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

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

flow independently.

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

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

25. Long-term Deferred Expenses

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

26. Contract Liabilities

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

27. Employee Benefits

(1) Accounting Treatment of Short-term Compensation

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

(2) Accounting Treatment of the Welfare after Demission

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

Defined contribution plans

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

(3) Accounting Treatment of the Demission Welfare

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

28. Lease Liabilities

On the commencement date of the lease term, the Company recognizes the present value of unpaid lease payments as lease liabilities. Lease payments include: fixed payment and substantial fixed payment, and the relevant amount after the lease incentive (if any) is deducted; variable lease payments that depend on indexation or ratio, which are determined according to the indexation or ratio on the commencement date of the lease term in the initial measurement; exercise price of the purchased option, provided that the lessee reasonably determines that the option will be exercised; the amount to be paid for the exercise of the lease termination options, provided that the lease term reflects that the lessee will exercise the options to terminate the lease; and estimated payments due to the guaranteed residual value provided by the lessee.

The Company uses the interest rate implicit in lease as the rate of discount when calculating the present value of the lease payments. The incremental lending rate of the lessee will be used as the rate of discount, if the interest rate implicit in lease cannot be determined. The Company calculates the interest charge of the lease liabilities in each period of the lease term at a fixed periodic interest rate and includes it in the profit or loss of the current period, unless such interest charge is stipulated to be included in the underlying asset costs. Variable lease payments that are not included in the measurement of the lease liabilities should be included in the profit or loss of the current period when they are actually incurred, unless such payments are stipulated to be included in the underlying asset costs. The Company will re-calculate the lease liabilities using the present value of the changed lease payments, if the substantial fixed payment, the estimated payments due to the guaranteed residual value, the index or rate used to determine the lease payments, or the assessment result of the call option, the renewal option, or the termination option, or the actual exercise changes, after the commencement date of the lease term.

29. Provisions

(1) Criteria of provisions

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

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

(2) Measurement of provisions

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

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

30. Revenue

Accounting policies for recognition and measurement of revenue:

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

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

The Company shall adopt the Input Method to determine the Performance Schedule. Namely, the Performance Schedule shall be determined according to the Company's input for fulfilling performance obligations. When the Performance Schedule cannot be reasonably determined and all resulting costs are predicted to be compensated, the Company shall recognize the revenue based on the resulting cost amount till the Performance Schedule can be reasonably determined.

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

Variable Consideration

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

Consideration Payable to the Client

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

Sales with the Quality Assurance

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

Main Responsibility Person/Agent

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

Specific methods

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

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

The following requirements must be met to confirm the revenue of domestic products: The Company has delivered the goods to the customer in accordance with the contract and the customer has accepted the goods. The payment has been recovered or the receipt voucher has been obtained, and the relevant economic benefits are likely to flow in. The customer has obtained control of the relevant goods. The main risks and rewards of product ownership have been transferred. The legal ownership of the goods has been transferred.

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

Interest Revenue

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

31. Government Grants

(1) Type

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

For those the government documents not definite stipulate the assistance object, the judgment basis of the

Company classifies the government grants pertinent to assets and government subsidies pertinent to income is: whether are used for purchasing or constructing or for forming the long-term assets by other methods.

(2) Recognition of Government Subsidies

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

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

(3) Accounting Treatment

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

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

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

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

32. Deferred Income Tax Assets/Deferred Income Tax Liabilities

(1) Basis of recognizing the deferred income tax assets

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

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

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

(2) Basis of recognizing the deferred income tax liabilities

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

33. Lease

The term "lease" refers to a contract whereby the lessor transfers the right of use regarding the leased asset(s) to the lessee within a specified time in exchange for consideration. From the effective date of a contract, the Company assesses whether the contract is a lease or includes any lease. If a party to the contract transferred the right allowing the control over the use of one or more assets that have been identified within a certain period, in exchange for a consideration, such contract is a lease or includes a lease. If a contract contains multiple single leases at the same time, the Company will split the contract, and conduct accounting treatment of each single lease respectively. If a contract contains both lease and non-lease parts at the same time, the lessee and lessor will split the lease and non-lease parts.

(1) The Company as the lessee

See Note 28 (lease liabilities) for the general accounting treatment of the Company as the lessee.

For short-term leases with a lease term not exceeding 12 months and leases of low-value assets when single leased assets are brand new assets, the Company chooses not to recognize right-of-use assets and lease liabilities, and records relevant rental expenses into the profit or loss of the current period or the underlying asset costs on a straight-line basis in each period within the lease term.

If a lease changes and meets the following conditions at the same time, the Company will account for the lease change as a separate lease: the lease change expands the lease scope by increasing the right to use one or more leased assets; the increased consideration is equivalent to the separate price of the expanded lease scope adjusted according to the contract. Where the lease change is not accounted for as a separate lease, on the effective date of the lease change, the Company will allocate the consideration of the changed contract and re-determine the changed lease term. The present value determined based on the changed lease payments and the revised rate of discount are used to remeasure the lease liabilities.

(2) The Company as the lessor

On the commencement date of the lease term, the Company classifies the leases that substantially transfer almost all risks and rewards related to the ownership of the leased assets as finance leases, and leases other than finance leases as operating leases.

1) Operating lease

The Company recognizes the lease payments receivable as rentals in each period within the lease term on a straight-line basis. The Company capitalizes the initial direct costs related to operating leases upon incurrence thereof and apportions and includes such costs in the profit or loss of the current period on the basis same as the recognition of rentals. The received variable lease payments related to operating leases that are not included in the lease payments receivable are included in profit or loss of the current period when they are actually incurred.

2) Financial lease

On the commencement date of the lease term, the Company recognizes the finance lease receivables on the basis of net investment in the lease (the sum of the unguaranteed residual value and the present value of the lease payments receivable not yet received on the commencement date of the lease term discounted at the interest rate implicit in lease) and derecognizes the leased asset of the finance lease. The Company calculates and recognizes interest income based on the interest rate implicit in lease in each period within the lease term. The received

variable lease payments that are not covered in the measurement of the net investment in the lease are included in the profit or loss of the current period when actually incurred.

(3) Sale and leaseback

The Company assesses whether the asset transfer in a sale and leaseback transaction is a sale in accordance with relevant provisions of the *Accounting Standards for Business Enterprises No. 14 - Income*.

1) The Company as the lessee

If the asset transfer in a sale and leaseback transaction is a sale, the Company measures the right-of-use assets formed by the sale and leaseback based on the portion of the original asset's carrying value that is related to the use right acquired by the leaseback, and recognizes related gains or losses only for the right transferred to the lessor.

If the asset transfer in a sale and leaseback transaction is not a sale, the Company continues to recognize the transferred asset and at the same time recognizes a financial liability equivalent to the transfer income, and conducts corresponding accounting treatment for the financial liability in accordance with the *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*.

2) The Company as the lessor

If the asset transfer in a sale and leaseback transaction is a sale, the Company applies other accounting standards for business enterprises to the accounting treatment for asset purchase, and conducts corresponding accounting treatment for asset lease in accordance with the *Accounting Standard for Business Enterprises No. 21 - Leases*.

If the asset transfer in a sale and leaseback transaction is not a sale, the Company does not recognize the transferred asset, but recognizes a financial asset equivalent to the transfer income, and conducts corresponding accounting treatment for the financial asset in accordance with the *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*.

34. Other Significant Accounting Policies and Accounting Estimates

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

(1) Classification of financial assets

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

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

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

(2) Measurement of expected credit losses of accounts receivable

The Company calculates the expected credit loss of accounts receivable using the exposure to default risk of accounts receivable and the expected credit loss ratio, and determines the expected credit loss ratio based on the probability of default and the default loss ratio. When determining the expected credit loss ratio, the Company uses data such as internal historical credit loss experience and adjusts historical data to take into account current conditions and forward-looking information. When considering forward-looking information, the Company uses indicators such as the risk of economic downturn and changes in the external market environment, technological environment and customer profile. The Company regularly monitors and reviews the assumptions related to the calculation of expected credit losses.

(3) Inventory falling price reserves

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

(4) Determination of fair value of unlisted equity investment

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

(5) Reserves for long-term assets impairment

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

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

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

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

(6) Depreciation and amortization

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

(7) Deferred income tax assets

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

(8) Income tax

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

35. Changes in Main Accounting Policies and Estimates

(1) Change of Accounting Policies

Applicable Not applicable

Changes to the accounting policies and why	Approval process	Remark
The Company starts to implement the “Accounting treatment for sales of products or by-products by enterprises generated from fixed assets before reaching the intended state of availability or from the period of R&D” and “Judgment on onerous contracts” and “Presentation of centralized capital management” stipulated in the Accounting Standards for Business Enterprises Interpretation No. 15 issued by the Ministry of Finance in 2021 since 1 January 2022.	On 22 August 2022, the 13 th Meeting of the 9 th Board of Directors and the 12 th Meeting of the 9 th Supervisory Committee were held by the Company on which the <i>Proposal on Changes of Accounting Policies</i> was approved.	Notes of changes to accounting policies-(1)
The Company starts to implement the “accounting treatment of the income tax effect of financial instrument related dividend whose issuer is classified as equity instrument” and “accounting treatment of share-based payment in cash settlement modified into share-based payment in equity settlement by the enterprise” stipulated in the Accounting Standards for Business Enterprises Interpretation No. 16 issued by the Ministry of Finance in 2022 since 13 December 2022.	/	Notes of changes to accounting policies-(2)

Description of changes in accounting policies:

(1) The impact of implementing the Interpretation No. 15 of Accounting Standards for Business Enterprises on the Company

On 31 December 2021, the Ministry of Finance issued the Interpretation No. 15 of Accounting Standards for Business Enterprises (C.K. [2021] No. 35) (hereinafter referred to as “Interpretation No. 15”). Contents of “accounting treatment of external sales of products or by-product produced by the enterprise before the fixed assets reach the intended usable state or during the research and development process (hereinafter referred to as ‘Trial Sales’)” and “judgment on loss-making contracts” came into force on 1 January 2022.

The Company implemented Interpretation No. 15 since the date of issuance, and the implementation has no material impact on the financial statements during the reporting period.

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

On 13 December 2022, the Ministry of Finance issued the Interpretation No. 16 of Accounting Standards for Business Enterprises (C.K. [2022] No. 31) (hereinafter referred to as “Interpretation No. 16”). The regulations of “accounting treatment for deferred income tax relating to assets and liabilities arising from a single transaction that is not subject to the initial recognition exemption” came into force on 1 January 2023, allowing companies to implement the exemption prior to the year of issuance, which has not been implemented by the Company in advance this year. In addition, the contents of “accounting treatment of the income tax effect of financial instrument related dividend whose issuer is classified as equity instrument” and “accounting treatment of share-based payment in cash settlement modified into share-based payment in equity settlement by the enterprise” came into force on the issuance date.

The Company implemented Interpretation No. 16 since the date of issuance, and the implementation has no material impact on the financial statements during the reporting period.

(2) Changes in Accounting Estimates

Applicable Not applicable

VI. Taxation

1. Main Taxes and Tax Rate

Category of taxes	Tax basis	Tax rate
VAT	Payable to sales revenue	13%, 9%, 6%, 5%
Urban maintenance and construction tax	Taxable turnover amount	Tax paid in accordance with the tax regulations of tax units location
Enterprise income tax	Taxable income	25%, 15%, 2.5%
Education surcharge	Taxable turnover amount	5%

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

Name	Income tax rate
Changchai Company, Limited	15%
Changchai Wanzhou Diesel Engine Co., Ltd.	15%
Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.	25%
Changzhou Horizon Investment Co., Ltd.	25%
Changzhou Changchai Horizon Agricultural Equipment Co.,	25%

Ltd.	
Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.	15%
Jiangsu Changchai Machinery Co., Ltd.	25%
Changzhou Xingsheng Real Estate Management Co., Ltd.	2.5%
Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.	15%

2. Tax Preference

On 30 November 2021, the Company obtained the Certificates for High-tech Enterprises again, and it still enjoys 15-percent preferential rate for corporate income tax during the Reporting Period; the Company's controlling subsidiary-Changchai Wanzhou Diesel Engine Co., Ltd., the controlling subsidiary company, shall pay the corporate income tax at tax rate 15% from 1 January 2011 to 31 December 2030 in accordance with the Notice of the Ministry of Finance, the General Administration of Customs of PRC and the National Administration of Taxation about the Preferential Tax Policies for the Western Development and Ministry of Finance Announcement No. 23 [2020] Announcement of the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policy for the Great Western Development. On 2 December 2020, the wholly-owned subsidiary Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. obtained the "High-tech Enterprise Certificate" and enjoyed a 15% preferential corporate income tax rate during the Reporting Period; The wholly-owned subsidiary Changzhou Xingsheng Real Estate Management Co., Ltd. is eligible small enterprise with low profits and shall pay the corporate income tax at tax rate 2.5% for small enterprises with low profits during the Reporting Period; The subsidiary Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. acquired in the year has obtained the "High-tech Enterprise Certificate" and enjoyed a 15% preferential corporate income tax rate during the Reporting Period.

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

1. Monetary Assets

Unit: RMB

Item	Ending balance	Beginning balance
Cash on hand	251,965.06	145,594.98
Bank deposits	830,914,999.19	561,746,767.12
Other monetary assets	98,846,386.72	146,074,316.64
Total	930,013,350.97	707,966,678.74
Of which: Total amount deposited overseas		
Total amount of restriction in use by mortgage, pledge or freeze	95,662,384.92	145,564,457.15

At the period-end, the restricted monetary assets of the Company was RMB95,662,384.92, of which RMB91,084,933.63 was the cash deposit for bank acceptance bills, RMB2,993,220.00 was cash deposit for L/G, RMB871,348.35 was cash deposit for environment and RMB712,882.94 was cash deposit for credit.

2. Trading Financial Assets

Unit: RMB

Item	Ending balance	Beginning balance
Financial assets at fair value through profit or loss	370,103,602.57	404,053,261.57
Of which: Stocks	78,739,311.00	121,940,343.76
Financial products	291,364,291.57	282,112,917.81
Total	370,103,602.57	404,053,261.57

3. Notes Receivable

(1) Notes Receivable Listed by Category

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance bill	297,125,872.54	334,311,236.78
Total	297,125,872.54	334,311,236.78

If the bad debt provision for notes receivable was withdrawn in accordance with the general model of expected credit losses, information related to bad debt provision shall be disclosed by reference to the disclosure method of other receivables:

Applicable Not applicable

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

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

Unit: RMB

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank acceptance bill		176,395,231.83
Total		176,395,231.83

(4) There Were No Notes Transferred to Accounts Receivable because Drawer of the Notes Failed to Execute the Contract or Agreement at the Period-end

4. Accounts Receivable

(1) Accounts Receivable Classified by Category

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withd rawal proportion		Amount	Proportion	Amount	Withd rawal proportion	

Accounts receivable for which bad debt provision separately accrued	51,75 7,257. 99	9.91%	34,36 7,361. 83	66.40 %	17,38 9,896. 16	50,43 7,453. 63	9.10%	44,054 ,367.1 5	87.34 %	6,383,0 86.48
Of which:										
Accounts receivable for which bad debt provision accrued by group	470,4 11,04 2.15	90.09 %	117,4 78,75 8.54	24.97 %	352,9 32,28 3.61	504,0 92,72 0.08	90.90 %	135,26 ,6680. 08	26.83 %	368,826 ,040.00
Of which:										
Accounts receivable for which bad debt provision accrued by credit risk features group	470,4 11,04 2.15	90.09 %	117,4 78,75 8.54	24.97 %	352,9 32,28 3.61	504,0 92,72 0.08	90.90 %	135,26 ,6680. 08	26.83 %	368,826 ,040.00
Total	522,1 68,30 0.14	100.0 0%	151,8 46,12 0.37	29.08 %	370,3 22,17 9.77	554,5 30,17 3.71	100.00 %	179,32 ,1,047. 23	32.34 %	375,209 ,126.48

Account receivables withdrawn bad debt provision separately with significant amount at the period end:

Unit: RMB

Name	Ending balance			
	Carrying amount	Bad debt provision	Withdrawal proportion	Reason of withdrawal
Customer 1	1,470,110.64	1,470,110.64	100.00%	Difficult to recover
Customer 2	1,902,326.58	1,902,326.58	100.00%	Difficult to recover
Customer 3	6,215,662.64	6,215,662.64	100.00%	Difficult to recover
Customer 4	2,797,123.26	2,194,980.28	78.47%	Expected to difficultly recover
Customer 5	3,633,081.23	2,122,165.73	58.41%	Expected to difficultly recover
Customer 6	2,584,805.83	2,584,805.83	100.00%	Difficult to recover
Customer 7	1,731,493.71	1,731,493.71	100.00%	Difficult to recover
Customer 8	1,511,937.64	604,775.06	40.00%	Expected to difficultly recover
Customer 9	3,329,074.84	720,031.71	21.63%	Expected to difficultly recover
Customer 10	2,025,880.18	2,025,880.18	100.00%	Difficult to recover
Customer 11	5,972,101.90	5,972,101.90	100.00%	Difficult to recover
Customer 12	4,592,679.05	4,592,679.05	100.00%	Difficult to recover
Total	37,766,277.50	32,137,013.31	--	--

Accounts receivable for which bad debt provision accrued by credit risk features group:

Unit: RMB

Aging	Ending balance		
	Carrying amount	Bad debt provision	Withdrawal proportion
Within 1 year	327,927,427.98	6,558,548.57	2.00 %
1 to 2 years	25,360,867.63	1,268,043.39	5.00 %
2 to 3 years	6,764,456.55	1,014,668.48	15.00 %
3 to 4 years	1,377,872.15	413,361.64	30.00 %
4 to 5 years	1,890,703.46	1,134,422.08	60.00 %
Over 5 years	107,089,714.38	107,089,714.38	100.00 %
Total	470,411,042.15	117,478,758.54	--

Notes of the basis of determining the group:

The accounts receivable was adopted the aging analysis based on the months when the accounts incurred actually, among which the accounts incurred earlier will be priority to be settled in terms of the capital turnover.

Explanation of the input value and assumption adopted to determine the withdrawal amount of bad debt provision on the Current Period: With reference to the experience of the historical credit loss, combining with the prediction of the present status and future financial situation, the comparison table was prepared between the aging of the accounts receivable and estimated credit loss rate in the duration and to calculate the estimated credit loss.

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

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Carrying amount
Within 1 year (including 1 year)	343,017,134.79
1 to 2 years	25,903,580.29
2 to 3 years	6,917,677.75
Over 3 years	146,329,907.31
3 to 4 years	3,465,761.24
4 to 5 years	3,840,453.02
Over 5 years	139,023,693.05
Total	522,168,300.14

(2) Bad Debt Provision Withdrawn, Reversed or Recovered in the Reporting Period

Information of bad debt provision withdrawn:

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period				Ending balance
		Withdrawal	Reversal or recovery	Write-off	Transfer of consolidated subsidiary	
Bad debt provision withdrawn separately	44,054,367.15	493,726.45		10,180,731.77		34,367,361.83

Bad debt provision withdrawn by group	135,266,680.08	2,632,425.80		20,769,169.67	348,822.33	117,478,758.54
Total	179,321,047.23	3,126,152.25		30,949,901.44	348,822.33	151,846,120.37

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

(3) Accounts Receivable with Actual Verification during the Reporting Period

Unit: RMB

Item	Verified amount
Accounts receivable with actual verification	30,949,901.44

Of which the verification of significant accounts receivable:

Unit: RMB

Name of the entity	Nature of the accounts receivable	Verified amount	Reason for verification	Verification procedures performed	Arising from related-party transactions or not
Customer 1	Accounts receivable for goods	2,837,045.23	With accounts receivable aging over 5 years, the debtors have no assets for debt extinguishment due to the counterpart company being revoked or cancelled, or debt reorganisation, bankruptcy clearing, or judicial litigation and other reasons.	Changchai Wanzhou Diesel Engine Co., Ltd. held the 1 st Extraordinary General Meeting on 20 December 2022 and approved the Proposal on Verification of Some Accounts Receivable.	Not
Customer 2		2,790,920.00			
Customer 3		2,589,892.74			
Customer 4		2,173,984.00			
Customer 5		1,962,873.80			
Customer 6		1,635,047.54			
Customer 7		1,444,186.14			
Customer 8		1,266,654.55			
Customer 9		1,209,883.25			
Customer 10		1,128,969.12			
Customer 11		1,068,019.00			
Customer 12		1,062,062.94			
Customer 13		1,043,064.00			
Total		22,212,602.31			

(4) Top 5 of the Ending Balance of the Accounts Receivable Collected according to the Arrears Party

Unit: RMB

Name of the entity	Ending balance of accounts receivable	Proportion to total ending balance of accounts receivable	Ending balance of bad debt provision
Customer 1	182,469,247.05	34.94%	3,649,384.94
Customer 2	40,330,698.62	7.72%	806,613.97
Customer 3	20,619,430.63	3.95%	412,388.61

Customer 4	18,538,588.59	3.55%	913,245.46
Customer 5	15,564,496.00	2.98%	311,289.92
Total	277,522,460.89	53.14%	

5. Accounts Receivable Financing

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance bills	242,813,392.79	497,388,826.02
Total	242,813,392.79	497,388,826.02

Changes of accounts receivable financing and fair value thereof in the Reporting Period

Applicable Not applicable

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

Applicable Not applicable

Other notes:

The Company discounts and endorses a portion of its bank acceptances based on its routine fund management needs, and the conditions for derecognition are met, so the bank acceptances are classified as financial assets measured at fair value whose change is included in other comprehensive income.

On 31 December 2022, there was no bank acceptance for which bad debt provision accrued separately in the Company. The Company measures the provision of bad debt provision on the basis of expected credit losses throughout the duration. The Company believes that the credit risk characteristics of the bank acceptances it holds are similar, and there was no bank acceptance for which bad debt provision accrued separately. In addition, there was no significant credit risk in the bank acceptance, and no significant loss would be caused by bank defaults.

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

Unit: RMB

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank acceptance bill	511,689,991.87	
Total	511,689,991.87	

6. Prepayments

(1) List by Aging Analysis

Unit: RMB

Aging	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	5,941,708.21	93.86%	6,706,970.55	81.82%
1 to 2 years	289,373.60	4.57%	94,583.55	1.15%

2 to 3 years	71,654.18	1.13%	362,397.67	4.42%
Over 3 years	27,466.70	0.44%	1,033,466.62	12.61%
Total	6,330,202.69	--	8,197,418.39	--

There was no prepayment with significant amount aging over one year as of the period-end.

(2) Top 5 of the Ending Balance of the Prepayments Collected according to the Prepayment Target

At the period-end, the total top 5 of the ending balance of the prepayments collected according to the prepayment target was RMB4,798,600 accounting for 75.80% of the total ending balance of prepayments.

7. Other Receivables

Unit: RMB

Item	Ending balance	Beginning balance
Interest receivable		
Dividend receivable		
Other receivables	32,938,305.16	19,515,350.52
Total	32,938,305.16	19,515,350.52

(1) Other Receivables

1) Other Receivables Classified by Accounts Nature

Unit: RMB

Nature	Ending carrying value	Beginning carrying value
Margin and cash pledge	2,028,096.87	1,299,600.00
Intercourse funds	48,701,034.90	35,889,738.80
Petty cash and borrowings by employees	742,075.76	1,184,204.41
Other	13,635,867.60	13,630,284.64
Total	65,107,075.13	52,003,827.85

2) Withdrawal of Bad Debt Provision

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss of the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2022	287,609.45	26,486,676.97	5,714,190.91	32,488,477.33
Balance of 1 January 2022 in the Current Period				
--Transfer to Second stage	-871.48	871.48		
-- Transfer to Third stage	-4,266.68	-23,342,513.38	23,346,780.06	
-- Reverse to Second stage				

-- Reverse to First stage				
Transfer of consolidated subsidiary	3,810.00			3,810.00
Withdrawal of the Current Period	150,404.27			150,404.27
Reversal of the Current Period		148,176.99	174,638.80	322,815.79
Write-offs of the Current Period				
Verification of the Current Period	63,002.91	88,102.93		151,105.84
Other changes				
Balance of 31 December 2022	373,682.65	2,908,755.15	28,886,332.17	32,168,769.97

Changes of carrying amount with significant amount changed of loss provision in the current period

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Ending balance
Within 1 year (including 1 year)	16,050,004.29
1 to 2 years	15,783,825.92
2 to 3 years	1,164,476.00
Over 3 years	32,108,768.92
3 to 4 years	420,716.17
4 to 5 years	338,457.65
Over 5 years	31,349,595.10
Total	65,107,075.13

3) Bad Debt Provision Withdrawn, Reversed or Recovered in the Reporting Period

Information of withdrawal of bad debt provision:

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period				Ending balance
		Withdrawal	Reversal or recovery	Write-off	Transfer of consolidated subsidiary	
Bad debt provision for which accrued separately	5,714,190.91		177,905.47			5,536,285.44

Bad debt provision for which accrued by group	26,774,286.42	5,493.95		151,105.84	3,810.00	26,632,484.53
Total	32,488,477.33	5,493.95	177,905.47	151,105.84	3,810.00	32,168,769.97

4) There Were No Particulars of the Actual Verification of Other Receivables during the Reporting Period

Unit: RMB

Item	Written-off amount
Other receivables with actual verification	151,105.84

Of which the verification of significant other receivables:

Unit: RMB

Name of the entity	Nature	Written-off amount	Reason for verification	Verification procedures performed	Whether occurred because of related-party transactions
Customer 1	Other intercourse funds	21,472.28	With accounts receivable aging over 5 years, the counterpart company being revoked or cancelled, or debt reorganisation, bankruptcy clearing or the debtors have no assets for debt extinguishment	Approved by the administrative office meeting of Changzhou Changchai Benniu Diesel Engine Parts Co., Ltd., a subsidiary.	Not
Customer 2		41,530.63			
Customer 3		9,020.00			
Customer 4		8,357.60		The Proposal on the Write-off of Certain Other Receivables was approved at the Party Committee and Office Meeting.	
Customer 5		7,933.63			
Customer 6		7,800.00			
Customer 7		6,700.00			
Customer 8		6,000.00			
Customer 9		6,000.00			
Customer 10		5,525.00			
Total		120,339.14	--	--	--

5) Top 5 of the Ending Balance of Other Receivables Collected according to the Arrears Party

Unit: RMB

Name of the entity	Nature	Ending balance	Aging	Proportion to total ending balance of other receivables %	Ending balance of bad debt provision
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Changzhou Compressor Factory	Intercourse funds	2,940,000.00	Over 5 years	4.52%	2,940,000.00
Changchai Group Imp. & Exp. Co., Ltd.	Intercourse funds	2,853,188.02	Over 5 years	4.38%	2,853,188.02
Changzhou New District Accounting Center	Intercourse funds	1,626,483.25	Over 5 years	2.50%	1,626,483.25
Changchai Group Settlement Center	Intercourse funds	1,140,722.16	Over 5 years	1.75%	1,140,722.16
Changzhou Huadi Engineering Guarantee Co., Ltd.	Engineering deposit	1,065,400.00	2-3 years	1.64%	159,810.00
Total		9,625,793.43		14.78%	8,720,203.43

8. Inventory

Whether the Company needs to comply with the requirements of real estate industry

No

(1) Category of Inventory

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Falling price reserves	Carrying value	Carrying amount	Falling price reserves	Carrying value
Raw materials	163,954,131.27	5,982,286.51	157,971,844.76	148,617,321.85	7,260,564.47	141,356,757.38
Materials processed on commission	12,299,968.98		12,299,968.98	13,877,280.60		13,877,280.60
Goods in process	110,883,778.58	10,725,860.43	100,157,918.15	119,354,374.14	15,534,236.35	103,820,137.79
Finished goods	322,959,181.08	22,755,460.80	300,203,720.28	403,855,588.94	13,029,104.26	390,826,484.68
Low priced and easily worn articles	1,363,429.57		1,363,429.57	1,203,097.73		1,203,097.73
Total	611,460,489.48	39,463,607.74	571,996,881.74	686,907,663.26	35,823,905.08	651,083,758.18

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

Unit: RMB

Item	Beginning	Increase	Decrease	Ending balance
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	balance	Withdrawal	Transfer of consolidated subsidiary	Reversal or write-off	Other	
Raw materials	7,260,564.47	1,473,329.89	491,707.02	3,243,314.87		5,982,286.51
Goods in process	15,534,236.35			4,808,375.92		10,725,860.43
Finished goods	13,029,104.26	13,441,573.49		3,715,216.95		22,755,460.80
Total	35,823,905.08	14,914,903.38	491,707.02	11,766,907.74		39,463,607.74

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

9. Other Current Assets

Unit: RMB

Item	Ending balance	Beginning balance
The VAT tax credits	47,682,930.23	37,806,274.29
Prepaid corporate income tax	1,505,424.80	6,143,886.15
Prepaid expense	90,667.46	110,662.13
Total	49,279,022.49	44,060,822.57

10. Investments in Debt Obligations

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Falling price reserves	Carrying value	Carrying amount	Falling price reserves	Carrying value
Three-year fixed term deposit	39,309,587.93		39,309,587.93	37,898,226.39		37,898,226.39
Total	39,309,587.93		39,309,587.93	37,898,226.39		37,898,226.39

Significant investments in debt obligations

Unit: RMB

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

Total	37,000,000.00	—	—	—	37,000,000.00	—	—	—
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Changes of carrying amount with significant amount changed of loss provision in the reporting period

Applicable Not applicable

11. Long-term Equity Investment

Unit: RMB

Investees	Beginning balance (carrying value)	Increase/decrease							Ending balance (carrying value)	Ending balance of depreciation reserves	
		Additional investment	Reduced investment	Gain or loss recognized under the equity method	Adjustment of other comprehensive income	Changes in other equity	Cash bonus or profit announced to issue	Withdrawal of depreciation reserves			Other
II. Associated enterprises											
Beijing Tsinghua Industrial Investment Management Co., Ltd.	0.00									0.00	44,182.50
Subtotal	0.00									0.00	44,182.50
Total	0.00									0.00	44,182.50

12. Other Equity Instrument Investment

Unit: RMB

Item	Ending balance	Beginning balance
Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership)	378,929,240.08	146,375,646.53

Other equity instrument investment measured by fair value	576,631,000.00	633,502,000.00
Total	955,560,240.08	779,877,646.53

Non-trading equity instrument investment disclosed by category

Unit: RMB

Item	Dividend income recognized	Accumulative gains	Accumulative losses	Amount of other comprehensive income transferred to retained earnings	Reason for assigning to measure by fair value of which changes be included to other comprehensive income	Reason for other comprehensive income transferred to retained earnings
Foton Motor Co., Ltd.		364,261,000.00			Non-trading equity investment	
Bank of Jiangsu	9,360,000.00	127,800,000.00			Non-trading equity investment	
Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership)		278,929,240.08			Non-trading equity investment	

Other notes:

The corporate securities of accommodation business still on lending at the period-end: 350,000 shares of Foton Motor Co., Ltd.

13. Other Non-current Financial Assets

Unit: RMB

Item	Ending balance	Beginning balance
Jiangsu Horizon New Energy Technology Co., Ltd.	373,500,000.00	112,500,000.00
Total	373,500,000.00	112,500,000.00

14. Investment Property

(1) Investment Property Adopting the Cost Measurement Mode

√ Applicable □ Not applicable

Unit: RMB

Item	Houses and buildings	Total
I. Original carrying value		
1. Beginning balance	93,077,479.52	93,077,479.52

2. Increased amount of the period		
(1) Outsourcing		
(2) Transfer from inventories/fixed assets/construction in progress		
(3) Enterprise combination increase		
3. Decreased amount of the period		
(1) Disposal		
(2) Other transfer		
4. Ending balance	93,077,479.52	93,077,479.52
II. Accumulative depreciation and accumulative amortization		
1. Beginning balance	48,480,224.31	48,480,224.31
2. Increased amount of the period	2,436,475.56	2,436,475.56
(1) Withdrawal or amortization	2,436,475.56	2,436,475.56
3. Decreased amount of the period		
(1) Disposal		
(2) Other transfer		
4. Ending balance	50,916,699.87	50,916,699.87
III. Depreciation reserves		
1. Beginning balance		
2. Increased amount of the period		
(1) Withdrawal		
3. Decreased amount of the period		
(1) Disposal		
(2) Other transfer		
4. Ending balance		
IV. Carrying value		
1. Ending carrying value	42,160,779.65	42,160,779.65
2. Beginning carrying value	44,597,255.21	44,597,255.21

15. Fixed Assets

Unit: RMB

Item	Ending balance	Beginning balance
Fixed assets	720,061,387.76	402,915,521.65
Disposal of fixed assets		
Total	720,061,387.76	402,915,521.65

(1) List of Fixed Assets

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation equipment	Other equipment	Total

I. Original carrying value					
1. Beginning balance	457,375,409.95	1,012,550,535.1 2	15,509,653.38	41,354,837.04	1,526,790,435.49
2. Increased amount of the period	253,254,929.43	125,801,337.31	4,237,121.43	18,442,087.47	401,735,475.64
(1) Purchase	39,329.44	1,242,576.10	603,856.90	2,296,172.76	4,181,935.20
(2) Transfer from construction in progress	232,659,718.43	117,139,454.39	3,010,897.32	15,794,897.09	368,604,967.23
(3) Enterprise combination increase	20,555,881.56	7,419,306.82	622,367.21	351,017.62	28,948,573.21
3. Decreased amount of the period	26,299.50	19,654,185.78	614,584.34	2,771,002.52	23,066,072.14
(1) Disposal or scrap	26,299.50	19,654,185.78	614,584.34	2,771,002.52	23,066,072.14
4. Ending balance	710,604,039.88	1,118,697,686.6 5	19,132,190.47	57,025,921.99	1,905,459,838.99
II. Accumulative depreciation					
1. Beginning balance	309,538,003.02	765,592,089.06	12,399,386.82	35,864,760.69	1,123,394,239.59
2. Increased amount of the period	21,330,936.61	58,002,318.90	1,645,043.30	3,596,006.84	84,574,305.65
(1) Withdrawal	18,617,538.65	54,407,073.34	1,103,512.47	3,362,056.95	77,490,181.41
(2) Transfer from combination	2,713,397.96	3,595,245.56	541,530.83	233,949.89	7,084,124.24
3. Decreased amount of the period	23,799.50	19,648,705.40	598,206.35	2,722,626.79	22,993,338.04
(1) Disposal or scrap	23,799.50	19,648,705.40	598,206.35	2,722,626.79	22,993,338.04
4. Ending balance	330,845,140.13	803,945,702.56	13,446,223.77	36,738,140.74	1,184,975,207.20
III. Depreciation reserves					

1. Beginning balance		480,674.25			480,674.25
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period		57,430.22			57,430.22
(1) Disposal or scrap		57,430.22			57,430.22
4. Ending balance		423,244.03			423,244.03
IV. Carrying value					
1. Ending carrying value	379,758,899.75	314,328,740.06	5,685,966.70	20,287,781.25	720,061,387.76
2. Beginning carrying value	147,837,406.93	246,477,771.81	3,110,266.56	5,490,076.35	402,915,521.65

(2) List of Temporarily Idle Fixed Assets

Unit: RMB

Item	Original carrying value	Accumulative depreciation	Depreciation reserves	Carrying value	Note
Machinery equipment	476,507.50	53,263.47	423,244.03		

16. Construction in Progress

Unit: RMB

Item	Ending balance	Beginning balance
Construction in progress	30,259,647.16	268,417,880.66
Engineering materials	21,900.40	1,887,810.25
Total	30,281,547.56	270,305,690.91

(1) List of Construction in Progress

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value

Expansion capacity of multi-cylinder (The 2nd Period)				1,097,435.90		1,097,435.90
Innovation capacity construction of technology center	5,443,764.33		5,443,764.33	3,714,601.76		3,714,601.76
Relocation project of light engine and casting	11,155,119.70		11,155,119.70	254,748,122.49		254,748,122.49
Equipment to be installed and payment for projects	13,660,763.13		13,660,763.13	8,857,720.51		8,857,720.51
Total	30,259,647.16		30,259,647.16	268,417,880.66		268,417,880.66

(2) Changes in Significant Construction in Progress during the Reporting Period

Unit: RMB

Item	Budget	Beginning balance	Increased amount	Transferred in fixed assets	Other decreased amount	Ending balance	Proportion of accumulated investment in constructions to budget	Job schedule	Accumulated amount of interest capitalization	Of which : Amount of capitalized interests for the Reporting Period	Capitalization rate of interests for the Reporting Period	Capital resources

17. Intangible Assets**(1) List of Intangible Assets**

Unit: RMB

Item	Land use right	Software	License fee	Trademark use right	Total
I. Original carrying value					
1. Beginning balance	206,783,546.68	15,736,719.66	5,488,000.00	1,650,973.47	229,659,239.81
2. Increased amount of the period	7,404,229.03	2,110,482.48	50,000.00		9,564,711.51
(1) Purchase		1,933,758.50			1,933,758.50
(2) Internal R&D					
(3) Business combination increase	7,404,229.03	176,723.98	50,000.00		7,630,953.01
3. Decreased amount of the period					
(1) Disposal					
4. Ending balance	214,187,775.71	17,847,202.14	5,538,000.00	1,650,973.47	239,223,951.32
II. Accumulated amortization					
1. Beginning balance	58,805,643.96	12,856,960.12	2,652,533.14	189,356.68	74,504,493.90
2. Increased amount of the period	5,026,881.78	1,539,099.16	594,217.03	167,041.92	7,327,239.89
(1) Withdrawal	4,298,126.15	1,426,192.17	551,717.03	167,041.92	6,443,077.27
(2) Combination increase	728,755.63	112,906.99	42,500.00		884,162.62
3. Decreased amount of the period					
(1) Disposal					
4. Ending balance	63,832,525.74	14,396,059.28	3,246,750.17	356,398.60	81,831,733.79
III. Depreciation reserves					
1. Beginning balance					
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period					
(1) Disposal					
4. Ending balance					
IV. Carrying value					

1. Ending carrying value	150,355,249.97	3,451,142.87	2,291,249.83	1,294,574.87	157,392,217.54
2. Beginning carrying value	147,977,902.72	2,879,759.54	2,835,466.86	1,461,616.79	155,154,745.91

18. Long-term Prepaid Expenses

Item	Beginning balance	Increase	Amortized amount	Decrease	Ending balance
Trademark renewal fee	110,345.30	105,518.03	13,893.01		201,970.32
External power line access project		3,240,000.00	162,000.00		3,078,000.00
Total	110,345.30	3,345,518.03	175,893.01		3,279,970.32

19. Deferred Income Tax Assets/Deferred Income Tax Liabilities

(1) Deferred Income Tax Assets that Had not Been Off-set

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Bad debt provision	6,853,948.19	1,048,165.04	7,196,880.38	1,087,755.38
Deductible loss	149,230,051.55	24,713,867.00	59,064,221.02	9,085,419.14
Inventory falling price reserves	2,633,715.26	395,057.29	2,990,223.81	448,533.57
Impairment of fixed assets	423,244.03	63,486.60	480,674.25	72,101.14
Total	159,140,959.03	26,220,575.93	69,731,999.46	10,693,809.23

(2) Deferred Income Tax Liabilities Had Not Been Off-set

Unit: RMB

Item	Ending balance		Beginning balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Assets evaluation appreciation for business combination not under the same control	5,677,718.36	851,657.75	3,643,147.16	546,472.07

Changes of fair value	1,039,472,114.80	160,508,593.58	720,658,981.89	116,797,689.04
Total	1,045,149,833.16	161,360,251.33	724,302,129.05	117,344,161.11

(3) List of Unrecognized Deferred Income Tax Assets

Unit: RMB

Item	Ending balance	Beginning balance
Bad debt provision	177,160,942.15	204,612,644.18
Falling price reserves of inventories	36,829,892.48	32,833,681.27
Deductible loss	22,257,409.96	14,716,019.78
Total	236,248,244.59	252,162,345.23

(4) Deductible Losses of Unrecognized Deferred Income Tax Assets will Due in the Following Years

Years	Ending amount	Beginning amount	Note
2022		434,000.66	
2023	1,146,746.13	940,673.56	
2024	3,605,384.25	6,538,363.99	
2025	5,250,820.81	2,279,179.37	
2026	7,372,277.94	4,523,802.20	
2027	4,882,180.83		
Total	22,257,409.96	14,716,019.78	--

20. Other Non-current Assets

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciated on reserves	Carrying value	Carrying amount	Depreciated on reserves	Carrying value
Advances payment of equipments	670,735.93		670,735.93	4,543,240.88		4,543,240.88
Total	670,735.93		670,735.93	4,543,240.88		4,543,240.88

21. Short-term Borrowings**(1) Category of Short-term Borrowings**

Unit: RMB

Item	Ending balance	Beginning balance
Mortgage loans	7,000,000.00	7,000,000.00
Guaranteed loans		5,000,000.00
Obligation to pay bills discounted before maturity	108,437,700.65	61,971,466.65

Total	115,437,700.65	73,971,466.65
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(2) There Was No Short-term Borrowings Overdue but Unpaid.**22. Notes Payable**

Unit: RMB

Category	Ending balance	Beginning balance
Bank acceptance bill	471,876,397.72	550,774,400.00
Total	471,876,397.72	550,774,400.00

At the end of the current period, there were no notes payable due and not paid.

23. Accounts Payable**(1) List of Accounts Payable**

Unit: RMB

Item	Ending balance	Beginning balance
Payment for goods	747,010,098.88	666,186,668.82
Total	747,010,098.88	666,186,668.82

(2) Significant Accounts Payable Aging over One Year

Item	Ending balance	Unpaid/ Un-carry-over reason
Payment for goods	53,297,351.52	Supplier terminates cooperation, pending payment
Payment for equipment	40,637,976.87	Equipment warranty
Total	93,935,328.39	

24. Advances from Customers

Unit: RMB

Item	Ending balance	Beginning balance
Advance payment of house rent	837,425.55	660,965.62
Total	837,425.55	660,965.62

There were no significant advances from customers aging over one year at the end of the period.

25. Contract Liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Contract liabilities	32,843,692.83	26,864,081.97
Total	32,843,692.83	26,864,081.97

There were no significant contract liabilities aging over one year at the end of the period.

26. Payroll Payable**(1) List of Payroll Payable**

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
I. Short-term salary	45,385,667.48	279,381,408.55	275,616,053.56	49,151,022.47
II. Post-employment benefit-defined contribution plans		37,243,881.82	37,243,881.82	
III. Termination benefits		459,903.90	259,903.90	200,000.00
IV. Current portion of other benefits				
Total	45,385,667.48	317,085,194.27	313,119,839.28	49,351,022.47

(2) List of Short-term Salary

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
1. Salary, bonus, allowance, subsidy	37,375,772.77	229,118,091.49	225,610,345.49	40,883,518.77
2. Employee welfare	1,592.74	3,138,764.51	3,138,764.51	1,592.74
3. Social insurance		21,460,410.40	21,460,410.40	
Of which: Medical insurance premiums		17,834,836.44	17,834,836.44	
Work-related injury insurance		2,049,942.68	2,049,942.68	
Maternity insurance		1,575,631.28	1,575,631.28	
4. Housing fund		21,244,377.54	21,244,377.54	
5. Labor union budget and employee education budget	8,008,301.97	4,419,764.61	4,162,155.62	8,265,910.96
6. Short-term absence with salary				
7. Short-term profit sharing scheme				
Total	45,385,667.48	279,381,408.55	275,616,053.56	49,151,022.47

(3) List of Defined Contribution Plans

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
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1. Basic pension benefits		36,127,234.70	36,127,234.70	
2. Unemployment insurance		1,116,647.12	1,116,647.12	
3. Enterprise annuities				
Total		37,243,881.82	37,243,881.82	

27. Taxes Payable

Unit: RMB

Item	Ending balance	Beginning balance
VAT	2,240,512.82	372,401.11
Corporate income tax	1,272,876.86	470,363.07
Personal income tax	68,629.73	76,559.47
Urban maintenance and construction tax	1,151,395.75	957,520.42
Property tax	1,172,973.71	1,160,865.33
Land use tax	1,041,594.39	1,026,217.69
Stamp duty	286,018.61	44,759.84
Education Surcharge	229,345.14	90,862.46
Comprehensive fees	1,075,134.76	1,075,134.76
Environmental protection tax	31,693.62	31,694.67
Total	8,570,175.39	5,306,378.82

28. Other Payables

Unit: RMB

Item	Ending balance	Beginning balance
Interest payable		
Dividends payable	3,891,433.83	3,891,433.83
Other payables	156,155,449.10	144,469,939.46
Total	160,046,882.93	148,361,373.29

(1) Dividends Payable

Unit: RMB

Item	Ending balance	Beginning balance
Ordinary share dividends	3,243,179.97	3,243,179.97
Interest of preferred shares/ perpetual bond classified as equity instrument		
Dividends for non-controlling shareholders	648,253.86	648,253.86

Other		
Total	3,891,433.83	3,891,433.83

The reason for non-payment for over one year: Not gotten by shareholders yet.

(2) Other Payables

1) Other Payables Listed by Nature of Account

Unit: RMB

Item	Ending balance	Beginning balance
Margin & cash pledged	4,293,474.88	5,045,246.58
Intercourse funds among units	7,831,477.01	8,364,769.41
Intercourse funds among individuals	397,761.04	402,661.04
Sales discount and three guarantees	126,787,544.75	114,581,855.32
Other	16,845,191.42	16,075,407.11
Total	156,155,449.10	144,469,939.46

2) Significant Other Payables Aging over One Year

The significant other payables aging over one year at the period-end mainly referred to the unsettled temporary credits and charges owned.

29. Other Current Liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Sale service fee	806,555.29	460,437.94
Transportation storage fee	597,090.12	870,397.06
Electric charge	1,467,332.18	3,131,920.88
Tax to be transferred	2,821,340.54	2,250,515.65
Estimated share value added tax	1,909,715.09	3,989,913.45
Obligation to pay bills transferred before maturity	66,395,231.83	72,391,302.15
Other withholding expenses	4,648,476.11	5,843,705.66
Total	78,645,741.16	88,938,192.79

30. Deferred Income

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance	Reason for formation
Government grants	39,615,355.40		3,409,729.46	36,205,625.94	Government appropriation
Total	39,615,355.40		3,409,729.46	36,205,625.94	--

Item involving government grants:

Unit: RMB

Item	Beginning balance	Amount of new subsidy	Amount recorded into non-operating income in the Reporting Period	Amount recorded into other income in the Reporting Period	Amount offset cost in the Reporting Period	Other changes	Ending balance	Related to assets/related income
National major project special allocations-Flexible processing production line for cylinders of diesel engines	13,040,367.00			1,519,266.00			11,521,101.00	Related to assets
Remove compensation	18,513,763.98			665,973.62			17,847,790.36	Related to assets
Research and development and industrialization allocations of national III/IV standard high-powered efficient diesel engine for agricultural use	8,061,224.42			1,224,489.84			6,836,734.58	Related to assets

31. Share Capital

Unit: RMB

	Beginning balance	Increase/decrease (+/-)					Ending balance
		New shares issued	Bonus shares	Bonus issue from profit	Other	Subtotal	
The sum of shares	705,692,507.00						705,692,507.00

32. Capital Reserves

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Capital premium (premium on stock)	620,338,243.21			620,338,243.21
Other capital reserves	20,337,975.19	-542,255.39		19,795,719.80
Total	640,676,218.40	-542,255.39		640,133,963.01

Other notes, including changes and reasons thereof:

Increase for the current period: The original shareholding ratio of the parent company to the subsidiary company Changzhou Changchai Horizon Agricultural Equipment Co., Ltd. (hereinafter referred to as “Horizon Agricultural Equipment”) is 95%. The original minority shareholders of Horizon Agricultural Equipment transferred their 5% shares to the parent company for free this year, and was included in long-term equity investment and capital surplus as 5% of the opening net assets of Horizon Agricultural Equipment.

33. Other Comprehensive Income

Unit: RMB

Item	Beginning balance	Reporting Period						Ending balance
		Income before taxation in the Current Period	Less: Recorded in other comprehensive income in prior period and transferred in profit or loss in the Current Period	Less: Recorded in other comprehensive income in prior period and transferred in retained earnings 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. Other comprehensive income that will not be reclassified to profit or loss	506,011,499.55	175,682,593.55			26,352,389.03	149,330,204.52		655,341,704.07
Of which: Changes caused by re-measurements on defined benefit pension schemes								
Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method								

Changes in fair value of other equity instrument investment	506,011,499.55	175,682,593.55			26,352,389.03	149,330,204.52		655,341,704.07
Changes in fair value of corporate credit risk								
II. Other comprehensive income that may subsequently be reclassified to profit or loss								
Of which: Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method								
Changes in fair value of investment in other debt obligations								
Amount of financial assets reclassified to other comprehensive income								
Credit depreciation reserves of investment in other debt obligations								
Reserves for cash flow hedges								
Differences arising from translation of foreign currency-denominated financial statements								
Total of other comprehensive income	506,011,499.55	175,682,593.55			26,352,389.03	149,330,204.52		655,341,704.07

34. Specific Reserve

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Safety production cost	18,812,950.04	4,877,232.12	4,841,325.41	18,848,856.75
Total	18,812,950.04	4,877,232.12	4,841,325.41	18,848,856.75

35. Surplus Reserves

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	320,987,630.56	15,053,237.26		336,040,867.82
Discretionary surplus reserves	13,156,857.90			13,156,857.90
Total	334,144,488.46	15,053,237.26		349,197,725.72

36. Retained Earnings

Unit: RMB

Item	Reporting Period	Same period of last year
Beginning balance of retained earnings before adjustments	872,212,354.88	777,899,079.66
Total retained earnings at the beginning of the adjustment period (“+” means up, “-” means down)		
Beginning balance of retained earnings after adjustments	872,212,354.88	777,899,079.66
Add: Net profit attributable to owners of the Company as the parent	76,684,796.91	103,006,232.54
Less: Withdrawal of statutory surplus reserves	15,053,237.26	8,692,957.32
Withdrawal of discretionary surplus reserves		
Withdrawal of general reserve		
Dividend of ordinary shares payable	18,348,005.18	
Dividends of ordinary shares transferred as share capital		
Ending retained earnings	915,495,909.35	872,212,354.88

List of adjustment of beginning retained earnings:

- (1) RMB0.00 beginning retained earnings was affected by retrospective adjustment conducted according to the Accounting Standards for Business Enterprises and relevant new regulations.
- (2) RMB0.00 beginning retained earnings was affected by changes in accounting policies.
- (3) RMB0.00 beginning retained earnings was affected by correction of significant accounting errors.
- (4) RMB0.00 beginning retained earnings was affected by changes in combination scope arising from same control.
- (5) RMB0.00 beginning retained earnings was affected totally by other adjustments.

37. Operating Revenue and Cost of Sales

Unit: RMB

Item	Reporting Period	Same period of last year
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	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	2,145,567,983.95	1,924,209,350.48	2,404,119,747.06	2,051,932,677.42
Other operations	36,475,111.66	24,467,686.04	48,310,768.54	32,739,084.66
Total	2,182,043,095.61	1,948,677,036.52	2,452,430,515.60	2,084,671,762.08

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

√ Yes □ No

Unit: RMB

Item	2022	Specific deduction	2021	Specific deduction
Operating revenue	2,182,043,095.61	The main business of the Company is the production and sales of diesel engines and gasoline engines	2,452,430,515.60	The main business of the Company is the production and sales of diesel engines and gasoline engines
Total operating income with deduction	36,475,111.66	Other business income other than main operations	48,310,768.54	Other business income other than main operations
The proportion of total operating income with deduction in operating revenue	1.67%		1.97%	
I. Business income not related to the main business				
1. Other business income outside normal business. E.g., income from the lease of fixed assets, intangible assets, packaging materials, sales materials, non-monetary asset exchange with materials and operation of entrusted management business, and income that is included in the income from primary business but is outside the normal business of the listed company.	36,475,111.66	Income from sales of materials, housing rental fees, property and utility charges	48,310,768.54	Income from sales of materials, housing rental fees, property and utility charges
Subtotal of business income not related to the main business	36,475,111.66	Income from sales of materials, housing rental fees, property and utility charges	48,310,768.54	Income from sales of materials, housing rental fees, property and utility charges
II. Income without commercial substance				
Subtotal of income	0.00	None	0.00	None

without commercial substance				
III. Other income not related to the main business or without commercial substance	0.00	None	0.00	None
Operating revenue after deduction	2,145,567,983.95	Diesel engines, gasoline engines and fittings business	2,404,119,747.06	Diesel engines, gasoline engines and fittings business

Relevant information of revenue:

Unit: RMB

Category of contracts	Total
Product Types	
Of which:	
Single-cylinder diesel engines	814,545,044.55
Multi-cylinder diesel engines	1,055,889,184.19
Other products	212,223,234.20
Fittings	62,910,521.01
Classified by business area	
Of which:	
Sales in domestic market	1,821,370,757.82
Export sales	324,197,226.13
Total	2,145,567,983.95

Information related to performance obligations: none

38. Taxes and Surtaxes

Unit: RMB

Item	Reporting Period	Same period of last year
Urban maintenance and construction tax	2,905,289.19	1,472,605.59
Education surcharge	2,073,990.11	1,051,826.51
Property tax	6,312,819.28	6,157,554.67
Land use tax	4,474,736.13	5,226,882.22
Vehicle and vessel use tax	3,092.64	2,875.00
Stamp duty	898,751.20	969,210.59
Environment tax	293,572.90	204,133.44
Other	10,944.81	40,860.94
Total	16,973,196.26	15,125,948.96

39. Selling Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Employee benefits	41,414,480.36	42,968,060.55
Office expenses	9,191,582.99	11,247,378.94
Sales promotional expense		1,435,536.25
Three guarantees	50,709,187.02	60,722,393.46
Transport charge		320,853.84
Other	1,314,973.34	548,067.28
Total	102,630,223.71	117,242,290.32

40. Administrative Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Employee benefits	62,242,258.03	51,646,790.82
Office expenses	9,510,389.69	9,359,397.93
Depreciation and amortization	16,116,539.74	9,925,872.31
Safety expenses	4,877,232.12	4,023,200.24
Repair charge	1,736,442.58	1,985,784.26
Inventory scrap and inventory loss (profit)	-333,858.14	5,218,542.74
Other	25,362,185.70	16,730,695.92
Total	119,511,189.72	98,890,284.22

41. Development Costs

Unit: RMB

Item	Reporting Period	Same period of last year
Direct input expense	43,996,939.37	49,871,973.96
Employee benefits	24,608,063.95	21,059,641.45
Depreciation and amortization	4,570,577.95	4,240,194.24
Design costs		250,000.00
Entrusted development charges	6,509,898.89	5,521,861.13
Other	1,554,116.90	1,446,613.36
Total	81,239,597.06	82,390,284.14

42. Finance Costs

Unit: RMB

Item	Reporting Period	Same period of last year
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Interest expense	1,993,453.71	5,907,625.42
Less: Interest income	12,804,077.19	7,921,535.62
Net foreign exchange gains or losses	-10,929,750.57	3,969,634.63
Other	150,669.42	-752,108.63
Total	-21,589,704.63	1,203,615.80

43. Other Income

Unit: RMB

Sources	Reporting Period	Same period of last year
Government grants directly recorded into the current profit or loss	3,749,273.00	4,234,711.29
Government grants related to deferred income	3,409,729.46	2,364,382.20
Others	25,025.59	34,238.89

44. Investment Income

Unit: RMB

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by equity method		
Investment income from disposal of long-term equity investment		
Investment income from holding of trading financial assets		
Investment income from disposal of trading financial assets	12,262.47	450,637.63
Dividend income from holding of other equity instrument investment	9,360,000.00	7,394,400.00
Income from re-measurement of residual stock rights at fair value after losing control power		
Interest income from holding of investment in debt obligations	1,411,361.54	
Interest income from holding of investment in other debt obligations		
Investment income from disposal of investment in other debt obligations		
Income from debt reorganization		

Investment income from disposal of other non-current financial assets		-221,711.92
Dividend income from holding of held-for-trading financial assets	296,740.00	189,085.80
Income from refinancing operations	136,003.96	1,028,964.68
Investment income from financial products	5,995,552.35	2,292,008.67
Forward income from foreign exchange settlement		63,235.00
Accounts receivable financing-discount interest of bank acceptance bills	-9,242,453.13	-1,869,322.91
Total	7,969,467.19	9,327,296.95

45. Gain on Changes in Fair Value

Unit: RMB

Sources	Reporting Period	Same period of last year
Held-for-trading financial assets	-40,756,542.83	70,820,498.36
Other non-current financial assets	186,000,000.00	33,750,000.00
Total	145,243,457.17	104,570,498.36

46. Credit Impairment Loss

Unit: RMB

Item	Reporting Period	Same period of last year
Bad debt loss of other receivables	172,411.52	-562,856.87
Bad debt loss of accounts receivable	-3,126,152.25	-51,454,294.95
Total	-2,953,740.73	-52,017,151.82

47. Asset Impairment Loss

Unit: RMB

Item	Reporting Period	Same period of last year
I. Bad debt loss		
II. Loss on inventory valuation and contract performance cost	-14,367,197.27	-8,676,024.20
III. Impairment loss on long-term equity investment		
IV. Impairment loss on investment property		
V. Impairment loss on fixed assets		
VI. Impairment loss on engineering materials		
VII. Impairment loss on construction in progress		
VIII. Impairment loss on productive living assets		
IX. Impairment loss on oil and gas assets		

X. Impairment loss on intangible assets		
XI. Impairment loss on goodwill		
XII. Other		
Total	-14,367,197.27	-8,676,024.20

48. Asset Disposal Income

Unit: RMB

Sources	Reporting Period	Same period of last year
Disposal income of fixed assets	393,161.73	155,515.49

49. Non-operating Income

Unit: RMB

Item	Reporting Period	Same period of last year	Amount recorded in the current non-recurring profit or loss
Income from scrap of fixed assets	236,284.29	5,825.24	236,284.29
Income from scrap of construction in progress		2,089,369.81	
Income from penalty	93,140.00	398,143.00	93,140.00
Accounts not required to be paid	1,714,502.08	1,429,558.71	1,714,502.08
Negative goodwill generated from combination not under the same control	1,904,132.58		1,904,132.58
Other	309,883.70	115,000.00	309,883.70
Total	4,257,942.65	4,037,896.76	4,257,942.65

50. Non-operating Expense

Unit: RMB

Item	Reporting Period	Same period of last year	Amount recorded in the current non-recurring profit or loss
Retirement loss of non-current assets	148,926.11	22,405.72	148,926.11
Compensation for quality	208,884.78	507,265.91	208,884.78
Donation	168,300.00		168,300.00
Other	92,352.67	1,107,361.42	92,352.67
Total	618,463.56	1,637,033.05	618,463.56

51. Income Tax Expense**(1) List of Income Tax Expense**

Unit: RMB

Item	Reporting Period	Same period of last year
Current income tax expense	1,267,934.70	443,034.91
Deferred income tax expense	1,930,017.97	15,999,671.86
Adjustment of income tax of prior years	-733,872.93	-4,073,920.19
Total	2,464,079.74	12,368,786.58

(2) Adjustment Process of Accounting Profit and Income Tax Expense

Unit: RMB

Item	Reporting Period
Profit before taxation	81,710,212.20
Current income tax expense accounted at statutory/applicable tax rate	12,256,531.82
Influence of applying different tax rates by subsidiaries	-7,278,933.33
Influence of income tax before adjustment	-733,872.93
Influence of non-taxable income	-1,430,654.07
Influence of non-deductible costs, expenses and losses	3,725,995.40
Influence of deductible losses of unrecognized deferred income tax at the beginning of the Reporting Period	172,794.49
Influence of deductible temporary difference or deductible losses of unrecognized deferred income tax assets in the Reporting Period	4,019,365.61
Tax preference from eligible expenditures	-8,267,147.25
Income tax expense	2,464,079.74

52. Other Comprehensive Income

See Note 33 for details.

53. Cash Flow Statement**(1) Cash Generated from Other Operating Activities**

Unit: RMB

Item	Reporting Period	Same period of last year
Subsidy and appropriation	3,751,451.59	4,240,292.03
Other intercourses in cash	4,962,530.66	6,603,764.28
Interest income	12,804,077.19	7,921,535.62
Other	1,472,234.00	3,871,134.26
Total	22,990,293.44	22,636,726.19

(2) Cash Used in Other Operating Activities

Unit: RMB

Item	Reporting Period	Same period of last year
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Selling and administrative expense paid in cash	89,311,871.19	101,602,750.69
Handling charges	1,212,912.33	1,220,112.47
Other	16,260,652.67	15,807,386.22
Other transactions	1,405,188.05	23,381,748.58
Total	108,190,624.24	142,011,997.96

(3) Cash Generated from Other Investing Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Cash and cash equivalents from combination of subsidiary	11,400,123.61	
Total	11,400,123.61	

(4) Cash Used in Other Investing Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Accounts receivable financing-discount interest from bank acceptance bills		1,869,322.91
Total		1,869,322.91

(5) Cash Generated from Other Financial Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Discount of bank acceptance bills with low credit rating	128,437,700.65	58,971,466.65
Total	128,437,700.65	58,971,466.65

(6) Cash Used in Other Financial Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Intermediary agency fees for private placement		10,849,056.61
Discount of bank acceptance bills with low credit rating	83,623,545.07	3,772,107.02
Total	83,623,545.07	14,621,163.63

54. Supplemental Information for Cash Flow Statement**(1) Supplemental Information for Cash Flow Statement**

Unit: RMB

Supplemental information	Reporting Period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operating activities	--	--
Net profit	79,246,132.46	102,931,874.37

Add: Provision for impairment of assets	17,320,938.00	60,693,176.02
Depreciation of fixed assets, of oil and gas assets, of productive living assets	79,926,656.97	76,128,177.44
Depreciation of right-of-use assets		
Amortization of intangible assets	5,824,591.44	4,711,649.34
Amortization of long-term deferred expenses	175,893.01	17,605.33
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains by “-”)	-393,161.73	-155,515.49
Losses on the scrapping of fixed assets (gains by “-”)	-87,358.18	-2,072,789.33
Losses on the changes in fair value (gains by “-”)	-145,243,457.17	-104,570,498.36
Financial expenses (gains by “-”)	2,146,237.77	8,122,828.51
Investment losses (gains by “-”)	-17,211,920.32	-9,327,296.95
Decrease in deferred income tax assets (increase by “-”)	-15,400,115.80	-6,461,936.08
Increase in deferred income tax liabilities (decrease by “-”)	17,330,133.77	22,461,607.94
Decrease in inventory (increase by “-”)	89,813,152.96	-53,079,441.83
Decrease in accounts receivable from operating activities (increase by “-”)	-33,140,187.50	-286,670,314.47
Increase in payables from operating activities (decrease by “-”)	286,526,874.74	-79,052,905.74
Other	-1,904,132.58	
Net cash flows generated from operating activities	364,930,277.84	-266,323,779.30
2. Investing and financing activities that do not involving cash receipts and payment:		
Debt transferred as capital		
Convertible corporate bond due within one year		
Fixed assets from financing lease		
3. Net increase in cash and cash equivalents		
Ending balance of cash	810,350,966.05	562,402,221.59
Less: Beginning balance of cash	562,402,221.59	629,939,540.50
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	247,948,744.46	-67,537,318.91

(2) Cash and Cash Equivalents

Unit: RMB

Item	Ending balance	Beginning balance
I. Cash	810,350,966.05	562,402,221.59
Including: Cash on hand	251,965.06	145,594.98
Bank deposit on demand	806,914,999.19	561,746,767.12
Other monetary assets on demand	3,184,001.80	509,859.49
Accounts deposited in the central bank available for payment		
Deposits in other banks		

Accounts of interbank		
II. Cash equivalents		
Of which: Bond investment expired within three months		
III. Ending balance of cash and cash equivalents	810,350,966.05	562,402,221.59
Of which: Cash and cash equivalents with restriction in use for the Company as the parent or subsidiaries of the Group		

55. Assets with Restricted Ownership or Right to Use

Unit: RMB

Item	Ending carrying value	Reason for restriction
Monetary assets	95,662,384.92	As cash deposit for bank acceptance bill and for environment
Houses and buildings	1,530,890.90	Mortgaged for borrowings from banks
Land use right	879,275.35	Mortgaged for borrowings from banks
Machinery equipment	31,222,420.22	Mortgaged for borrowings from banks
Obligation to pay bills discounted before maturity	110,000,000.00	
Obligation to pay bills transferred before maturity	66,395,231.83	
Total	305,690,203.22	

56. Foreign Currency Monetary Items

(1) Foreign Currency Monetary Items

Unit: RMB

Item	Ending foreign currency balance	Exchange rate	Ending balance converted to RMB
Monetary assets	--	--	
Of which: USD	13,543,608.99	6.9646	94,325,820.43
HKD	320,344.50	0.8933	286,163.74
Accounts receivable			
Of which: USD	8,596,374.27	6.9646	59,870,308.38
GBP	-67,212.27	8.3941	-564,186.52
Accounts payable			
Of which: USD	302.60	6.9646	2,107.49
Contract liabilities			
Of which: USD	635,740.16	6.9646	4,427,675.94
EUR	117,145.84	7.4229	869,561.86

(2) Notes to Overseas Entities Including: for Significant Oversea Entities, Main Operating Place, Recording Currency and Selection Basis Shall Be Disclosed; if there Are Changes in Recording Currency, Relevant Reasons Shall Be Disclosed.

Applicable Not applicable

57. Government Grants

(1) Basic Information on Government Grants

Unit: RMB

Category	Amount	Listed items	Amount recorded in the current profit or loss
Subsidies for stabilizing and increasing job positions and retaining workers	2,396,713.00	Other income	2,396,713.00
Special funds for business development	102,800.00	Other income	102,800.00
Membership dues return	4,760.00	Other income	4,760.00
Municipal special funds for environmental protection	10,000.00	Other income	10,000.00
2021 Enterprise Technical Innovation Award	50,000.00	Other income	50,000.00
Financial Assistance to the 19th Batch of Technology Plans in Changzhou in 2021	200,000.00	Other income	200,000.00
The 9th Batch of Special Funds for Talents in 2022	50,000.00	Other income	50,000.00
Support Funds for Agricultural Machinery Guild in Zhonglou Distrcit of Changzhou in 2022	250,000.00	Other income	250,000.00
Incentives and subsidies for earlier phase-out and scrapping of high-emission old cars in Changzhou	59,800.00	Other income	59,800.00
Financial Assistance to the 2rd Batch of Technology Plans in Chanzhou	110,000.00	Other income	110,000.00
The 25th Batch of Special Funds for Talents in 2022	120,000.00	Other income	120,000.00
Industrial development funds	1,500.00	Other income	1,500.00
Incentives for R&D spending on No. 208	47,000.00	Other income	47,000.00

Incentives for provincial technology transfer acceptor	27,700.00	Other income	27,700.00
Employment and apprenticeship subsidies	11,000.00	Other income	11,000.00
Subsidies for high-quality invention	2,000.00	Other income	2,000.00
Tax Contribution Award	30,000.00	Other income	30,000.00
Subsidies for work-based training	45,000.00	Other income	45,000.00
Innovation-driven incentives	31,000.00	Other income	31,000.00
Re-affirm and declare incentives for high and new tech enterprises	200,000.00	Other income	200,000.00
Demolition compensation (replacing Zou Village with Hehai Road)	13,344,397.90	Deferred income	267,333.48
Demolition compensation - main workshops in the base in Hehai Road	11,864,289.02	Deferred income	398,640.14
The national major special project - the flexible processing production line for diesel engine cylinder blocks	13,800,000.00	Deferred income	1,519,266.00
National III/IV Appropriation for the research and development and industrialization of standard high-horsepower high-efficiency agricultural diesel engine	10,000,000.00	Deferred income	1,224,489.84

Return of Government Grants

Applicable Not applicable

VIII. Changes of Consolidation Scope**1. Business Combination Not under the Same Control****(1) Business Combination Not under the Same Control in the Reporting Period**

Unit: RMB

Name of acquiree	Time and place of gaining the equity	Cost of gaining the equity	Proportion of equity	Way to gain the equity	Purchase date	Recognition basis of purchase date	Income of acquiree from the purchase date to period-end	Net profits of acquiree from the purchase date to period-end

Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.	23 February 2022	33,520,800.00	41.50%	Acquisition in cash	31 May 2022	On 16 May 2022, the Board of Directors of Zhenjiang Siyang was reorganized and its Articles of Association were amended, after which directors appointed by Changchai Company are in the majority. In May 2022, Changchai appointed managers to participate in the production and operation management of Zhenjiang Siyang.	35,440,983.37	4,824,237.05
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(2) Combination Cost and Goodwill

Unit: RMB

Combination cost	
--Cash	33,520,800.00
--Fair value of non-cash assets	
--Fair value of debts issued or undertaken	
--Fair value of equity securities issued	
--Fair value of contingent consideration	
--Fair value of equities held before the purchase date on the purchase date	
--Other	
Total combination cost	33,520,800.00
Less: fair value of identifiable net assets acquired	35,424,932.58

The amount of goodwill/combined cost less than the fair value share of identifiable net assets obtained	-1,904,132.58
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Note to determination method of the fair value of the combination cost, consideration and changes:

Combination cost: According to the *Confirmation of Transaction on the Transfer of 41.5% Equity Interest (Corresponding to Capital Contribution of RMB830,000) in Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.* issued by Jiangsu Property Rights Exchange Co., Ltd. on 12 January 2022, the transaction price is RMB33,520,800.00, and Changchai Company, Limited paid a one-time payment of RMB33,520,800.00 on 23 February 2022.

Determination method of fair value: Zhenjiang Siyang's base date of assets evaluation is 31 March 2021. The evaluated value of assets of Zhenjiang Siyang on 31 March 2021 is used as the fair value. The fair value of Zhenjiang Siyang continuously measured from 31 May 2022 is calculated, which is multiplied by the shareholding ratio of Changchai Company, Limited to obtain the fair value share of the identifiable net assets obtained by Changchai Company, Limited.

The main reasons for the formation of large-value goodwill: Not applicable

(3) The Identifiable Assets and Liabilities of Acquiree on Purchase Date

Unit: RMB

	Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.	
	Fair value on purchase date	Carrying value on purchase date
Assets:	99,167,047.96	96,946,440.05
Monetary assets	19,400,123.61	19,400,123.61
Accounts receivable	24,790,090.34	24,790,090.34
Inventories	25,093,473.79	25,096,648.68
Fixed assets	21,864,448.97	21,427,812.03
Intangible assets	6,746,790.39	4,959,644.53
Other current assets	697,629.25	697,629.25
Construction in progress	447,840.71	447,840.71
Deferred income tax assets	126,650.90	126,650.90
Liabilities:	13,805,764.63	13,472,197.21
Borrowings		
Accounts payable	13,472,197.21	13,472,197.21
Deferred income tax liabilities	333,567.42	
Net assets	85,361,283.33	83,474,242.84
Less: Non-controlling interests	49,936,350.75	48,832,432.06
Net assets acquired	35,424,932.58	34,641,810.78

(4) Gains or losses from Re-measurement of Equity Held before the Purchase Date at Fair Value

Whether there is a transaction that through multiple transaction step by step to realize business combination and gaining the control during the Reporting Period

Yes No

(5) Notes to Reasonable Consideration or Fair Value of Identifiable Assets and Liabilities of the Acquiree that Cannot Be Determined on the Acquisition Date or during the Period-end of the Merger

Not applicable

IX. Equity in Other Entities

1. Equity in Subsidiary

(1) Subsidiaries

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Changchai Wanzhou Diesel Engine Co., Ltd.	Chongqing	Chongqing	Industry	60.00%		Set-up
Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.	Changzhou	Changzhou	Industry	99.00%	1.00%	Set-up
Changzhou Horizon Investment Co., Ltd.	Changzhou	Changzhou	Service	100.00%		Set-up
Changzhou Changchai Horizon Agricultural Equipment Co., Ltd.	Changzhou	Changzhou	Industry	75.00%	25.00%	Set-up
Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.	Changzhou	Changzhou	Industry	100.00%		Combination not under the same control
Jiangsu Changchai Machinery Co., Ltd.	Changzhou	Changzhou	Industry	100.00%		Set-up
Changzhou Xingsheng Property Management Co., Ltd.	Changzhou	Changzhou	Service	100.00%		Set-up
Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.	Zhenjiang	Zhenjiang	Industry	41.50%		Combination not under the same control

Explanation: the company holds 41.5% of the shares in Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. Our company is the largest shareholder, and the other shareholders are employee and non employee shares, which are relatively scattered. There are no other shareholders with a high shareholding ratio that is close to the actual controller's shareholding ratio; Among the 7 members of the board of directors of Zhenjiang Siyang, 5 are dispatched by our company. The chairman of Zhenjiang Siyang is dispatched by our company, and our company is the substantive controller of Zhenjiang Siyang, which constitutes the conditions for merger.

(2) Significant Non-wholly-owned Subsidiary

Unit: RMB

Name	Shareholding proportion of non-controlling interests	The profit or loss attributable to the non-controlling interests	Declaring dividends distributed to non-controlling interests	Balance of non-controlling interests at the period-end

Changchai Wanzhou Diesel Engine Co., Ltd.	40.00%	-260,843.12	19,705,643.25
Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.	58.50%	2,822,178.67	52,758,529.42

Holding proportion of non-controlling interests in subsidiary different from voting proportion: Not applicable

(3) The Main Financial Information of Significant Not Wholly-owned Subsidiary

Unit: RMB

Name	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Changchai Wanzhou Diesel Engine Co., Ltd.	47,133,617.16	23,220,909.25	70,364,526.41	21,097,619.13		21,097,619.13	48,200,342.77	24,141,889.90	72,342,232.67	22,426,016.75		22,426,016.75
Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.	82,697,983.58	28,045,494.39	110,743,187.97	20,235,256.17	322,701.42	20,557,957.59	---	---	---	---	---	---
Changzhou Changchai Horizon Agricultural Equipment	---	---	---	---	---	---	14,505,888.53	324,302.84	14,830,191.37	25,675,299.17		25,675,299.17

Co., Ltd.												
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Unit: RMB

Name	Reporting Period				Same period of last year			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Changchai Wanzhou Diesel Engine Co., Ltd.	34,281,252.72	-652,107.80	-652,107.80	650,437.03	42,629,379.24	386,567.27	386,567.27	2,563,679.17
Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.	35,440,983.37	4,824,237.05	4,824,237.05	-9,291,537.82	---	---	---	---
Changzhou Changchai Horizon Agricultural Equipment Co., Ltd.	---	---	---	---	14,362,872.77	-4,579,701.60	-4,579,701.60	6,216,842.70

2. Equity in the Structured Entity Excluded in the Scope of Consolidated Financial Statements

Notes to the structured entity excluded in the scope of consolidated financial statements:

In 2017, the Company set up Changzhou Xietong Private Equity Fund (Limited Partnership) together with Synergetic Innovation Fund Management Co., Ltd. through joint investment. On 18 October 2018 and 3 December 2020, new partners were respectively added. Partnership Shares transfer was made on 29 December 2022. In line with the revised Partnership Agreement, the general partner is Synergetic Innovation Fund Management Co., Ltd., and the limited partners are Changchai Company, Limited, Changzhou Zhongyou Petroleum Sales Co., Ltd., Changzhou Fuel Co., Ltd., Tong Yinzhu, Tong Yinxin, Anhui Haiyunzhou Equity Investment Partnership Enterprise (Limited), Shenzhen Jiaxin One Venture Capital Partnership (limited partnership) and Zhong Wende. In accordance with the Partnership Agreement, the limited partner does not execute the partnership affairs. Thus, the Company does not control Changzhou Xietong Private Equity Fund (Limited Partnership) and did not include it into the scope of consolidated financial statements.

X. The Risk Related to Financial Instruments

The goal of the Company's risk management was gaining the balance between the risk and income, and reduced the negative impact to the operation performance of the Company in the lowest level and maximized the interests of shareholders and other equity investors. Base on the risk management goal, the basis strategy of the Company's risk management was to recognized and analyze all kinds of risk that the Company faced, set up suitable risk bottom line and conduct risk management, and supervised the risks timely and reliably and control the risk within the limited scope.

The main risks of the Company due to financial instruments were credit risk, liquidity risk and market risk. The management level had reviewed and approved the policies to manage the risks, which summarized as follows:

(I) Credit Risk

Credit risk was one party of the contract failed to fulfill the obligations and causes loss of financial assets of the other party.

The credit of risk of the Company mainly was related to account receivable, in order to control the risk, the Company conduct the following methods.

The Company only conducts related transaction with approved and reputable third party, in line with the policy of the Company, the Company need to conduct credit-check for the clients adopting way of credit to conduct transaction. In addition, the Company continuously monitors the balance of account receivable to ensure the Company would not face the significant bad debt risk.

(II) Liquidity Risk

Liquidity risk is referred to the risk of incurring capital shortage when performing settlement obligation in the way of cash payment or other financial assets. The policies of the Company are to ensure that there was sufficient cash to pay the due liabilities.

The liquidity risk was centralized controlled by the financial department of the Company. The financial departments through supervising the balance of the cash and securities can be convert to cash at any time and the rolling prediction of cash flow in future 12 months to ensure the Company has sufficient cash to pay the liabilities under the case of all reasonable prediction.

(III) Market Risk

Market risk is refer to risk of the fair value or future cash flow of financial instrument changed due to the change of market price, including foreign exchange rate risk, interest rate risk.

1. Interest Rate Risk

Interest rate risk is refers to fluctuation risk of the fair value or future cash flow of financial instrument change due to the change of market price.

2. Foreign Exchange Risk

Foreign exchange rate risk is referred to the risk incurred form the change of exchange rate. As for the Company's export business, customers will be given a certain credit term, if the RMB appreciates against the dollar, the company's accounts receivable will incur foreign currency exchange loss.

XI. The Disclosure of Fair Value

1. Ending Fair Value of Assets and Liabilities at Fair Value

Unit: RMB

Item	Ending fair value
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	Fair value measurement items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	Total
I. Consistent fair value measurement	--	--	--	--
(I) Trading financial assets	78,739,311.00	291,364,291.57		370,103,602.57
1. Financial assets at fair value through profit or loss	78,739,311.00	291,364,291.57		370,103,602.57
(1) Debt instrument investment				
(2) Equity instrument investment	78,739,311.00			78,739,311.00
(3) Derivative financial assets				
Wealth management investments		291,364,291.57		291,364,291.57
2. Financial assets designated to be measured at fair value and the changes included into the current profit or loss				
(1) Debt instrument investment				
(2) Equity instrument investment				
(II) Other investments in debt obligations				
(III) Other equity instrument investment	576,631,000.00		378,929,240.08	955,560,240.08
(IV) Investment property				
1. Land use right for lease				
2. Buildings leased out				
3. Land use right				

held and planned to be transferred once appreciating				
(V) Living assets				
1. Consumptive living assets				
2. Productive living assets				
Accounts receivable financing			242,813,392.79	242,813,392.79
Other non-current financial assets			373,500,000.00	373,500,000.00
Total assets consistently measured by fair value	655,370,311.00	291,364,291.57	995,242,632.87	1,941,977,235.44
(VI) Trading financial liabilities				
Of which: Issued trading bonds				
Derivative financial liabilities				
Other				
(VII) Financial liabilities designated to be measured at fair value and the changes recorded into the current profit or loss				
Total liabilities consistently measured by fair value				
II. Inconsistent fair value measurement	--	--	--	--
(1) Assets held for sale				
Total assets inconsistently measured by fair value				
Total liabilities				

inconsistently measured by fair value				
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2. Market Price Recognition Basis for Consistent and Inconsistent Fair Value Measurement Items at Level 1

For the listed company stocks held by the company in the held-for-trading financial assets measured at fair value, the closing market price on the balance sheet date was the basis for the measurement of fair value.

3. Valuation Technique Adopted and Nature and Amount Determination of Important Parameters for Consistent and Inconsistent Fair Value Measurement Items at Level 2

Wealth management and investment: The underlying assets of investment in wealth management products include bond assets, deposit assets, fund assets, etc. The portfolio of investment assets should be dynamically managed. The fair value of wealth management products should be adjusted according to the yield of similar products provided by the counterparty.

4. Valuation Technique Adopted and Nature and Amount Determination of Important Parameters for Consistent and Inconsistent Fair Value Measurement Items at Level 3

(1) Accounts receivable financing: Accounts receivable financing is a bank acceptance with high credit rating, short maturity and low risk. The par amount is close to the fair value and is used as the fair value.

(2) Among the other non-current financial assets: for the investments in equity instrument of Jiangsu Horizon New Energy Technology Co., Ltd., Jiangsu Horizon New Energy Technology Co., Ltd. entrusted an appraisal agency to evaluate the value of all its shareholders' equity due to the need for capital increase and share expansion in 2022, and confirmed the premium rate of capital increase based on the appreciation rate of the equity value. The company's new investors signed the investment agreements on 29 August 2022. Therefore, the fair value of the equity investment had been adjusted and confirmed accordingly based on the premium rate of the new round of financing.

(3) Among other equity investment instruments, the total investment in Chengdu Changwan Diesel Engine Distribution Co., Ltd., Chongqing Wanzhou Changwan Diesel Engine Parts Co., Ltd., Changzhou Economic and Technological Development Company, Changzhou Tractor Company, Changzhou Economic Commission Industrial Capital Mutual Aid Association, Beijing Engineering Machinery Agricultural Machinery Company was RMB 1.21 million, and the fair value was RMB 0.00 due to the difficulty in recovering the investment.

Since its establishment in October 2017, Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership) had increased the equity of partners at the end of the year due to the change in fair value of the equity held by it. In addition, the company's business environment, operating conditions, and financial status had not undergone major changes. Therefore, the company determined its fair value on the basis of the net book assets of the partnership at the end of the period.

5. Sensitiveness Analysis on Unobservable Parameters and Adjustment Information between Beginning and Ending Carrying Value of Consistent Fair Value Measurement Items at Level 3

Not applicable

6. Explain the Reason for Conversion and the Governing Policy when the Conversion Happens if Conversion Happens among Consistent Fair Value Measurement Items at Different Levels

Not applicable

7. Changes in the Valuation Technique in the Current Period and the Reason for Such Changes

Not applicable

8. Fair Value of Financial Assets and Liabilities Not Measured at Fair Value

The financial assets and liabilities measured at amortization cost mainly include notes receivable, accounts receivable, other receivables, short-term borrowings, accounts payable, other payables, etc. The difference between the carrying value and fair value for financial assets and liabilities not measured at fair value is small.

9. Other

During the year, there was no conversion between Level 1 and Level 2, nor was there any transfer to or from Level 3 for the fair value measurement of the Company's financial assets and financial liabilities.

XII. Related Party and Related-party Transactions

1. Information Related to the Company as the Parent of the Company

Name	Registration place	Nature of business	Registered capital	Proportion of share held by the Company as the parent against the Company	Proportion of voting rights owned by the Company as the parent against the Company
Changzhou Investment Group Co., Ltd.	Changzhou	Investment and operations of state-owned assets, assets management (excluding financial business), investment consulting (excluding	RMB1.2 billion	32.26%	32.26%

		consulting on investment in securities and options), etc.			
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Notes: Information on the Company as the parent

The parent company of the Company is Changzhou Investment Group Co., Ltd. According to the guiding principle of the Notice of Provincial Government on Issuing the Implementation Plan for Transferring Part of State-owned Capital to Boost Social Security Fund in Jiangsu Province (SZF [2020] No. 27), the Notice on Transferring Part of State-owned Capital to Cities and Counties to Boost Social Security Fund (SCGM [2020] No. 139) from the Department of Finance of Jiangsu Province and other five departments and the Notice on Transferring Part of State-owned Capital at Urban (District) Level to Boost Social Security Fund (CCGM [2020] No. 4) from Changzhou Finance Bureau and other four departments, the 10% state-owned equity of the Investment Group held by Changzhou Municipal People's Government is transferred to the Department of Finance of Jiangsu Province free of charge. After the share transfer, Changzhou People's Government holds 90% state-owned equity of the Investment Group and the Department of Finance of Jiangsu Province holds 10% state-owned equity of the Investment Group. In accordance with Changzhou People's Government Document (CZF [2006] No. 62), Changzhou Investment Group Co., Ltd. is an enterprise which Changzhou People's Government authorizes Changzhou Government State-owned Assets Supervision and Administration Commission to perform duties of investors. Thus, Changzhou Investment Group Co., Ltd. is the controlling shareholder of the Company and Changzhou Government State-owned Assets Supervision and Administration Commission is still the actual controller of the Company. The final controller of the Company is Changzhou Government State-owned Assets Supervision and Administration Commission.

2. Subsidiaries of the Company

Refer to Note IX for details.

3. Situation of joint ventures and associated enterprises of the company

None

4. Information on Other Related Parties

Name	Relationship with the Company
Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership)	Participated in establishing the industrial investment fund
Jiangsu Horizon New Energy Technology Co., Ltd.	Shareholding enterprise of the Company
Donghai Securities Co., Ltd.	Controlled by the same Company as the parent

5. Related Party Transactions

(1) Compensation for key management personnel

Unit: RMB

Item	Current amount incurred	Amount incurred in the previous period
Compensation for key management personnel	7,110,100.00	7,667,300.00

(2) Other Related-party Transaction

1) On 25 August 2022, the Company held the Fourth Interim Meeting of the Board of Directors and the Fourth Interim Meeting of the Supervisory Committee in 2022 and deliberated and approved the *Proposal on Planning to Participate in Capital Increase and Share Expansion and Related Transactions of Jiangsu Horizon New Energy Technology Co., Ltd.*, agreeing to increase RMB75 million capital to Horizon New Energy for the subscription of its newly registered capital of RMB18,844,200 and authorizing Shi Xinkun, the Company's Chairman, to sign capital increase agreements with related parties. In August 2022, Horizon New Energy and its shareholders signed the *Capital Increase Agreement of Jiangsu Horizon New Energy Technology Co., Ltd.*, agreeing that the registered capital of Horizon New Energy was increased from RMB1,405,622,491 to RMB1.75 billion. In October 2022, Horizon New Energy completed the industrial and commercial change registration procedures according to the aforesaid capital increase agreement and obtained the new business license.

2) The *Proposal on Using Idle Funds to Purchase Wealth Management Products* was deliberated and approved at the Fourth Interim Meeting of the Board of Directors in 2021 and the Second Interim Meeting of the Board of Supervisors in 2021 held by the Company on 13 July 2021, allowing the Company and its wholly-owned subsidiaries to use no more than RMB350 million of idle raised funds to purchase wealth management products for cash management on the premise that the investment projects with raised funds are carried out normally and the use of raised funds is not affected.

On 27 July 2021, the Company entered into a subscription agreement with Donghai Securities Co., Ltd. for the product "Donghai Securities Long Gain Return Certificate June Type Customized Issue No. 13". The subscription amount is RMB50 million, and the source of funds is idle raised funds. The return certificate matured on 25 January 2022, with a total of RMB50,949,315.07 in principal and return actually received, which is recognized as gains on changes of fair value of RMB817,465.75 in 2021 and as investment income of RMB131,849.32 in 2022.

XIII. Commitments and Contingency

1. Significant Commitments

Significant commitments on balance sheet date

As of 31 December 2022, there was no significant commitment for the Company to disclose.

2. Contingency

(1) Significant Contingency on Balance Sheet Date

None

(2) In Despite of no Significant Contingency to Disclose, the Company Shall Also Make Relevant Statements

There was no significant contingency in the Company.

XIV. Events after Balance Sheet Date**1. Profit Distribution**

Unit: RMB

Profits or dividends to be distributed	7,056,925.07
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2. Sales Return

None

3. Notes to Other Events after Balance Sheet Date

There was no other event after balance sheet date.

XV. Other Significant Events**1. The Accounting Errors Correction in Previous Period****(1) Retrospective Restatement**

None

(2) Prospective Application

None

2. Debt Restructuring

Not applicable

3. Assets Replacement

Not applicable

4. Pension Plans

Not applicable

5. Discontinued Operations

Not applicable

6. Segment Information**(1) Determination Basis and Accounting Policies of Reportable Segment**

Due to the operation scope of the Company and subsidiaries were similar, the Company conducts common

management, and did not divide business unit, so the Company only made single branch report.

7. Other Significant Transactions and Events with Influence on Investors' Decision-making

None

XVI. Notes of Main Items in the Financial Statements of the Company as the Parent

1. Accounts Receivable

(1) Accounts Receivable Classified by Category

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withd rawal proportion		Amount	Proportion	Amount	Withd rawal proportion	
Accounts receivable for which bad debt provision separately accrued	27,364,067.34	6.22%	21,607,429.50	78.96%	5,756,637.84	27,509,745.33	6.00%	21,126,658.85	76.80%	6,383,086.48
Of which:										
Accounts receivable for which bad debt provision accrued by group	412,769,158.39	93.78%	89,464,855.73	21.67%	323,304,302.66	430,771,912.03	94.00%	88,019,743.09	20.43%	342,752,168.94
Of which:										
Accounts receivable for which bad debt provision accrued by credit risk features group	412,769,158.39	93.78%	89,464,855.73	21.67%	323,304,302.66	430,771,912.03	94.00%	88,019,743.09	20.43%	342,752,168.94
Total	440,133,225.73	100.00%	111,072,285.23	25.24%	329,060,940.50	458,281,657.36	100.00%	109,146,401.94	23.82%	349,135,255.42

Accounts receivable with significant single amount for which bad debt provision separately accrued at the end of the period:

Unit: RMB

Name	Ending balance			
	Carrying amount	Bad debt provision	Withdrawal proportion	Withdrawal reason
Customer 1	1,470,110.64	1,470,110.64	100.00%	Difficult to recover
Customer 2	1,902,326.58	1,902,326.58	100.00%	Difficult to recover
Customer 3	6,215,662.64	6,215,662.64	100.00%	Difficult to recover
Customer 4	2,797,123.26	2,194,980.28	78.47%	Expected to difficultly recover
Customer 5	3,633,081.23	2,122,165.73	58.41%	Expected to difficultly recover
Customer 6	2,584,805.83	2,584,805.83	100.00%	Difficult to recover
Customer 7	1,731,493.71	1,731,493.71	100.00%	Difficult to recover
Customer 8	1,511,937.64	604,775.06	40.00%	Expected to difficultly recover
Customer 9	3,329,074.84	720,031.71	21.63%	Expected to difficultly recover
Total	25,175,616.37	19,546,352.18	--	--

Accounts receivable for which bad debt provision accrued by credit risk features group

Unit: RMB

	Ending balance		
	Carrying amount	Bad debt provision	Withdrawal proportion
Within 1 year	300,792,980.52	6,015,859.61	2.00 %
1 to 2 years	25,189,130.52	1,259,456.53	5.00 %
2 to 3 years	4,391,594.73	658,739.21	15.00%
3 to 4 years	829,958.37	248,987.51	30.00%
4 to 5 years	709,203.46	425,522.08	60.00%
Over 5 years	80,856,290.79	80,856,290.79	100.00%
Total	412,769,158.39	89,464,855.73	

Notes to the basis for the determination of the groups:

The accounts receivable was adopted the aging analysis based on the months when the accounts occurred actually, among which the accounts occurred earlier will be priority to be settled in terms of the capital turnover.

Explanation of the input value and assumption adopted to determine the withdrawal amount of bad debt provision on the Current Period: With reference to the experience of the historical credit loss, combining with the prediction of the present status and future financial situation, the comparison table was prepared between the aging of the accounts receivable and estimated credit loss rate in the duration and to calculate the estimated credit loss.

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

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Carrying amount
Within 1 year (including 1 year)	304,249,429.01
1 to 2 years	25,731,843.18
2 to 3 years	4,391,594.73

Over 3 years	105,760,358.81
3 to 4 years	2,917,847.46
4 to 5 years	2,658,953.02
Over 5 years	100,183,558.33
Total	440,133,225.73

(2) Bad Debt Provision Withdrawn, Reversed or Recovered in the Reporting Period

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period				Ending balance
		Withdrawal	Reversal or recovery	Write-off	Other	
Bad debt provision withdrawn separately	21,126,658.85	480,770.65				21,607,429.50
Bad debt provision withdrawn by group	88,019,743.09	2,150,511.77		705,399.13		89,464,855.73
Total	109,146,401.94	2,631,282.42		705,399.13		111,072,285.23

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

(3) Accounts Receivable with Actual Verification during the Reporting Period

Unit: RMB

Item	Amount verified
Accounts receivable with actual verification	705,399.13

Of which the verification of significant accounts receivable:

Unit: RMB

Name of the entity	Nature	Amount verified	Reason	Performance of verification procedures	Whether generated from related-party transaction
Customer 1	Accounts receivable of goods	256,244.04	With accounts receivable aging over 5 years, the counterpart company being revoked or cancelled, or debt reorganisation, bankruptcy clearing or the debtors have no assets for debt	The Party Committee and the office meeting reviewed and approved the Proposal on the Verification of Accounts Receivable of the Overseas Business Department Due to Pending Prototypes and Pending Quality Issues	Not
Customer 2		69,529.81			
Customer 3		72,967.54			
Customer 4		59,625.69			
Customer 5		44,647.49			
Customer 6		71,769.00			
Customer 7		40,120.00			

			extinguishment		
Total		614,903.57	--	--	--

(4) Top 5 of the Ending Balance of Accounts Receivable Collected according to the Arrears Party

Unit: RMB

Name of the entity	Ending balance of accounts receivable	Proportion to total ending balance of accounts receivable	Ending balance of bad debt provision
Customer 1	182,469,247.05	41.46%	3,649,384.94
Customer 2	40,330,698.62	9.16%	806,613.97
Customer 3	20,619,430.63	4.68%	412,388.61
Customer 4	18,538,588.59	4.21%	913,245.46
Customer 5	15,564,496.00	3.54%	311,289.92
Total	277,522,460.89	63.05%	

2. Other Receivables

Unit: RMB

Item	Ending balance	Beginning balance
Other receivables	179,596,495.57	26,497,081.34
Total	179,596,495.57	26,497,081.34

(1) Other Receivable**1) Other Receivables Classified by Account Nature**

Unit: RMB

Nature	Ending carrying amount	Beginning carrying amount
Cash deposit and Margin	1,300.00	4,200.00
Intercourse funds among units	214,624,107.53	55,450,919.93
Petty cash and borrowings by employees	671,817.84	613,410.65
Other	13,635,256.64	13,629,784.64
Total	228,932,482.01	69,698,315.22

2) Withdrawal of Bad Debt Provision

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss of the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2022	209,613.53	23,809,010.58	19,182,609.77	43,201,233.88
Balance of 1 January 2022 in the Current Period	—	—	—	—

--Transfer to Second stage				
-- Transfer to Third stage		-23,342,513.38	23,342,513.38	
-- Reverse to Second stage				
-- Reverse to First stage				
Withdrawal of the Current Period			6,574,799.60	6,574,799.60
Reversal of the Current Period	183,426.54	168,517.57		351,944.11
Write-offs of the Current Period				
Verification of the Current Period		88,102.93		88,102.93
Other changes				
Balance of 31 December 2022	26,186.99	209,876.70	49,099,922.75	49,335,986.44

Changes of carrying amount with significant amount changed of loss provision in the Current Period

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Carrying amount
Within 1 year (including 1 year)	182,815,353.08
1 to 2 years	16,778,473.11
2 to 3 years	99,076.00
Over 3 years	29,239,579.82
3 to 4 years	420,716.17
4 to 5 years	333,939.40
Over 5 years	28,484,924.25
Total	228,932,482.01

3) Bad Debt Provision Withdrawn, Reversed or Recovered in the Reporting Period

Information of bad debt provision withdrawn:

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period				Ending balance
		Withdrawal	Reversal or recovery	Write-off	Other	

Bad debt provision withdrawn separately	19,182,609.77	6,574,799.60				25,757,409.37
Bad debt provision withdrawn by group	24,018,624.11		351,944.11	88,102.93		23,578,577.07
Total	43,201,233.88	6,574,799.60	351,944.11	88,102.93		49,335,986.44

4) Particulars of the Actual Verification of Other Receivables during the Reporting Period

Unit: RMB

Item	Written-off amount
Other receivables with actual verification	88,102.93

Of which the verification of significant other receivables:

Unit: RMB

Name of the entity	Nature	Written-off amount	Reason for verification	Verification procedures performed	Whether occurred because of related-party transactions
Customer 1	Other intercourse funds	9,020.00	With accounts receivable aging over 5 years, the counterpart company being revoked or cancelled, or debt reorganisation, bankruptcy clearing or the debtors have no assets for debt extinguishment	The Proposal on the Write-off of Certain Other Receivables was approved at the Party Committee and Office Meeting.	Not
Customer 2		8,357.60			
Customer 3		7,933.63			
Customer 4		7,800.00			
Customer 5		6,700.00			
Customer 6		6,000.00			
Customer 7		6,000.00			
Total		51,811.23	--	--	--

5) Top 5 of the Ending Balance of Other Receivables Collected according to the Arrears Party

Unit: RMB

Name of the entity	Nature	Ending balance	Aging	Proportion to total ending balance of other receivables	Ending balance of bad debt provision
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Jiangsu Changchai Machinery Manufacturing Co., Ltd.	Interco urse funds	135,735,255.26	Within 1 year	59.29%	
Changzhou Changchai Horizon Agricultural Equipment Co., Ltd.	Interco urse funds	20,221,123.93	Within 1 year with RMB18,996,476. 74, 1-2 years with RMB1,224,647.1 9	8.83%	20,221,123.93
Changzhou Changniu Machinery Co., Ltd.	Interco urse funds	9,000,000.00	1-2 years	3.93%	
Changzhou Compressors Factory	Interco urse funds	2,940,000.00	Over 5 years	1.28%	2,940,000.00
Changchai Group Imp. & Exp. Co., Ltd.	Interco urse funds	2,853,188.02	Over 5 years	1.25%	2,853,188.02
Total	--	170,749,567.21		74.58%	26,014,311.95

6) Derecognition of Other Receivables due to the Transfer of Financial Assets: none

7) The Amount of the Assets and Liabilities Formed due to the Transfer and the Continued Involvement of Other Receivables: none

3. Long-term Equity Investment

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Investment to subsidiaries	576,273,530.03	7,000,000.00	569,273,530.03	542,752,730.03	7,000,000.00	535,752,730.03
Investment to joint ventures and associated enterprises	44,182.50	44,182.50		44,182.50	44,182.50	
Total	576,317,712.53	7,044,182.50	569,273,530.03	542,796,912.53	7,044,182.50	535,752,730.03

(1) Investment to Subsidiaries

Unit: RMB

Investee	Beginning balance (carrying)	Increase/decrease				Ending balance (carrying)	Ending balance of depreciatio
		Additional	Reduced	Withdrawa	Other		

	value)	investment	investment	l of depreciatio n reserve		value)	n reserve
Changchai Wanzhou Diesel Engine Co., Ltd.	51,000,000 .00					51,000,000 .00	
Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.	96,466,500 .00					96,466,500 .00	
Changzhou Horizon Investment Co., Ltd.	40,000,000 .00					40,000,000 .00	
Changzhou Changchai Horizon Agricultural Equipment Co., Ltd.	0.00					0.00	7,000,000. 00
Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.	47,286,230 .03					47,286,230 .03	
Jiangsu Changchai Machinery Co., Ltd.	300,000,00 0.00					300,000,00 0.00	
Changzhou Xingsheng Property Managemen t Co., Ltd.	1,000,000. 00					1,000,000. 00	
Zhenjiang Siyang Diesel		33,520,800 .00				33,520,800 .00	

Engine Manufacturing Co., Ltd.										
Total	535,752,730.03	33,520,800.00							569,273,530.03	7,000,000.00

(2) Investment to Joint Ventures and Associated Enterprises

Unit: RMB

Investee	Beginning balance (carrying value)	Increase/decrease								Ending balance (carrying value)	Ending balance of depreciation reserve	
		Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other			
II. Associated enterprises												
Beijing Tsinghua Xingye Industrial Investment Management Co., Ltd.	0.00										0.00	44,182.50
Subtotal	0.00										0.00	44,182.50
Total	0.00										0.00	44,182.50

4. Operating Revenue and Cost of Sales

Unit: RMB

Item	Reporting Period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales

Main operations	1,937,402,949.98	1,743,767,173.55	2,221,914,222.25	1,913,817,106.36
Other operations	51,070,094.57	40,578,530.55	45,317,897.53	31,003,356.23
Total	1,988,473,044.55	1,784,345,704.10	2,267,232,119.78	1,944,820,462.59

Information on revenue:

Unit: RMB

Category of contracts	Total
Product Types	
Of which:	
Single-cylinder diesel engines	810,033,457.43
Multi-cylinder diesel engines	1,068,550,094.42
Other products	31,841,402.73
Fittings	26,977,995.40
Classified by business area	
Of which:	
Sales in domestic market	1,717,395,940.92
Export sales	220,007,009.06
Total	1,937,402,949.98

Information related to performance obligations: none

5. Investment Income

Unit: RMB

Item	Reporting Period	Same period of last year
Dividend income from holding of other equity instrument investment	9,360,000.00	7,394,400.00
Income from refinancing operations	136,003.96	1,028,964.68
Dividends under cost accounting	28,800,000.00	
Interest income from holding of debt obligation investments	1,411,361.54	
Investment income from disposal of held-for-trading financial assets	5,408,606.17	1,798,672.49
Accounts receivable financing-discount interest of bank acceptance bills	-8,511,313.05	-1,869,322.91
Total	36,604,658.62	8,352,714.26

XVII. Supplementary Materials

1. Items and Amounts of Non-recurring Profit or Loss

√ Applicable □ Not applicable

Unit: RMB

Item	Amount	Note
Gain or loss on disposal of non-current assets	393,161.73	
Government subsidies charged to current profit or loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per the government's uniform standards)	3,774,298.59	
Gain/loss from change of fair value of trading financial assets and liabilities, and investment gains from disposal of trading financial assets and liabilities, and derivative financial assets and liabilities, and available-for-sale financial assets, other than valid hedging related to the Company's common businesses	162,319,373.53	Increase in the fair value of the equity of Jiangsu Horizon New Energy Technology Co., Ltd. held by the Company and price falling of stocks of Jiangsu Liance Electromechanical Technology Co., Ltd. and Kailong High Technology Co., Ltd. held by the wholly-owned subsidiary Horizon Investment during the Reporting Period.
Reverse of provision for impairment of accounts receivable individually conducting impairment test	30,000.00	
Other non-operating income and expenses other than the above	1,735,346.51	
Negative goodwill due to business combination not under common control	1,904,132.58	
Less: Income tax effects	19,859,063.58	
Non-controlling interests effects (after tax)	-24,058.57	
Total	150,321,307.93	--

Explain the reasons if the Company classifies an item as a non-recurring gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Non-recurring Gains and Losses, or classifies any extraordinary gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item.

Applicable Not applicable

2. Return on Equity and Earnings Per Share

Profit as of Reporting Period	Weighted average ROE (%)	EPS (Yuan/share)	
		EPS-basic	EPS-diluted
Net profit attributable to ordinary shareholders of the Company	2.51%	0.1087	0.1087

Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss	-2.41 %	-0.1043	-0.1043
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The Board of Directors
Changchai Company, Limited
10 April 2023