CHANGCHAI COMPANY, LIMITED
2026 Semi-Annual Report

August 2026

Part I Important Notes, Table of Contents and Definitions

The Board of Directors, all directors, and senior management members of the Company warrant that the content of this semi-annual report is truthful, accurate, and complete, without any false records, misleading statements, or material omissions, and shall bear individual and joint legal liabilities accordingly.

Mr. Xie Guozhong, the legal representative of the Company; Mr. Xie Guozhong, the executive in charge of accounting; and Ms. Jiang He, the head of the accounting department (chief accounting officer), hereby confirm the truthfulness, accuracy, and completeness of the financial statements in this semi-annual report.

All directors attended the Board meeting convened to review this semi-annual report.

This report contains forward-looking statements regarding future plans, which do not constitute substantive commitments to investors. Investors are advised to exercise caution regarding investment risks.

The Company has comprehensively addressed potential risks in “Part III Management Discussion and Analysis” specifically under "X Risks and Countermeasures."

The Company plans neither to distribute cash dividends, nor to issue bonus shares, nor to convert capital reserves into share capital.

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Documents Available for Reference

1. Financial statements bearing the signatures and seals of the Company's legal representative, the executive in charge of accounting, and the head of the accounting department (chief accounting officer).

2. Original copies of all announcements and documents disclosed on the China Securities Regulatory Commission (CSRC)-designated websites during the reporting period.

3. Semi-annual reports published in other securities markets.

The above reference documents are kept in full at the office of the Company's Board Secretary.

This semi-annual report is prepared in both Chinese and English. In case of any discrepancy in interpretation, the Chinese version shall prevail.

Definitions

Term	Refer to	Definition
“Company”, the “Company” or “Changchai”	Refer to	Changchai Company, Limited
Changniu	Refer to	Changzhou Changniu Machinery Co., Ltd.
Changwan	Refer to	Changchai Wanzhou Diesel Engine Co., Ltd.
Horizon Investment	Refer to	Changzhou Horizon Investment Co., Ltd.
Changchai Robin	Refer to	Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.
Changchai Machinery	Refer to	Jiangsu Changchai Machinery Co., Ltd.
Real Estate Management	Refer to	Changzhou Xingsheng Real Estate Management Co., Ltd.
Zhenjiang Siyang	Refer to	Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.
Yuanzhi Changtou Xingyu	Refer to	Yuanzhi Changtou Xingyu (Changzhou) Equity Investment Partnership (Limited Partnership)
RMB, RMB’0,000	Refer to	The Chinese currency of Renminbi, expressed in tens of thousands of Renminbi
Reporting Period	Refer to	The period from 1 January 2026 to 30 June 2026

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)	CHANGCHAI CO.,LTD.		
Legal representative	Xie Guozhong		

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 Other Information

1. Company Contact Information

Whether there were any changes to the company's registered address, office address and postal code, website, or email during the reporting period

□Applicable √Not Applicable

The company's registered address, office address and postal code, website, and email remained unchanged during the reporting period. For details, please refer to the 2025 Annual Report.

2. Information Disclosure and Storage Location

Whether there were any changes to the information disclosure and storage location during the reporting period

□Applicable √Not Applicable

The stock exchange website and media names/URLs where the company disclosed its semi-annual report, as well as the storage location of the semi-annual report, remained unchanged during the reporting period. For details, please refer to the 2025 Annual Report.

3. Other relevant materials

Whether there were changes to other relevant materials during the reporting period

□Applicable √Not Applicable

VI Key Financial Information

Whether the Company needs to retrospectively adjust or restate prior-year accounting data

□Yes √No

	Current Reporting Period	Same Period of Previous Year	YoY Change
Operating revenue (RMB)	1,669,786,673.48	1,561,186,625.83	6.96%
Net profit attributable to the listed company's shareholders (RMB)	105,059,653.98	73,422,814.69	43.09%
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	85,247,927.47	56,297,500.59	51.42%
Net cash generated from/used in operating activities (RMB)	-134,705,252.86	-74,306,110.63	——
Basic earnings per share (RMB/share)	0.1489	0.1040	43.17%
Diluted earnings per share (RMB/share)	0.1489	0.1040	43.17%
Weighted average return on equity (%)	3.00%	2.14%	0.86%
	30 June 2026	31 December 2025	Change of 30 June 2026 over 31 December 2025
Total assets (RMB)	5,790,325,894.78	5,578,281,300.02	3.80%
Equity attributable to the listed company's shareholders (RMB)	3,541,139,529.02	3,443,190,677.55	2.84%

V. Differences in Accounting Data Under Domestic and Foreign Accounting Standards

1. Differences in Net Profit and Net Assets Between Financial Reports Prepared Under International Accounting Standards and Chinese Accounting Standards

□Applicable √Not Applicable

There were no differences in net profit or net assets between financial reports prepared under International Accounting Standards and Chinese Accounting Standards during the reporting period.

2. Differences in Net Profit and Net Assets Between Financial Reports Prepared Under Foreign Accounting Standards and Chinese Accounting Standards

□Applicable √Not Applicable

There were no differences in net profit or net assets between financial reports prepared under foreign accounting standards and Chinese Accounting Standards during the reporting period.

VI Exceptional Gains and Losses

√ Applicable □ Not applicable

Unit: RMB

Item	Amount	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	278,408.23	

Government grants recognized in current profit or loss (exclusive of those that are closely related to the Company's normal business operations and given in accordance with defined criteria and in compliance with government policies, and have a continuing impact on the Company's profit or loss)	36,000.00	The government subsidies included in the current period's profit and loss for this reporting period amounted to RMB 1,746,173.35. After deducting the government subsidies related to assets transferred from deferred income of RMB 1,704,864.73 and job stabilization subsidies of RMB 5,308.62, the government subsidies included in the non recurring profit and loss for this period amounted to RMB 36,000.00.
Gains or losses from changes in fair value of financial assets and liabilities held by non-financial enterprises, as well as gains or losses from disposal of financial assets and liabilities, excluding effective hedging activities related to the company's normal business operations.	21,188,928.79	During the reporting period, the company's wholly-owned subsidiary, Changzhou Horizon Investment Co., Ltd., sold part of the company's shares held by it.
Gains or losses on entrusted investments and asset management	176,622.04	
Reversal of impairment allowances on receivables individually assessed for impairment	91,000.00	
Other non-operating income and expenses not listed above	14,438.71	
Less: Income tax effects	1,910,775.89	
Non-controlling interests effects (net of tax)	62,895.37	
Total	19,811,726.51	

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 Principal Business Activities of the Company During the Reporting Period

1. Industry Development Status
The Company operates in the internal combustion engine and components manufacturing sector within the general equipment manufacturing industry. Classified by fuel type, internal combustion engines are primarily categorized into diesel engines and gasoline engines. The Company's diesel and gasoline engine products are mainly used in off-road mobile machinery applications such as harvesters, tractors, plant protection equipment, compact construction machinery, and marine engines.
(1) Industry Overview
Internal combustion engines are an important support for ensuring the safety of China's manufacturing industry, energy security, and national defense security. They are also an important cornerstone for the sustainable development of the national economy and the modernization of national defense construction. As the leading thermal efficiency, outstanding power density, and most widely used thermal power device, the internal combustion engine has an irreplaceable core position in the power equipment system. In response to the strategic goals of carbon peak and carbon neutrality, as well as the overall requirements for high-quality development of the manufacturing industry, the internal combustion engine and agricultural machinery equipment industry is accelerating the implementation of an innovation driven development strategy, focusing on enhancing independent innovation capabilities, continuously promoting the construction of common key technology platforms, and strengthening the resilience and safety level of the industrial chain and supply chain. At the same time, the industry actively promotes intelligent manufacturing and green manufacturing, accelerates the transformation and upgrading towards high efficiency, intelligence, cleanliness, and low-carbon, and comprehensively supports the construction of a modern industrial system.
(2) Industry Development Landscape and Trends
The 15th Five-Year Plan period is a crucial stage for China to achieve its carbon peaking target, and the internal combustion engine industry is entering a strategic window period of transformation and reshaping. The "Two New" policies in 2026 provide clear guidance for the promotion of green intelligent products and the low-carbon upgrading of industries, and energy conservation and carbon reduction have become the core tasks for the high-quality development of the industry. Driven by policy guidance and market demand, the industry is accelerating the layout of a diversified fuel power technology system, and the application of low-carbon and zero carbon fuels has become an important direction. Hybrid power (including extended range) plays an irreplaceable role in the transition from internal combustion engine to new energy in commercial vehicles and off-road sectors. Through the collaborative efforts of combustion optimization, emission control, and intelligent monitoring, internal combustion engines are accelerating towards high efficiency, intelligence, cleanliness, and low-carbon. The deep integration of digital technology and manufacturing processes has continuously enhanced the collaborative efficiency of the industrial chain, infusing new momentum into the high-end leap of the industry. Relying on technological breakthroughs and systematic innovation, the internal combustion engine industry will continue to build a solid foundation for the national economy and defense security.
In recent years, the government has introduced a series of policies to support the development of the agricultural machinery market, including agricultural machinery purchase subsidies, scrap and renewal subsidies, and support policies for the agricultural machinery circulation industry. In 2026, the No. 1 central document will focus on agricultural and rural modernization and overall rural revitalization. Focusing on improving comprehensive

agricultural production capacity and stabilizing food security, it will propose three upgrading directions for agricultural machinery, namely high-end intelligence, green low-carbon, and hilly adaptation. It will release industrial dividends through subsidy optimization and scenario expansion, and promote the transformation of agricultural machinery and equipment to new quality productivity forces.

In the first half of 2026, driven by multiple factors such as the continuous implementation of policies to strengthen agriculture and benefit agriculture, and the upgrading of the demand structure for agricultural machinery, the overall agricultural machinery market in China will show a moderate recovery and deep adjustment trend, and the industry will shift from accelerated scale expansion to a leap in quality. From the perspective of product categories, there is a strong demand for high horsepower, intelligent, and multifunctional models in the tractor market, while medium-sized tractors maintain a slight growth but their growth momentum continues to weaken. Small traditional tractors are facing pressure from demand contraction. In the field of harvesting machinery, tracked harvesters have maintained stable overall sales due to their adaptability to paddy fields and the support of overseas export growth; Wheeled grain and corn harvesters are facing significant downward pressure on overall production and sales due to factors such as stock saturation and planting structure adjustments. The rice transplanter market is showing a differentiated trend, with high-speed passenger rice transplanters accelerating their popularity among large-scale planting cooperatives and business entities in the plains. Hand-held transplanters benefit from the national agricultural mechanization special support policies in hilly and mountainous areas, and the overall demand for scattered land in hilly areas is stable. Domestic local rice transplanter brand technology and service advantages continue to be released, and market competitiveness is gradually increasing.

From the perspective of competitive landscape, top enterprises dominate with technological upgrades and brand advantages, and market concentration continues to increase; Cross border forces from fields such as construction machinery have entered the market, injecting new technological concepts and competitive vitality into the industry; Small and medium-sized manufacturing enterprises are facing increased pressure for survival and development due to factors such as homogenized competition in the low-end market and compressed profit margins. The phase-out of inefficient and backward production capacity is accelerating, and the industry reshuffle process is deepening. The current market structure of the agricultural machinery industry is clearly differentiated, with intelligent agricultural machinery, new energy hybrid equipment, large and efficient high-efficiency implements, and specialized supporting agricultural machinery for hilly areas experiencing rapid growth, becoming the core driving force for industry development; However, the demand for traditional small and medium-sized conventional agricultural machinery continues to shrink, the market sentiment is declining, and the trend of product structure iteration and upgrading is significant. Technological innovation is the core engine of this process. Technologies such as Beidou precision operation, unmanned autonomous farming, and artificial intelligence regulation have been implemented on a large scale, and the penetration rate of intelligent agricultural machinery has steadily increased; At the same time, the industrialization of new energy and hybrid technologies is accelerating, and various energy-saving and efficient new equipment is accelerating scale verification and market introduction, effectively promoting the green and low-carbon development of the industry. Overall, the agricultural machinery industry is currently in a critical period of transformation from large-scale development to high-quality, high-end, and refined development. With policy empowerment and technological innovation, the industry has ample room for upgrading and development.

2. Principal Operations of the Company

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

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

3. Main Products of the Company

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

Main products	Graphic display	Product description	Product features	Application fields
Diesel engine		Our diesel engine products include single-cylinder diesel engines and multi-cylinder engines, covering power range from 3kW to 180kW, and cylinder diameters from 70mm to 140mm. Besides sale in domestic market, our diesel engines are sold to Southeast Asia, South America, the Middle East and Africa.	High power, low oil consumption, low noise, compact structure, low emission, good reliability	Agricultural machinery, construction machinery, generator sets, shipborne machinery
Gasoline engine		Our gasoline engines are mainly general-purpose small gasoline engines, covering the power range from 1.5kW to 9.0kW. Besides sale in domestic market, our gasoline engines are sold to Southeast Asia, the Middle East, Europe and America, Africa, Japan and other countries and regions.	Simple structure, good reliability, easy maintenance	Agricultural machinery, small construction machinery

4. 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.

5. 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), we have maintained a high market share of single-cylinder engines, and our market share of single-cylinder diesel engines in certain power ranges has ranked among the top in China. For many years, in the process of achieving steady economic development of the enterprise, we cultivated and developed the "Changchai" brand, a well-known national brand in China's small diesel engine industry, renowned both domestically and internationally with independent intellectual property rights.

6. Key Performance Drivers

(1) National policy driver

In recent years, the state has issued a series of policies supporting the development of the agricultural machinery market, including subsidy policies for agricultural machinery purchases and scrapping and renewal, as well as support policies for the agricultural machinery circulation industry. The No. 1 Central Document of the CPC Central Committee for 2026 focuses on agricultural and rural modernization and comprehensive rural revitalization, with the core objectives of enhancing comprehensive agricultural production capacity and ensuring food security. It proposes three major upgrading directions for agricultural machinery: high-end intelligence, green and low-carbon development, and adaptability to hilly and mountainous areas. By optimizing subsidies and expanding application scenarios, the policy releases industrial dividends and promotes the transformation of agricultural machinery equipment toward new quality productive forces.

The Work Plan for Stable Growth of the Machinery Industry (2025–2026) proposes to leverage policies such as agricultural machinery purchase and application subsidies and scrapping and renewal subsidies, promote the "superior machinery with superior subsidies" and "dynamic adjustment" of subsidized equipment, and facilitate the application and promotion of advanced and applicable agricultural machinery.

The Guiding Opinions of the Ministry of Agriculture and Rural Affairs on Vigorously Developing Smart Agriculture and the National Smart Agriculture Action Plan (2024–2028) emphasize strengthening the R&D, innovation, promotion, and application of advanced and applicable smart agricultural machinery, deepening the integration of technological innovation and industrial innovation, and providing strong scientific and technological equipment support for the development of modern agriculture.

The 15th Five-Year Plan for Accelerating Agricultural and Rural Modernization proposes to promote the R&D and application of high-end intelligent and hilly and mountainous area-adapted agricultural machinery equipment, systematically advance the R&D of new energy agricultural machinery technologies and industrial synergy, and cultivate leading agricultural machinery enterprises and specialized and sophisticated SMEs in a classified manner. Meanwhile, it calls for orderly advancing the development of the low-altitude economy in agricultural and rural areas and expanding the application scenarios of agricultural drones. The introduction and implementation of a series of agriculture-favoring and agriculture-supporting policies are conducive to the high-quality development of the agricultural machinery industry and have created a favorable policy environment for the industry's transformation toward high-end, intelligent, and green development.

(2) Industrial chain synergy empowers the Company's sustainable development

The Company has established its own foundry and processing plants to meet part of its demand for diesel engine components. In terms of production and quality, these facilities form a significant synergistic effect with the Company's internal combustion engine assembly operations. The foundry and assembly segments reinforce each other, creating a positive feedback loop that helps the Company integrate the internal combustion engine industrial chain and build differentiated industry barriers. In terms of production synergy, reducing external procurement is of great significance for the Company in reducing process flows, lowering intermediate losses, improving production efficiency, shortening delivery lead times, and enhancing procurement bargaining power. In terms of quality synergy, the in-house foundry enhances the Company's quality control over components, thereby improving the yield rate and reliability of internal combustion engine products.

(3) Stable and efficient R&D team

The Company boasts an experienced technical management team and a well-established technical support team. Its core technical personnel and R&D management staff have long been engaged in the R&D, design, manufacturing, and production of internal combustion engines, possessing profound professional knowledge and extensive practical experience, as well as strong foresight and scientific judgment in market direction and technology roadmaps. At the same time, the Company has developed an effective talent cultivation mechanism, providing a strong talent guarantee for subsequent R&D efforts.

(4) Well-known brand with numerous renowned customers

The Company, formerly known as Changzhou Diesel Engine Factory, is a century-old national industrial enterprise and one of China's earliest specialized manufacturers of internal combustion engines. The Company's diesel and gasoline engine products, serving as power sources for agricultural machinery, construction machinery, and other equipment, demonstrate excellent performance in terms of power range, reliability, specific power, noise control, and emission standards, and have gained recognition from customers. The Company has maintained long-term cooperative relationships with its major customers, with cumulative cooperation periods exceeding 15 years. Many of its OEM customers are well-known enterprises in the agricultural machinery industry, with market shares ranking among the forefront of their respective markets.

7. Overview of the Company's principal business operations during the reporting period

In the first half of 2026, affected by multiple factors such as frequent geopolitical conflicts and energy price shocks, the global economic recovery slowed down overall. China's domestic economy showed a generally stable development trend with improvements in both quality and structure, while the potential for domestic demand requires further release. Currently, the agricultural machinery industry as a whole is in a phase of deep adjustment and parallel transformation and upgrading. Affected by grain price fluctuations and pressure on user returns, demand in the traditional agricultural machinery market remains relatively weak. However, industry sentiment has shown signs of recovery, and market confidence is gradually being restored. Emerging sectors are performing actively, with demand for smart agricultural machinery, high-horsepower, and high-end equipment continuing to grow, and the product structure accelerating its optimization. Leveraging the policy support for agricultural modernization and new quality productive forces, the agricultural machinery industry is advancing toward a new stage of high-quality development featuring the coordinated advancement of intelligence, greenization, and high-end development. The Company closely follows its strategic deployment, with all employees working together with dedication and resilience. Facing the pressure of intensifying industry competition, the Company has deepened management efficiency and optimized its product structure, achieving an overall operating performance that is steadily progressing with an improving structure. During the reporting period, the Company sold a total of 395,000 units of various diesel engines, gasoline engines, and power units, achieving sales revenue of RMB 1.670 billion, representing a year-on-year increase of 6.96%.

In terms of product R&D and matching, the Company remains committed to market demand-driven technological R&D, advancing the optimization of existing models, development of power platforms, and forward-looking technology deployment, continuously consolidating its core technology and product reserves. The Company has conducted special campaigns in response to market feedback, optimizing the terminal operation and after-treatment systems of core multi-cylinder engine models, and completing the systematic iteration and upgrade of models for harvester matching applications, with the supporting technical solutions fully finalized after field validation. For single-cylinder engines, the Company has completed adaptations for special operating conditions and iterative upgrades for overseas models, continuously refining the details of its flagship products, with steady improvements in terminal adaptability and market adaptability. In terms of power platform development, the Company is advancing dual-track R&D for high-horsepower and light-duty power, implementing dual after-treatment technology routes for high-horsepower models, with multiple products having completed new model trial production, reliability testing, and OEM supporting cooperation. Meanwhile, the Company has launched a six-cylinder high-horsepower power project to expand into the commercial power sector and is steadily complementing its light-duty power product matrix. In terms of forward-looking technology, the hybrid agricultural power project has achieved phased breakthroughs, and pre-research on China V emission standards is underway, continuously strengthening product competitiveness and technological reserves.

In terms of sales and services, in the domestic market, the single-cylinder engine business has effectively boosted channel confidence and efficiency through channel optimization and regional market cultivation, while customizing adapted solutions for niche markets to cultivate stable incremental growth. The multi-cylinder engine business has consolidated its core supporting position in traditional agricultural machinery and expanded into supporting areas such as light construction machinery, hilly and mountainous agricultural machinery, and plant protection machinery, increasing the proportion of high-value-added models and facilitating product transformation and upgrading. In the export market, the Company has established a multi-regional coordinated foreign trade framework, developing customized models for different regional market demands and steadily expanding market share. The Company continues to optimize its overseas sales network and localized after-sales service system, leveraging OEMs' vehicle export channels to expand its overseas installed base, achieving simultaneous improvement in foreign trade scale and export quality.

In terms of quality management, the Company has advanced lean supply chain management and quality system consolidation, with a dual-track approach supporting stable production and operations. In the supply chain, the Company has anticipated raw material prices, coordinated parts planning and scheduling, and stabilized production and supply rhythm to cope with peak-season delivery pressure. Multiple approaches have been adopted to drive procurement cost reduction, with remarkable results. The Company has introduced a number of high-quality suppliers, comprehensively identified and reviewed the list of sole-supply high-risk parts, and implemented the management principle of "quality supply priority," effectively strengthening the supply chain's risk resilience and overall operational efficiency. The Company continues to deepen the construction of its full-process quality control system, establishing a rapid response mechanism, implementing the "3+1" fortress project, and applying standardized methods to tackle key quality projects. The Company actively carries out mass quality management activities, with mass quality improvement initiatives achieving municipal-level professional awards.

In terms of internal management, the Company has scientifically allocated production capacity, advanced lean production to ensure efficient order delivery, and completed the reorganization of production base resources to revitalize existing assets. Regular safety hazard inspections and rectifications have been carried out, with robust network and data security defenses established, ensuring smooth and orderly operations. The operating quality of its subsidiaries has continued to improve, with enhanced profit contribution capabilities. The Company adheres to the guidance of Party building, deepening ideological education and work style development, standardizing organizational construction and supervision, promoting the deep integration of Party building into core business operations, and cultivating a robust corporate culture and compliance risk control system. In talent management, the Company has optimized its workforce structure, improved performance appraisal and innovation incentive mechanisms, strengthened the cultivation of digital capabilities among management personnel, achieving a win-win situation in terms of both enterprise efficiency enhancement and employee income growth, thereby laying a solid foundation for the Company's high-quality development.

During the reporting period, the Company's wholly-owned subsidiary Horizon Investment, together with its controlling shareholder Changzhou Investment Group Co., Ltd. and its wholly-owned subsidiary Changzhou Xinhui Private Equity Fund Management Co., Ltd., jointly signed the Partnership Agreement of Yuanzhi Changtou Xingyu (Changzhou) Equity Investment Partnership (Limited Partnership). Yuanzhi Changtou Xingyu completed the industrial and commercial registration procedures in April 2026, and went through the industrial and commercial registration procedures for the change of general partner in August 2026. The houses within the expropriation scope of the old city renovation project on the land plot of the Company's Sanjing Branch are to be expropriated by the government. To improve the efficiency of the expropriation work, the Company reached an agreement with the Housing and Urban-Rural Development Bureau of Changzhou National High-Tech Industrial Development Zone (Xinbei District) and the Housing Expropriation and Compensation Service Center of Sanjing Subdistrict, Xinbei District, Changzhou City, based on professional reports issued by qualified professional firms, on land consolidation and upgrading of the Sanjing Branch and subsequent compensation payments, and intends to sign a Supplementary Agreement. This matter has been deliberated and approved by the first extraordinary general meeting of shareholders in 2026.

II Core Competitiveness Analysis

1. Brand Advantages

Changchai is a century-old national industrial enterprise and one of China's earliest professional manufacturers of internal combustion engines. The "Changchai" brand trademark was among the first in China's production materials sector to be recognized as a China Famous Trademark, while Changchai diesel engines are China Brand Name Products. The company has obtained ISO9001 and IATF16949 quality system certifications, ISO14001 environmental management system certification, IATF16949 automotive product quality management system certification, and national export commodity inspection exemption status. Changchai has repeatedly been ranked among China's Top 100 Machinery Enterprises and China Industry Pioneer Enterprises, receiving numerous honors including National Contract-honoring & Creditworthy Enterprise, China Agricultural Machinery Components Leading Enterprise, AAA Credit-rated Agricultural Machinery Enterprise, Jiangsu Provincial Quality Management Excellence Award, and Changzhou Mayor's Quality Award. For consecutive years, it has been voted among the Top 10 Most Satisfactory After-sales Service Brands in the "Precision Cultivation Cup" awards. During the reporting period, the Company was honored as a "National Enterprise with Quality and Service Integrity Commitment" and was also awarded the "Outstanding Supplier Award" by multiple supporting partners. Over the years, in the course of achieving steady economic growth, Changchai has cultivated and developed the "Changchai" brand into a well-known national brand in China's small diesel engine industry, renowned both domestically and internationally and with independent intellectual property rights.

2. Technological Advantages

Changchai operates a National-level Technology Center, Postdoctoral Research Station, and Jiangsu Provincial Small & Medium Power Engine Engineering Research Center. As a leading producer of small-to-medium power single-cylinder and multi-cylinder diesel engines, Changchai maintains the industry's most comprehensive product portfolio with the broadest power coverage in China's small diesel sector, where all core products feature proprietary intellectual property. During the reporting period, the Company's internal combustion engines were honored as "National Quality Inspection Stable and Qualified Products." In the first half of 2026, the Company was granted 5 patent authorizationsAs of June 30, 2026, Changchai held 192 valid patents globally, including 42 domestic invention patents and 2 international invention patents.

3. Marketing Advantages

Changchai adheres to market-centric principles, continuously innovating marketing strategies to adapt to market evolution. The company implements an integrated "Five-in-One" management system encompassing complete machine sales, spare parts supply, warranty services, payment collection, and information feedback. Its nationwide sales and service network comprises 24 sales service centers and 752 authorized service stations covering urban and rural markets - the most extensive service coverage in China's small-to-medium power diesel engine industry. Under the unified coordination of Changchai's Customer Call Center at headquarters, all service outlets commit to "proactive, rapid, convenient, and accurate" service principles to deliver premium pre-sales, in-sales, and after-sales support. To meet China Non-Road Stage IV emission standards and provide precise aftermarket services, the company has developed a proprietary service monitoring platform with distinctive Changchai features.

III Core Business Analysis

Overview

Please refer to the relevant content under "I. Principal Business Activities of the Company During the Reporting Period."

Year-over-year changes in key financial data:

Unit: RMB

	Current Reporting Period	Same Period of Previous Year	YoY Change	Reasons for Fluctuations
Operating revenue	1,669,786,673.48	1,561,186,625.83	6.96%	
Cost of sales	1,421,532,002.59	1,361,474,105.33	4.41%	
Selling expense	30,586,975.39	29,894,284.08	2.32%	
Administrative expense	47,819,242.08	50,718,409.56	-5.72%	
Finance costs	6,742,399.18	-5,618,946.80	——	This was primarily attributable to an increase in exchange losses during the reporting period.
Income tax expense	14,846,902.91	13,529,676.07	9.74%	
R&D expense	47,024,675.62	38,891,905.33	20.91%	
Net cash generated from/used in operating activities	-134,705,252.86	-74,306,110.63	——	This was mainly due to the fact that most of the Company's multi-cylinder engine customers are OEM supporting manufacturers with relatively longer credit terms, and the Company has stepped up its market expansion efforts with

				moderate credit sales, resulting in relatively lower cash collections.
Net cash generated from/used in investing activities	-144,202,387.70	-97,167,644.92	——	This was primarily attributable to an increase in the scale of wealth management products during the reporting period.
Net cash generated from/used in financing activities	-15,525,235.15	-7,056,925.07	——	This was mainly due to an increase in cash dividends distributed by the Company during the reporting period.
Net increase in cash and cash equivalents	-305,100,864.34	-178,530,680.62	——	This was primarily attributable to the Company's stepped-up market expansion efforts with moderate credit sales, which led to relatively lower cash collections, coupled with an increase in the scale of wealth management products during the reporting period.
Net profit attributable to shareholders of the parent company	105,059,653.98	73,422,814.69	43.09%	This was mainly due to the optimization of the Company's sales structure and the year-on-year increase in sales revenue, the improvement in gross profit margin in the first half of the year compared with the same period last year, as well as the investment income generated from Horizon Investment's disposal of part of its held shares,

				dividends from Bank of Jiangsu, and cash management activities.

Significant Changes in Profit Composition or Profit Sources During the Reporting Period

□Applicable √Not Applicable

There were no significant changes in the Company's profit composition or profit sources during the reporting period.

Composition of Operating Revenue

Unit: RMB

	Current Reporting Period		Same Period of Previous Year		YoY Change
	Operating revenue	As % of total operating revenue (%)	Operating revenue	As % of total operating revenue (%)	
Total	1,669,786,673.48	100%	1,561,186,625.83	100%	6.96%
By operating division					
Internal combustion engines	1,645,957,037.35	98.57%	1,537,977,952.94	98.51%	7.02%
Other	23,829,636.13	1.43%	23,208,672.89	1.49%	2.68%
By product category					
Diesel engines	1,579,087,777.68	94.57%	1,464,198,188.86	93.79%	7.85%
Gasoline engines	64,115,320.04	3.84%	71,014,743.76	4.55%	-9.72%
Other	26,583,575.76	1.59%	25,973,693.21	1.66%	2.35%
By operating segment					
Domestic	1,423,615,294.39	85.26%	1,327,242,298.54	85.01%	7.26%
Overseas	246,171,379.09	14.74%	233,944,327.29	14.99%	5.23%

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	1,645,957,037.35	1,400,183,437.95	14.93%	7.02%	4.29%	2.23%
By product category						
Diesel engines	1,579,087,777.68	1,345,082,069.33	14.82%	7.85%	5.10%	2.22%
Gasoline engines	64,115,320.04	54,362,165.74	15.21%	-9.72%	-9.64%	-0.07%

By operating segment						
Domestic	1,423,615,294.39	1,187,654,627.41	16.57%	7.26%	4.65%	2.07%
Overseas	246,171,379.09	233,877,375.18	4.99%	5.23%	3.19%	1.87%

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

□ Applicable √ Not applicable

IV Analysis of Non-Core Business Operations

√Applicable □Not applicable

Unit: RMB

	Amount	As % of gross profit	Source	Recurrent or not
Return on investment	31,090,323.25	24.92%	The increase was mainly due to dividend income from stocks and returns on cash management products, together with investment income realized from the disposal of certain shares of the Company held by its wholly-owned subsidiary, Changzhou Horizon Investment Co., Ltd.	Dividend income from equity investments and returns on cash management products are of a sustainable nature, whereas investment income arising from the disposal of shares is non-recurring and therefore not sustainable.
Gains/losses on changes in fair value	3,474,167.46	2.78%	During the reporting period, this was mainly attributable to the increase in fair value of shares held by the Company's wholly-owned subsidiary, Horizon Investment, in Kailong High-Tech Co., Ltd. compared to the beginning of the period.	No
Asset impairment loss	-910,849.44	-0.73%	This was primarily attributable to the impairment provision recognized on inventories during the current period.	No
Non-operating income	35,210.65	0.03%	This was primarily attributable to penalty income.	No
Non-operating expense	20,771.94	0.02%	This was primarily caused by losses from the scrapping and write-off of non-current assets.	No

V Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB

	30 June 2026		31 December 2025		Change in percent age (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Cash and Cash Equivalents	1,099,136,545.77	18.98%	1,338,231,792.64	23.99%	-5.01%	

Accounts receivable	1,282,205,435.24	22.14%	451,748,532.34	8.10%	14.04%	This was primarily due to the fact that most of the Company's multi-cylinder engine customers are OEM supporting manufacturers with relatively long credit terms. During the reporting period, the Company stepped up its market expansion efforts and moderately extended credit sales, which resulted in a significant increase in accounts receivable.
Inventories	566,845,803.44	9.79%	757,083,436.15	13.57%	-3.78%	
Investment property	34,595,774.21	0.60%	35,644,130.99	0.64%	-0.04%	
Fixed assets	517,154,616.58	8.93%	550,316,120.80	9.87%	-0.94%	
Construction in progress	4,067,335.75	0.07%	2,801,650.98	0.05%	0.02%	The primary cause was the Company's investment in technological transformation projects during the reporting period.
Short-term borrowings	7,521,472.93	0.13%	88,926,344.09	1.59%	-1.46%	This was primarily attributable to the maturity of bank acceptance bills with lower credit ratings which had been discounted by the Company during the reporting period.
Contract liabilities	40,356,723.37	0.70%	40,040,496.36	0.72%	-0.02%	

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

□ Applicable √ Not applicable

3. Assets and Liabilities at Fair Value

√Applicable □Not applicable

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in the	Cumulative fair-value changes charged	Impairment allowance for the Reporting	Purchased in the Reporting Period	Sold in the Reporting Period	Other change	Ending amount

		Reporting Period	to equity	Period				
Financial assets								
Held-for-trading financial assets (derivative financial assets exclusive)	372,184,689.98	3,474,167.46	0.00	0.00	753,058,746.43	586,192,952.22	0.00	542,524,651.65
Investment in other equity instruments	981,361,295.81	0.00	804,455,045.81	0.00	0.00	0.00	0.00	988,808,295.81
Subtotal of financial assets	1,353,545,985.79	3,474,167.46	804,455,045.81	0.00	753,058,746.43	586,192,952.22	0.00	1,531,332,947.46
Other	337,118,757.03	0.00	0.00	0.00	1,000,000.00	0.00	0.00	338,118,757.03
Total of above	1,690,664,742.82	3,474,167.46	804,455,045.81	0.00	754,058,746.43	586,192,952.22	0.00	1,869,451,704.49
Financial liabilities	0.00							0.00

Contents of other change: N/A

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

□ Yes √ No

4. Restricted Asset Rights as at the Period-End

Unit: RMB

Items	At the period-end	Reason for restriction
Monetary assets	156,169,488.67	Bank acceptance bill guarantee deposits, Letter of guarantee deposits, Performance bond deposits, Term deposits and accrued interest
Notes receivable	7,521,472.93	Payment obligations for discounted notes not yet due
Notes receivable	86,875,410.49	Payment obligations for transferred notes not yet due

VI Investment Status Analysis

1. Overview

□ Applicable √ Not applicable

2. Major Equity Investments Made in the Reporting Period

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

4. Financial Investments

(1) Securities Investments

√ Applicable □ Not applicable

Unit: RMB

Variety of security	Code of security	Name of security	Initial investment cost	Accounting measurement method	Beginning carrying amount	Gain/loss on fair value changes in the Reporting Period	Accumulated fair value changes recorded in equity	Purchased in the Reporting Period	Sold in the Reporting Period	Gain/loss in the Reporting Period	Ending carrying amount	Accounting title	Funding source
Domestic/foreign stock	600166	Foton Motor	41,784,000.00	Fair value method	421,940,000.00	0.00	378,711,000.00	0.00	0.00	0.00	420,495,000.00	Investment in other equity instruments	Self-funded
Domestic/foreign stock	600919	Bank of Jiangsu	42,786,000.00	Fair value method	243,360,000.00	0.00	209,466,000.00	0.00	0.00	13,199,940.00	252,252,000.00	Investment in other equity instruments	Self-funded
Domestic/foreign stock	300912	Kailong High Technology	20,001,268.00	Fair value method	16,600,650.00	5,472,230.00	0.00	0.00	20,304,384.00	15,702,951.55	12,663,980.00	Held-for-trading financial assets	Self-funded
Dom	6881	Lian	7,200	Fair	56,92	-3,54	0.00	0.00	29,96	1,25	28,08	Held	Self-

estic/foreign stock	13	ce Technology	,000.00	value method	3,200.00	4,000.00			9,176.73	2,110.18	0,000.00	-for-trading financial assets	funded
Domestic/foreign stock	605368	Lantian Gas	160,744.76	Fair value method	216,160.00	-45,360.00	0.00	0.00	0.00	-45,360.00	170,800.00	Held-for-trading financial assets	Self-funded
Total			111,932,012.76	--	739,040,010.00	1,882,870.00	588,177,000.00	0.00	50,273,560.73	30,109,641.73	713,661,780.00	--	--

(2) Investments in Derivative Financial Instruments

□ Applicable √ Not applicable

No such cases in the Reporting Period.

5. Use of Raised Funds

□ Applicable √ Not applicable

During the reporting period, the Company did not have any utilization of raised capital.

VII 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

VIII 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	Relation	Principal	Registere	Total	Net assets	Operating	Operating	Net profit

	ship with the Company	activity	d capital	assets		revenue	profit	
Changniu	Subsidiary	Production of diesel engine accessories	55,063,000.00	160,927,193.50	67,686,865.80	126,482,888.32	-523,906.54	-503,850.05
Changwan	Subsidiary	Diesel engine assembly	85,000,000.00	80,665,393.14	55,310,448.16	40,739,150.64	1,352,542.28	1,373,166.99
Horizon Investment	Subsidiary	External investment and consulting	40,000,000.00	104,635,969.78	97,235,957.22	0.00	16,611,878.80	12,021,845.51
Changchai Robin	Subsidiary	Gasoline engines assembly	37,250,000.00	112,025,259.61	101,887,208.17	64,115,320.04	3,258,938.02	3,031,291.74
Changchai Machinery	Subsidiary	Internal combustion engine and related accessories	300,000,000.00	995,698,409.36	548,084,536.95	634,217,973.85	15,352,143.05	15,357,143.03
Xingsheng Real Estate Management	Subsidiary	Real estate management service	1,000,000.00	3,272,793.91	2,166,146.34	1,356,250.21	39,211.05	31,914.70
Zhenjiang Siyang	Subsidiary	Manufacturing and marketing of diesel engines for ships	2,000,000.00	149,056,448.96	128,947,729.88	48,585,617.48	10,588,879.75	8,998,972.78

Subsidiaries obtained or disposed of in the Reporting Period:

□ Applicable √ Not applicable

Other information about principal subsidiaries and joint stock companies:None

IX Structured Bodies Controlled by the Company

□ Applicable √ Not applicable

X Risks and Countermeasures

(1) Market Risks

The agricultural machinery industry is currently in a phase where deep adjustment and transformation and upgrading are progressing in parallel. Under the compounded influence of multiple policies—including the phase-out and adjustment of agricultural machinery purchase subsidies, the implementation of green and low-carbon industrial policies, and the increasingly stringent emission control regulations for non-road mobile machinery—

the market for traditional mid-to-low-end product categories has continued to experience downward pressure, while segmented sectors such as high-end intelligent machinery, large-horsepower equipment, and new-energy agricultural machinery have maintained growth momentum. As agricultural operations continue to intensify in terms of scale and concentration, the pace of high-quality transformation in the industry has further accelerated. Market players are closely aligning with end-user agricultural needs to continuously deepen product innovation and upgrading, while expanding both domestic and export sales channels. At the same time, the cross-border entry of construction machinery enterprises has intensified competition in the sector.

Countermeasures: first, deepening user value orientation by shifting from a traditional product-centric mindset to a full life-cycle business philosophy; second, expanding global market presence through tiered precision strategies in the domestic market and breakthrough initiatives in overseas markets, striving to achieve overall production and sales volume targets; third, reinforcing technological moats by increasing R&D investment to ensure that innovation translates into marketable outcomes and builds core competitive advantages; fourth, strengthening quality foundation by implementing end-to-end quality loss reduction initiatives across the entire process; and fifth, enhancing organizational effectiveness by exercising strict control over administrative expenses, regulating subsidiary governance, and broadening the pathways for transformation.

(2) Industrial Risks

Driven by the continued promotion of new-energy agricultural machinery policies and increasingly stringent emission standards, enterprises have accelerated their R&D and market deployment of new-energy power systems. As a result, the market share of diesel engine products and related supporting sectors has been affected to a certain extent, while the stock demand for traditional small-to-medium horsepower diesel engines continues to contract. Although new-energy agricultural machinery still faces challenges such as high costs, difficulties in field recharging, and inadequate adaptation to complex operating conditions, the pace of technological iteration is accelerating, and substitution trends have already emerged in small-to-medium horsepower agricultural machinery segments. Meanwhile, original equipment manufacturers (OEMs) are developing their own electric powertrains and hybrid solutions, which has significantly raised the requirements for integrated and intelligent powertrain systems. Traditional internal combustion engine enterprises that rely solely on conventional mechanical pumps or simple electronic control technologies, without the capability for hybrid electric control integration, are at risk of being marginalized in the supply chain. Coupled with the continuous tightening of new emission regulations, enterprise R&D compliance costs have further increased.

Countermeasures:First, develop products that comply with national energy conservation and emission reduction policies, optimize and upgrade product lines in response to market demand, and strengthen the application of intelligent technologies and new materials to enhance product added value and competitiveness, thereby consolidating market advantages.Second, accelerate R&D in new-energy power systems, and continue to advance the development and deployment of hybrid products.Third, closely follow the pace of the non-road China V emission policy and proactively develop technical solutions for future compliance.Fourth, adhere to a coordinated development strategy that balances product operations with capital operations, with a strategic focus on electrification, intelligence, new-energy power, and motor supporting sectors, while leveraging the capital market to accelerate external growth.

(3) Foreign Trade Risks

The current international landscape has become increasingly complex and severe, with frequent occurrences of geopolitical conflicts, international trade frictions, and other issues that have impacted regional political stability and security, global economic recovery, food and energy security, and the ecological environment. The uncertainty surrounding the global trade environment has risen significantly. Many countries around the world continue to adjust their foreign trade control policies, with trade protection measures becoming increasingly diverse. At the same time, monetary policy divergence among major global economies has intensified, and the factors causing volatility in broad two-way exchange rate fluctuations have continued to multiply. Should there be significant changes in the political stability or foreign trade policies of foreign markets, or should exchange rates continue to fluctuate substantially, it would have a material impact on the export sales of agricultural machinery products and the Company's profitability.

Countermeasures:First, enhance independent market development capabilities and improve overall foreign trade efficiency through the complementarity and sharing of internal and external resources, information, and products.Second, develop differentiated products in response to the diverse demands of various overseas regional markets, and promote more high-performance and new-sector products to overseas markets. At the same time, leverage the export channels of domestic OEMs to increase the installed base of equipment overseas.Third, consolidate the core advantages in traditional major markets, accelerate channel development, expand market share in mid-tier markets, cultivate growth drivers in emerging potential markets, and continue to expand the global market presence.Fourth, strengthen the training of overseas service personnel, enhance service capabilities, and establish overseas entrusted service stations to accelerate the development of a global after-sales service network.Fifth, closely monitor exchange rate fluctuations, select appropriate currencies for quotation and settlement, and promptly adopt measures such as adjusting product prices and modifying payment terms to mitigate risks.

(4) Raw Material Price Volatility Risks

Raw material market prices are influenced by multiple factors, including the macroeconomic environment, geopolitical conflicts, and changes in industry supply and demand dynamics, leading to volatile market adjustments. Prices of core raw materials such as steel, pig iron, and coking coal have shown divergent trends in phased fluctuations. The volatility of upstream raw material costs has exerted certain pressure on the Company's production costs, thereby having a corresponding impact on its operating profits.

Countermeasures:First, track market dynamics, assess raw material price trends, coordinate the planning and scheduling of key components, and strengthen inventory management to hedge against the negative impact of raw material price fluctuations on the Company.Second, enhance internal management through technical improvements, cost management, and other measures, optimize work processes, and improve production and operational efficiency.Third, uphold the principle of high-quality procurement at reasonable costs, continue to implement supply assurance initiatives, enhance the resilience of the supply chain against risks, and strive to build a stable, efficient, and reliable supply system.

(5) Talent Risks

Talent is the core strategic resource driving high-quality corporate development. To achieve long-term stable operations and industrial transformation and upgrading, an enterprise must rely on a well-structured and highly capable talent pool as its fundamental support. The Company's efforts to improve operational quality and efficiency, expand emerging business sectors, and achieve technological breakthroughs require multi-level professional talent to deliver tangible results. Should the compensation system and talent incentive and restraint mechanisms be insufficiently sound, it could lead to insufficient attraction and development of senior management leaders and core technical talents, as well as a weak reserve pipeline of successor talents, thereby constraining the Company's sustained capability for scientific and technological innovation and core competitiveness.

Countermeasures: First, in line with the Company's strategy and operational realities, improve the talent pipeline through tiered and categorized development approaches, broaden talent acquisition channels, revitalize internal workforce resources, optimize job allocation and team structure, and comprehensively enhance the overall competence of all employees. Second, focus on the development needs of each business segment by establishing a systematic and professional training framework, organizing regular leadership development programs, facilitating career progression pathways for skilled personnel, and continuously strengthening employees' professional expertise and on-the-job performance capabilities. Third, improve the performance appraisal and talent incentive mechanisms, vigorously promote the rejuvenation and professionalization of the management team, and comprehensively enhance the contribution of human resources to the Company's development. Fourth, strengthen the institutional framework of employee representative congresses and trade union services and safeguards, actively foster harmonious labor relations, continuously enhance employees' sense of belonging, well-being, and cohesion, and provide a solid organizational foundation for the achievement of annual targets.

XI Implementation of Market Value Management System and Valuation Enhancement Plan

Indicate whether the Company has disclosed the Market Value Management System

□ Yes √ No

Indicate whether the Company has disclosed the Valuation Enhancement Plan

□ Yes √ No

XII Implementation Status of the "Dual Enhancement of Quality and Returns" Initiative

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

□ Yes √ No

Part IV Corporate Governance, Environment, and Social Responsibility

I Changes in Company Directors and Senior Management

□ Applicable √ Not applicable

There were no changes to the Company's directors or senior management during the reporting period. For details, please refer to the 2025 Annual Report.

II Profit Distribution and Capital Reserve Conversion During the Reporting Period

□ Applicable √ Not applicable

The Company plans to distribute no cash dividends, issue no bonus shares, and convert no capital reserves into share capital for the interim period.

III Implementation of Equity Incentive Plans, Employee Stock Ownership Plans, or Other Employee Incentive Measures

□ Applicable √ Not applicable

The Company had no equity incentive plans, employee stock ownership plans, or other employee incentive measures implemented during the reporting period.

IV Environmental Information Disclosure

Whether the listed company and its major subsidiaries are included in the list of enterprises required to disclose environmental information in accordance with the law:

√Yes □No

<table>
<tr><td colspan="2">Number of Enterprises Included in the List of Enterprises Required to Disclose Environmental Information in Accordance with the Law (Unit: Companies)</td><td>4</td></tr>
<tr><td>No.</td><td>Name of company</td><td>Access Index for Environmental Information Disclosure Reports</td></tr>
<tr><td>1</td><td>Changchai Company, Limited</td><td rowspan="4">Jiangsu Provincial Department of Ecology and Environment - Enterprise Environmental Information Disclosure System (Jiangsu)
http://ywxt.sthjt.jiangsu.gov.cn:18181/spsarchive-webapp/web/viewRunner.html?viewId=http://ywxt.sthjt.jiangsu.gov.cn:18181/spsarchive-webapp/web/sps/views/yfpl/views/yfplHomeNew/index.js</td></tr>
<tr><td>2</td><td>Changchai Company, Limited Changjiang branch</td></tr>
<tr><td>3</td><td>Jiangsu Changchai Machinery Co., Ltd.</td></tr>
<tr><td>4</td><td>Changzhou Changniu Machinery Co., Ltd.</td></tr>
</table>

V Social Responsibility

During the reporting period, the Company attached great importance to and actively fulfilled its social responsibilities. Upholding the core values of "customer first, employee-oriented, shareholder returns, and social benefit," with the mission of "providing green power for a better life," the Company adhered to ethical operations, tax compliance, and continuously enhanced its self-development capabilities to achieve sustainable growth. It diligently safeguarded the legitimate rights and interests of shareholders, employees, customers, suppliers, and consumers, actively implemented measures to reduce energy consumption and pollution emissions, preserved a healthy living environment, pursued harmonious development between the Company and society, and actively contributed to societal well-being.

The Company's Party Committee has effectively fulfilled its primary responsibility for Party building, consolidating the Company's development foundation across multiple dimensions, including political construction, organizational development, and disciplinary oversight. The Company has continuously advanced the integration of Party leadership into corporate governance, effectively implemented the "three major and one large" decision-making system (i.e., major decisions, major personnel changes, major project arrangements, and large-sum fund allocations), and strictly adhered to various decision-making procedures and deliberation protocols. During the reporting period, 23 major operational matters were reviewed and deliberated, embedding Party building requirements into the core decision-making processes of business operations. Through activities such as educational programs on fostering a correct approach to governance, special Party lectures, and dissemination sessions on the spirit of Party plenary sessions, the Company has strengthened political guidance and regularly conducted anti-corruption awareness and integrity education. The Party Committee has promptly coordinated and resolved key challenges and difficulties in production and operations, providing strong safeguards for the effective execution of the Company's priority tasks and projects, and has continuously empowered the improvement of corporate governance effectiveness.

The Company, in accordance with the relevant provisions of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Corporate Governance Guidelines for Listed Companies, the Shenzhen Stock Exchange Stock Listing Rules, and other applicable laws and regulations, as well as the Articles of Association of the Company, has continuously standardized its corporate governance structure, established and improved internal management and control systems, fulfilled its information disclosure obligations, and further enhanced the overall level of corporate governance. The Company maintains a modern corporate governance framework comprising the Shareholders' Meeting as the authority and decision-making body, the Board of Directors as the operational decision-making body, the Audit Committee as the specialized supervisory body, and the Senior Management as the executive body, ensuring that the Company's operations are conducted in a standardized and prudent manner. On this basis, the Company strictly adheres to the requirements of its internal control system, clearly defining the responsibilities and authority boundaries of each level and department. Through continuous optimization of management processes and strengthened implementation of policies, the Company has steadily enhanced the institutionalized and refined level of its standardized operations.

(1) Protection of Shareholder Rights

The Company strictly followed the Rules for Shareholders' Meetings of Listed Companies, its Articles of Association, and the Rules of Procedure for Shareholders' Meetings to standardize the convening, conduct, and decision-making processes of shareholders' meetings. In the first half of 2026, the Company held one shareholders' meeting, ensuring shareholders' rights to information and participation through standardized procedures and safeguarding their legitimate interests.

In terms of information disclosure, the Company strictly complies with the provisions of the Shenzhen Stock Exchange Stock Listing Rules, the Articles of Association of the Company, and the Company's Information Disclosure Management System, and fulfills its information disclosure obligations as a listed company in accordance with applicable laws and regulations. The Company ensures that all disclosed information is truthful, accurate, complete, and timely, and guarantees that all shareholders have equal access to information. The Company has designated the Securities Times and CNINFO (www.cninfo.com.cn) as its designated information disclosure platforms. It continuously strengthens the management of insider information and proactively prevents the risk of insider trading. During the reporting period, no insider trading occurred, and there were no circumstances that prejudiced the interests of shareholders.

In investor communications, the Company established multiple channels, including online earnings briefings, investor hotlines, email, and interactive platforms, adhering to principles of openness, fairness, and impartiality to actively engage with investors. During the reporting period, the Company conducted an online earnings briefing for the 2025 Annual Report, diligently managed investor relations, maintained effective communication with shareholders, protected their right to information, enhanced operational transparency, and safeguarded the interests of shareholders, especially minority shareholders.

The Company successfully completed the 2025 annual dividend distribution, totaling RMB 15,525,200.00. Over the past three years, the cumulative cash dividend payout ratio reached 94.06% of the average annual net profit, exceeding dividend commitments and rewarding shareholders with tangible actions.

(2) Protection of Customer and Consumer Rights

The Company has established a nationwide sales and service network across China, comprising 24 sales service centers and 752 authorized maintenance stations, with service outlets spanning both urban and rural areas to ensure convenient and accessible service for customers. To adapt to the China Non-Road Stage IV emission requirements and enhance service precision, the Company has developed a proprietary service monitoring platform with distinctive features, improving service efficiency and customer experience. In terms of institutionalized protection of customer rights and interests, the Company has strengthened its foundational support for customer rights through continuous improvement of policies and clear operational guidelines. The Company has maintained sound long-term cooperative relationships with its customers. In recent years, the Company has been repeatedly honored as a National Demonstration Enterprise for Product and Service Quality Integrity, and has been recognized as a preferred supplier by multiple OEMs. The Company's high-quality products and services have earned widespread recognition from both customers and the consumer market.

(3) Protection of Supplier Rights

The Company strengthens supplier management on the basis of the Parts Supply and Procurement Contracts and the Supplier Quality Agreements, optimizes the allocation of component production capacity, enhances inventory and planning management, and makes timely payments to suppliers in accordance with contract terms to safeguard their legitimate interests. To elevate the overall quality control level of the supply chain, the Company has introduced multiple high-quality suppliers, implemented the principle of high-quality procurement at reasonable costs, and effectively strengthened the risk resilience and overall operational efficiency of the supply chain. The Company continues to deepen the development of a comprehensive whole-process quality control system, establishes a rapid response mechanism, implements the "3+1" Fortress Project, and applies standardized methodologies to tackle key quality initiatives. The Company has established a dynamic supplier evaluation system, and continuously optimizes the supply chain structure based on evaluation results and actual supply performance. It effectively protects the legitimate rights and interests of suppliers, integrates supplier rights protection throughout the entire supply chain management process, supports the technological growth and progress of suppliers, and fosters a mutually beneficial and symbiotic supply chain ecosystem.

(4) Protection of Employee Rights

The Company adheres to a people-oriented talent philosophy, focusing on the comprehensive capability enhancement and personal career development of its employees. Through a combination of theoretical training and practical application, the Company enables employees to continuously improve and develop their competencies.

The Company has established human resources management departments at all levels and has set up trade union organizations at various tiers. It has implemented a staff representative congress system in accordance with applicable laws, with multiple parties collaborating effectively to safeguard and protect the legitimate rights and interests of employees. The Company strictly complies with national laws, regulations, and policies related to labor and employment, treats all employees equally, and continuously standardizes labor management practices. In strict accordance with the Labor Contract Law of the People's Republic of China, the Company signs written labor contracts with all employees, achieving a 100% labor contract signing rate. In full compliance with the Social Insurance Law of the People's Republic of China and the Regulations on the Administration of Housing Provident Funds, the Company contributes to social insurance and housing provident funds for all employees, actively fostering a harmonious and stable labor relationship.

The Company cultivates a fair, equal, and harmonious working environment for its employees, continuously improves the compensation and benefits system, and effectively arranges employee holiday benefits. It organizes various cultural and recreational activities to enrich employees' spiritual and cultural lives, conducts public welfare initiatives, actively improves employees' working conditions, and provides proper health monitoring, thereby effectively safeguarding employees' occupational safety and health.

The Company continuously optimizes its human resources structure and, through a series of initiatives, builds a solid platform for employee growth and development. It strengthens the training and development of management cadres and accelerates the rejuvenation of the leadership team, ensuring that employees' personal growth is closely aligned with the Company's development. The Company comprehensively implements professional knowledge and job-specific skills enhancement training programs. During the reporting period, it completed 31 training programs, covering over 2,475 employee participations, fully supporting employees' career development, effectively safeguarding their rights to vocational skills training, and helping them continuously achieve self-improvement in their roles. In addition, the Company continues to refine its performance appraisal and incentive mechanisms, closely linking employees' work results with incentive measures, which has significantly stimulated employees' enthusiasm and motivation in their work.

(5) Workplace Safety

The Company has implemented a tiered accountability system for work safety at all levels, signing work safety contracts with each manufacturing plant, establishing clear annual safety management objectives, and defining departmental safety responsibilities. Based on the risk inventory, the Company has completed comprehensive risk identification and control measures, and strictly regulates the approval procedures and on-site supervision for hazardous operations. The Company maintains a routine safety and fire inspection system. During the reporting period, it conducted fire safety training covering 586 participants and organized 6 fire drills. Through practical emergency training and routine management, the Company has built a solid defense line for work safety and security prevention and control. The Company continuously strengthens comprehensive safety education and training for all employees, actively organizes employees to identify and rectify potential safety hazards in their workplaces, and enhances their self-protection capabilities and comprehensive emergency response skills when encountering urgent situations during operations, thereby effectively safeguarding the safe and stable operation of the Company's production and business activities.

(6) Environmental Protection and Sustainable Development

The Company actively practices the philosophy of scientific development and green development, and with a strong sense of social responsibility, adheres to the environmental protection principles of efficiency improvement, consumption reduction, energy conservation, and pollution abatement. It proactively takes measures to reduce energy consumption and minimize pollutant emissions. Guided by the ISO 14001 environmental management system framework, the Company strictly follows the "PDCA"principle of continuous improvement, and adheres to the approach of "prevention first, combining prevention and control, and pursuing continuous improvement" to constantly enhance its environmental management capabilities, safeguard a better living environment, and promote the sustainable development of the enterprise.

In line with its operational strategies, the Company actively promotes the R&D, production, and supporting application of high-quality and environmentally friendly products, serving the development of agriculture, rural areas, and farmers while improving energy utilization efficiency and protecting the environment. At the same time, based on its actual circumstances, the Company conscientiously fulfills its corporate social responsibilities, contributing to the coordinated and sustainable development of society, the economy, and the environment.

Part V Significant Events

I Fulfilled and Overdue Commitments by the Company's Actual Controller, Shareholders, Related Parties, Acquirers, and Other Commitment-Related Parties During the Reporting Period

□ Applicable √ Not applicable

During the reporting period, there were no fulfilled or overdue commitments by the Company's actual controller, shareholders, related parties, acquirers, or other commitment-related parties.

II Non-Operational Fund Occupancy by Controlling Shareholders and Other Related Parties

□ Applicable √ Not applicable

The Company did not experience any non-operational fund occupancy by controlling shareholders or their related parties during the reporting period.

III Irregular External Guarantees

□Applicable √Not applicable

No irregular external guarantees occurred during the reporting period.

IV Appointment/Dismissal of Accounting Firms

Whether the interim financial report has been audited:

□Yes √No

The Company's interim report was unaudited.

V Board's Explanations Regarding "Non-Standard Audit Reports" for the Current Reporting Period

□Applicable √Not applicable

VI Board's Explanations Regarding Prior Year's "Non-Standard Audit Report"

□Applicable √Not applicable

VII Bankruptcy Reorganization Matters

□Applicable √Not applicable

No bankruptcy reorganization events occurred during the reporting period.

VIII Litigation Matters

Major Litigation and Arbitration Matters

□Applicable √Not applicable

The Company had no significant litigation or arbitration matters during the reporting period.

Other Litigation Matters

□Applicable √Not applicable

IX Penalties and Rectifications

□Applicable √Not applicable

The Company incurred no penalties or rectification requirements during the reporting period.

X Integrity Status of the Company and Its Controlling Shareholders/Actual Controllers

√Applicable □Not applicable

The Company's actual controller is the State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government, and its controlling shareholder is Changzhou Investment Group Co., Ltd. The controlling shareholder has no outstanding court judgments or significant debts that have become due but remain unpaid.

XI Material Related-Party Transactions

1. Related-party transactions related to daily operations

□Applicable √Not applicable

No related-party transactions related to daily operations occurred during the reporting period.

2. Related-party transactions involving asset or equity acquisitions/disposals

□Applicable √Not applicable

No related-party transactions involving asset or equity acquisitions/disposals occurred during the reporting period.

3. Related-party transactions involving joint external investments

□Applicable √Not applicable

No related-party transactions involving joint external investments occurred during the reporting period.

4. Related-party creditor/debtor relationships

□Applicable √Not applicable

No related-party creditor/debtor relationships existed during the reporting period.

5. Transactions with related financial companies

□Applicable √Not applicable

The Company had no deposits, loans, credit extensions or other financial transactions with related financial companies and related parties.

6. Transactions between the Company's controlled financial companies and related parties

□Applicable √Not applicable

The Company's controlled financial companies had no deposits, loans, credit extensions or other financial transactions with related parties.

7. Other material related-party transactions

√Applicable □Not applicable

1、In April 2026, the Company's wholly-owned subsidiary, Horizon Investment, together with the controlling shareholder Changzhou Investment Group Co., Ltd. and its wholly-owned subsidiary Changzhou Xinhui Private Equity Fund Management Co., Ltd., jointly signed the Partnership Agreement of Yuanzhi Changtou Xingyu (Changzhou) Equity Investment Partnership (Limited Partnership). Yuanzhi Changtou Xingyu has completed the industrial and commercial registration procedures and obtained its business license.

2、In August 2026, the original general partners of Yuanzhi Changtou Xingyu (Changzhou) Equity Investment Partnership (Limited Partnership) (the "Fund"), which was established with the participation of the Company's wholly-owned subsidiary, Horizon Investment, namely Changzhou Xinhui Private Equity Fund Management Co., Ltd. and Changzhou Xingyu Industry Investment Co., Ltd., withdrew from the partnership. Changzhou Xingyu Xinhui Venture Capital Co., Ltd. (jointly established by the original general partners, Changzhou Xinhui Private Equity Fund Management Co., Ltd. and Changzhou Xingyu Industry Investment Co., Ltd.) was introduced as the new general partner and executing partner of the Fund, assuming the relevant functions of the two former general partners. As a result, the Fund was restructured into a dual-GP fund operating structure. Concurrently, the Fund amended the investment scope provisions of the Partnership Agreement, adding the upstream and downstream supply chain of the new-generation information technology supporting industry to the investable areas, in addition to the existing upstream and downstream supply chain of new energy vehicles and new energy, thereby broadening the sources of projects and the investment boundaries. On August 12, 2026, the Fund completed the industrial and commercial registration procedures for the changes.

Inquiry on the disclosure website for interim reports on major related-party transactions

Title of Interim Report	Disclosure Date of Interim Report	Disclosure Website of Interim Report
Progress Announcement on Subsidiary's Participation in Equity Investment Fund and Related-Party Transactions	April 21, 2026	CNINFO https://www.cninfo.com.cn/
Announcement on Progress of General Partner Change and Related Party Transactions of the Industry Investment Fund Established by Subsidiaries	August 14, 2026	

XII. Material Contracts and Their Performance

1. Trusteeship, contracting and leasing matters

(1) Trusteeship

□Applicable √Not applicable

No trusteeship arrangements existed during the reporting period.

(2) Contracting

□Applicable √Not applicable

No contracting arrangements existed during the reporting period.

(3) Leasing

□Applicable √Not applicable

No leasing arrangements existed during the reporting period.

2. Material guarantees

□Applicable √Not applicable

No material guarantee arrangements existed during the reporting period.

3. Entrusted wealth management

√Applicable □Not applicable

Unit: RMB 0,000

Specific type	Risk Characteristics	Balance of entrusted wealth management during the reporting period	Amount overdue and unrecovered
Bank financial products	Low risk, high liquidity, high safety	49,000	0
Broker financial products	Low risk, high liquidity, high safety	993	0

Details of high-risk entrusted wealth management investments made by the Company as the sole principal, including investments with lower safety and poorer liquidity

□Applicable √Not applicable

4. Other Major Contracts

□Applicable √Not applicable

No such cases in the Reporting Period.

XIII Register of Site Visits, Meetings, and Interviews during the Reporting Period

√ Applicable □ Not applicable

Date of Reception	Venue	Method of Reception	Category of Visitors	Visitor(s)	Main Topics Discussed and Materials Provided	Reference to the Basic Information of the Survey
April 27, 2026	Online Meeting	Online platform	Others	Investors and the general public	Company product promotion progress, industry market opportunities, and major business order status, etc.	CNINFO（www.cninfo.com.cn），000570 Changchai Investor Relations Management Information 20260427

XIV Other Significant Events

√ Applicable □ Not applicable

1、Progress in the Acquisition and Compensation of Houses on State owned Land of Sanjing Branch

On November 29, 2023, the company signed the "Changzhou Xinbei District Non Residential Housing Expropriation Compensation Agreement" with the Housing and Urban Rural Development Bureau of Changzhou National High tech Industrial Development Zone (hereinafter referred to as "Xinbei District Housing and Urban Rural Development Bureau") and the Sanjing Street Housing Expropriation and Compensation Service Center of Changzhou Xinbei District (hereinafter referred to as "Sanjing Street"). As of the end of the reporting period, the company has received a total of 30 million yuan in the first compensation payment. In order to improve the efficiency of land acquisition work, the company has reached an agreement with the New North District Construction Bureau and Sanjing Street based on professional reports issued by qualified companies regarding land consolidation and upgrading of Sanjing Branch, as well as subsequent compensation payments, and intends to sign a Supplementary Agreement. This matter was approved by the first extraordinary shareholders' meeting of 2026 on July 21, 2026.

2、Expropriation and compensation for the company's foundry building

On March 6, 2025, the company received the "Decision on the Expropriation of Houses on State-owned Land by the People's Government of Xinbei District, Changzhou" (Changxin Zheng [2025] No. 1) issued by the People's Government of Xinbei District, Changzhou. Due to the public interest of the reconstruction of the old urban area, the People's Government of Xinbei District, Changzhou, decided to expropriate the houses within the scope of the old urban area reconstruction project (Phase I) of the foundry plant and surrounding plots in Sanjing Street. On May 8, 2025, the company held the second extraordinary meeting of the board of directors and the second extraordinary meeting of the board of supervisors in 2025, and deliberated and approved the "Proposal on Signing the Foundry Plant's 'Changzhou Xinbei District Non-Residential House Expropriation Compensation Agreement'". This matter was deliberated and approved by the first extraordinary shareholders' meeting in 2025 on May 26, 2025, agreeing to the company signing a compensation agreement with the Xinbei District Housing and Urban-Rural Development Bureau and Sanjing Street. The total compensation amount agreed upon in the agreement is 346.8569 million yuan, and the expropriation compensation agreement is yet to be signed.

XV Major Matters Concerning the Company's Subsidiaries

□Applicable √Not applicable

Part VI Share Changes and Shareholder Information

I Share Changes

1. Share Changes

Unit: share

	Before		Increase/decrease in the Reporting Period (+/-)					After	
	Number	Percentage (%)	New issues	Bonus Issue	Capitalization of Reserves	Other	Subtotal	Number	Percentage (%)
1. Restricted shares	0	0.00%	0	0	0	0	0	0	0.00%
1.1 Shares held by government	0	0.00%	0	0	0	0	0	0	0.00%
1.2 Shares held by state-owned legal persons	0	0.00%	0	0	0	0	0	0	0.00%
1.3 Shares held by other domestic investors	0	0.00%	0	0	0	0	0	0	0.00%
Among which: Shares held by domestic legal persons	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by domestic natural persons	0	0.00%	0	0	0	0	0	0	0.00%
1.4 Shares held by foreign investors	0	0.00%	0	0	0	0	0	0	0.00%
Among which: Shares held by foreign legal persons	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by foreign natural persons	0	0.00%	0	0	0	0	0	0	0.00%
2. Unrestricted shares	705,692,507	100.00%	0	0	0	0	0	705,692,507	100.00%
2.1 RMB-denominated ordinary shares	555,692,507	78.74%	0	0	0	0	0	555,692,507	78.74%
2.2 Domestically listed foreign shares	150,000,000	21.26%	0	0	0	0	0	150,000,000	21.26%
2.3 Overseas listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
2.4 Other	0	0.00%	0	0	0	0	0	0	0.00%
3. Total shares	705,692,507	100.00%	0	0	0	0	0	705,692,507	100.00%

Reasons for Share Capital Changes

□Applicable √Not applicable

Approval Status of Share Capital Changes

□Applicable √Not applicable

Transfer Procedures for Share Capital Changes

□Applicable √Not applicable

Implementation Progress of Share Repurchase

□Applicable √Not applicable

Implementation Progress of Repurchased Share Reduction Through Centralized Bidding

□Applicable √Not applicable

Impact of Share Capital Changes on Key Financial Indicators

□Applicable √Not applicable

Other Disclosures Deemed Necessary by the Company or Required by Securities Regulators

□Applicable √Not applicable

2. Changes in Restricted Shares

□Applicable √Not applicable

II Issuance and Listing of Securities

□Applicable √Not applicable

III Number of Shareholders and Shareholding Structure

Unit: share

<table>
<tr><td colspan="2">Total Number of Common Shareholders as of the End of the Reporting Period</td><td colspan="2">45,319</td><td colspan="3">Total Number of Preferred Shareholders with Restored Voting Rights as of the End of the Reporting Period</td><td colspan="2">0</td></tr>
<tr><td colspan="9">Shareholding Status of Major Common Shareholders (Holding >5% Shares) or Top 10 Common Shareholders (Excluding Shares Lent Through Securities Lending)</td></tr>
<tr><td rowspan="2">Name of shareholder</td><td rowspan="2">Nature of shareholder</td><td rowspan="2">Shareholding percentage</td><td rowspan="2">Total shares held at the period-end</td><td rowspan="2">Increase/decrease in the Reporting Period</td><td rowspan="2">Restricted shares held</td><td rowspan="2">Unrestricted shares held</td><td colspan="2">Shares in pledge or frozen</td></tr>
<tr><td>Status</td><td>Shares</td></tr>
<tr><td>Changzhou Investment Group Co., Ltd.</td><td>State-owned legal person</td><td>32.26%</td><td>227,663,417</td><td>0</td><td>0</td><td>227,663,417</td><td rowspan="3">Not applicable</td><td rowspan="3">0</td></tr>
<tr><td>Industrial and Commercial Bank of China Co., Ltd. – Huashang Lexiang Hulian Flexible Allocation Hybrid Securities Investment Fund</td><td>Others</td><td>0.54%</td><td>3,810,600</td><td>3,305,600</td><td>0</td><td>3,810,600</td></tr>
<tr><td>Chen Jian</td><td>Domestic natural</td><td>0.49%</td><td>3,461,800</td><td>-1,527,000</td><td>0</td><td>3,461,800</td></tr>
</table>

	person							
Industrial Securities Co., Ltd. – Bodao Jiuhang Hybrid Securities Investment Fund	Others	0.44%	3,114,500	3,114,500	0	3,114,500		
KGI ASIA LIMITED	Foreign legal person	0.44%	3,100,195	0	0	3,100,195		
Zhao Jun	Domestic natural person	0.43%	3,044,400	3,044,400	0	3,044,400		
Bank of China Co., Ltd. – Huashang Zhenxuan Huibao Hybrid Securities Investment Fund	Others	0.41%	2,895,200	0	0	2,895,200		
China Merchants Bank Co., Ltd. – Bodao Xinghang Hybrid Securities Investment Fund	Others	0.37%	2,584,053	2,584,053	0	2,584,053		
UBS AG	Foreign legal person	0.31%	2,162,238	1,672,656	0	2,162,238		
Bank of Communications Co., Ltd. – Nanhua Fenghui Hybrid Securities Investment Fund	Others	0.29%	2,053,000	2,053,000	0	2,053,000		

Strategic Investors or Institutional Shareholders Becoming Top 10 Shareholders Through New Share Placement	Not applicable
Explanations on Connected Relationships or Concerted Actions Among the Above-mentioned Shareholders	The Company is unaware of whether any connected relationships exist among its top 10 tradable shareholders or top 10 unrestricted tradable shareholders, or whether they constitute acting-in-concert parties as defined in the Administrative Measures for the Acquisition of Listed Companies.
Disclosure of Voting Rights Entrustment/Waiver Arrangements Involving the Above-mentioned Shareholders	Not applicable
Special Notes Regarding Share Repurchase Accounts Among Top 10 Shareholders	Not applicable

Shareholding Status of Top 10 Unrestricted Common Shareholders
(Excluding shares lent through securities lending and executive lock-up shares)

Name of shareholder	Number of Unrestricted Shares Held at the End of the Reporting Period	Share Types	
		Share Types	Number
Changzhou Investment Group Co., Ltd.	227,663,417	RMB-denominated	227,663,417

		Ordinary Shares	
Industrial and Commercial Bank of China Co., Ltd. – Huashang Lexiang Hulian Flexible Allocation Hybrid Securities Investment Fund	3,810,600	RMB-denominated Ordinary Shares	3,810,600
Chen Jian	3,461,800	RMB-denominated Ordinary Shares	3,461,800
Industrial Securities Co., Ltd. – Bodao Jiuhang Hybrid Securities Investment Fund	3,114,500	RMB-denominated Ordinary Shares	3,114,500
KGI ASIA LIMITED	3,100,195	Domestic Listed Foreign-Investment Shares	3,100,195
Zhao Jun	3,044,400	Domestic Listed Foreign-Investment Shares	3,044,400
Bank of China Co., Ltd. – Huashang Zhenxuan Huibao Hybrid Securities Investment Fund	2,895,200	RMB-denominated Ordinary Shares	2,895,200
China Merchants Bank Co., Ltd. – Bodao Xinghang Hybrid Securities Investment Fund	2,584,053	RMB-denominated Ordinary Shares	2,584,053
UBS AG	2,162,238	RMB-denominated Ordinary Shares	2,162,238
Bank of Communications Co., Ltd. – Nanhua Fenghui Hybrid Securities Investment Fund	2,053,000	RMB-denominated Ordinary Shares	2,053,000
Explanations on Connected Relationships or Concerted Actions Among the Top 10 Unrestricted Tradable Shareholders, and Between the Top 10 Unrestricted Tradable Shareholders and the Top 10 Shareholders	The Company is unaware of whether any connected relationships exist among its top 10 tradable shareholders or top 10 unrestricted tradable shareholders, or whether they constitute acting-in-concert parties as defined in the Administrative Measures for the Acquisition of Listed Companies.		
Disclosure on Margin Trading Activities of the Top 10 Common Shareholders	Shareholders Chen Jian held 3,461,800 shares through margin trading accounts.		

Shareholders Holding >5% Shares, Top 10 Shareholders, and Top 10 Unrestricted Tradable Shareholders' Participation in Securities Lending Business

□Applicable √Not applicable

Changes in Top 10 Shareholders and Top 10 Unrestricted Tradable Shareholders Due to Securities Lending (Borrowing/Returning Shares) Compared to the Previous Period

□Applicable √Not applicable

Whether the Top 10 Common Shareholders and Top 10 Unrestricted Common Shareholders Conducted Agreed Repurchase Transactions During the Reporting Period

□Yes √No

The Top 10 common shareholders and Top 10 unrestricted common shareholders did not conduct any agreed repurchase transactions during the reporting period.

IV Changes in Shareholdings of Directors and Senior Management

□Applicable √Not applicable

There were no changes in the shareholdings of the Company's directors or senior management during the reporting period. For details, please refer to the 2025 Annual Report.

V Changes in Controlling Shareholder or Actual Controller

If the Company has previously disclosed that the actual controller is planning a change of control but such change has not yet been completed, please describe the progress of the change of control.

□Applicable √Not applicable

Change in controlling shareholder during the reporting period

□Applicable √Not applicable

The Company's controlling shareholder remained unchanged during the reporting period.

Change in actual controller during the reporting period:

□Applicable √Not applicable

The Company's actual controller remained unchanged during the reporting period.

VI. Preferred Shares Related Matters

□Applicable √Not applicable

The Company had no preferred shares outstanding during the reporting period.

Part VII Preference Shares

□Applicable √Not applicable

Part VIII Financial Statements

I Auditor's Report

Whether the Semi-Annual Report is Audited

□Yes √No

The Company's semi-annual financial statements are unaudited.

II Financial Statements

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

1. Consolidated Balance Sheet

Prepared by Changchai Company, Limited

30 June 2026

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary assets	1,099,136,545.77	1,338,231,792.64
Settlement reserve		
Interbank loans granted		
Held-for-trading financial assets	542,524,651.65	372,184,689.98
Derivative financial assets		
Notes receivable	169,365,705.45	386,557,535.74
Accounts receivable	1,282,205,435.24	451,748,532.34
Accounts receivable financing	59,605,955.92	165,125,708.93
Prepayments	7,080,888.57	22,389,102.11
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Other receivables	12,805,199.65	5,495,898.75
Including: Interest receivable		
Dividends receivable	5,456,880.00	0.00
Financial assets purchased under resale agreements		
Inventories	566,845,803.44	757,083,436.15
Including: Data resources		
Contract assets		
Assets held for sale		
Current portion of non-current assets		
Other current assets	15,538,871.26	19,020,727.98
Total current assets	3,755,109,056.95	3,517,837,424.62

Non-current assets:		
Loans and advances to customers		
Investments in debt obligations		
Investments in other debt obligations		
Long-term receivables		
Long-term equity investments		
Investments in other equity instruments	988,808,295.81	981,361,295.81
Other non-current financial assets	338,118,757.03	337,118,757.03
Investment property	34,595,774.21	35,644,130.99
Fixed assets	517,154,616.58	550,316,120.80
Construction in progress	4,067,335.75	2,801,650.98
Productive living assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	130,452,693.12	133,751,352.61
Including: Data resources		
Development costs		
Including: Data resources		
Goodwill		
Long-term prepaid expense	2,468,520.40	2,597,472.39
Deferred income tax assets	10,001,742.01	7,350,047.87
Other non-current assets	9,549,102.92	9,503,046.92
Total non-current assets	2,035,216,837.83	2,060,443,875.40
Total assets	5,790,325,894.78	5,578,281,300.02
Current liabilities:		
Short-term borrowings	7,521,472.93	88,926,344.09
Borrowings from the central bank		
Interbank loans obtained		
Held-for-trading financial liabilities		
Derivative financial liabilities		
Notes payable	816,214,639.72	562,313,345.98
Accounts payable	770,623,751.24	793,473,800.05
Advances from customers	30,000,000.00	30,112,510.00
Contract liabilities	40,356,723.37	40,040,496.36
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	13,492,358.08	56,773,482.39
Taxes payable	7,158,096.55	5,305,526.88
Other payables	139,436,702.51	134,619,772.83

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	99,068,509.16	72,672,756.98
Total current liabilities	1,923,872,253.56	1,784,238,035.56
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	60,362,270.57	83,448,865.86
Deferred income	24,271,572.83	25,976,437.56
Deferred income tax liabilities	155,873,494.37	159,449,521.13
Other non-current liabilities		
Total non-current liabilities	240,507,337.77	268,874,824.55
Total liabilities	2,164,379,591.33	2,053,112,860.11
Shareholders' equity:		
Share capital	705,692,507.00	705,692,507.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	641,070,433.90	641,070,433.90
Less: Treasury stock		
Other comprehensive income	683,602,551.44	677,272,601.44
Specific reserve	26,020,890.86	23,936,408.22
Surplus reserves	370,454,881.23	370,454,881.23
General reserve		
Retained earnings	1,114,298,264.59	1,024,763,845.76
Total equity attributable to Shareholders of the Company as the parent	3,541,139,529.02	3,443,190,677.55
Non-controlling interests	84,806,774.43	81,977,762.36
Total shareholders' equity	3,625,946,303.45	3,525,168,439.91
Total liabilities and shareholders' equity	5,790,325,894.78	5,578,281,300.02

Legal representative: Xie Guozhong General Manager: Xie Guozhong

Head of the accounting department: Jiang He

2. Balance Sheet of the Company as the Parent

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary assets	961,503,802.34	1,184,168,481.94
Held-for-trading financial assets	421,628,054.80	250,280,555.56
Derivative financial assets		
Notes receivable	141,639,341.37	367,314,112.02
Accounts receivable	1,232,245,345.62	422,352,840.72
Accounts receivable financing	51,633,030.96	158,773,143.84
Prepayments	4,135,887.49	20,288,875.23
Other receivables	28,065,314.25	20,239,727.26
Including: Interest receivable		
Dividends receivable	5,456,880.00	0.00
Inventories	292,775,895.14	491,497,389.92
Including: Data resources		
Contract assets		
Assets held for sale		
Current portion of non-current assets		
Other current assets	2,174,777.28	9,472,115.44
Total current assets	3,135,801,449.25	2,924,387,241.93
Non-current assets:		
Investments in debt obligations		
Investments in other debt obligations		
Long-term receivables		
Long-term equity investments	871,339,449.94	871,339,449.94
Investments in other equity instruments	988,808,295.81	981,361,295.81
Other non-current financial assets	337,118,757.03	337,118,757.03
Investment property	34,595,774.21	35,644,130.99
Fixed assets	143,966,298.80	158,326,289.42
Construction in progress	3,891,550.21	2,046,605.11
Productive living assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	48,110,320.67	49,915,087.13
Including: Data resources		
Development costs		
Including: Data resources		
Goodwill		
Long-term prepaid expense		
Deferred income tax assets	8,286,005.35	5,803,319.96
Other non-current assets	4,537,392.83	4,491,336.83
Total non-current assets	2,440,653,844.85	2,446,046,272.22
Total assets	5,576,455,294.10	5,370,433,514.15

Current liabilities:		
Short-term borrowings		64,945,571.32
Held-for-trading financial liabilities		
Derivative financial liabilities		
Notes payable	820,145,168.83	568,770,609.52
Accounts payable	732,973,678.74	728,400,988.92
Advances from customers	30,000,000.00	30,112,510.00
Contract liabilities	38,497,663.95	30,984,771.72
Employee benefits payable	5,061,370.25	40,323,108.47
Taxes payable	2,833,068.61	2,104,226.06
Other payables	122,592,341.21	130,050,726.29
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	88,913,354.88	76,701,145.43
Total current liabilities	1,841,016,646.47	1,672,393,657.73
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Provisions	53,715,739.20	77,950,061.03
Deferred income	24,271,572.83	25,976,437.56
Deferred income tax liabilities	148,558,141.25	147,441,091.25
Other non-current liabilities		
Total non-current liabilities	226,545,453.28	251,367,589.84
Total liabilities	2,067,562,099.75	1,923,761,247.57
Shareholders’ 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	683,602,551.44	677,272,601.44
Specific reserve	15,444,760.03	16,632,391.87
Surplus reserves	370,454,881.23	370,454,881.23
Retained earnings	1,074,279,793.98	1,017,201,184.37
Total shareholders’ equity	3,508,893,194.35	3,446,672,266.58
Total liabilities and shareholders’ equity	5,576,455,294.10	5,370,433,514.15

Legal representative: Xie Guozhong General Manager: Xie Guozhong

Head of the accounting department: Jiang He

3. Consolidated Income Statement

Unit: RMB

Item	2026 Semi-Annual	2025 Semi-Annual
1. Revenue	1,669,786,673.48	1,561,186,625.83
Including: Operating revenue	1,669,786,673.48	1,561,186,625.83
Interest income		
Insurance premium income		
Handling charge and commission income		
2. Costs and expenses	1,565,099,706.53	1,485,288,910.96
Including: Cost of sales	1,421,532,002.59	1,361,474,105.33
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	11,394,411.67	9,929,153.46
Selling expense	30,586,975.39	29,894,284.08
Administrative expense	47,819,242.08	50,718,409.56
R&D expense	47,024,675.62	38,891,905.33
Finance costs	6,742,399.18	-5,618,946.80
Including: Interest expense	876,977.31	704,087.32
Interest income	5,113,989.66	7,108,599.23
Add: Other income	3,292,607.06	6,527,952.88
Return on investment (“-” for loss)	31,090,323.25	7,570,956.48
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)	3,474,167.46	15,685,633.55
Credit impairment loss (“-” for loss)	-17,150,731.60	-17,051,155.31
Asset impairment loss (“-” for loss)	-910,849.44	-1,007,978.87
Asset disposal income (“-” for loss)	278,408.23	2,797,353.31
3. Operating profit (“-” for loss)	124,760,891.91	90,420,476.91
Add: Non-operating income	35,210.65	142,118.30
Less: Non-operating expense	20,771.94	28,702.13
4. Profit before tax (“-” for loss)	124,775,330.62	90,533,893.08
Less: Income tax expense	14,846,902.91	13,529,676.07
5. Net profit (“-” for net loss)	109,928,427.71	77,004,217.01
5.1 By operating continuity		
5.1.1 Net profit from continuing operations (“-” for net loss)	109,928,427.71	77,004,217.01
5.1.2 Net profit from discontinued operations (“-” for net loss)		
5.2 By shareholders’ equity		

5.2.1 Net profit attributable to shareholders of the Company as the parent	105,059,653.98	73,422,814.69
5.2.1 Net profit attributable to non-controlling interests	4,868,773.73	3,581,402.32
6. Other comprehensive income, net of tax	6,329,950.00	66,731,800.00
Attributable to shareholders of the Company as the parent	6,329,950.00	66,731,800.00
6.1 Items that will not be reclassified to profit or loss	6,329,950.00	66,731,800.00
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	6,329,950.00	66,731,800.00
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	116,258,377.71	143,736,017.01
Attributable to shareholders of the Company as the parent	111,389,603.98	140,154,614.69
Attributable to non-controlling interests	4,868,773.73	3,581,402.32
8. Earnings per share		
8.1 Basic earnings per share	0.1489	0.1040
8.2 Diluted earnings per share	0.1489	0.1040

Legal representative: Xie Guozhong General Manager: Xie Guozhong

Head of the accounting department: Jiang He

4. Income Statement of the Company as the Parent

Unit: RMB

Item	2026 Semi-Annual	2025 Semi-Annual
1. Operating revenue	1,561,274,292.09	1,451,712,384.50
Less: Cost of sales	1,376,709,141.88	1,302,126,081.67
Taxes and surcharges	7,620,713.12	6,144,680.41
Selling expense	18,153,977.35	22,573,818.66
Administrative expense	33,695,163.01	37,086,364.52
R&D expense	43,542,806.20	35,215,371.58
Finance costs	6,475,123.05	-5,781,927.35
Including: Interest expense	664,363.79	491,473.80
Interest income	4,501,829.69	7,720,759.20
Add: Other income	3,284,168.70	6,508,819.29
Return on investment (“-” for loss)	18,669,063.26	6,826,069.66
Including: Share of profit or loss of joint ventures and associates		
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)	1,628,054.80	1,143,750.00
Credit impairment loss (“-” for loss)	-16,699,257.49	268,082.12
Asset impairment loss (“-” for loss)	-986,476.38	-477,875.67
Asset disposal income (“-” for loss)	278,408.23	2,793,207.25
2. Operating profit (“-” for loss)	81,251,328.60	71,410,047.66
Add: Non-operating income	0.00	6.36
Less: Non-operating expense	15,600.00	3,720.00
3. Profit before tax (“-” for loss)	81,235,728.60	71,406,334.02
Less: Income tax expense	8,631,883.84	8,072,254.38
4. Net profit (“-” for net loss)	72,603,844.76	63,334,079.64
4.1 Net profit from continuing operations (“-” for net loss)	72,603,844.76	63,334,079.64
4.2 Net profit from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of tax	6,329,950.00	66,731,800.00
5.1 Items that will not be reclassified to profit or loss	6,329,950.00	66,731,800.00
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	6,329,950.00	66,731,800.00
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	78,933,794.76	130,065,879.64
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

Legal representative: Xie Guozhong General Manager: Xie Guozhong

Head of the accounting department: Jiang He

5. Consolidated Cash Flow Statement

Unit: RMB

Item	2026 Semi-Annual	2025 Semi-Annual
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	929,873,685.95	882,699,452.94
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	21,923,091.01	38,633,075.84
Cash generated from other operating activities	11,175,362.36	14,290,624.34
Subtotal of cash generated from operating activities	962,972,139.32	935,623,153.12
Payments for commodities and services	783,635,268.33	683,791,472.53
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	178,169,202.70	171,760,589.81
Taxes paid	70,699,436.33	44,828,633.07
Cash used in other operating activities	65,173,484.82	109,548,568.34
Subtotal of cash used in operating activities	1,097,677,392.18	1,009,929,263.75
Net cash generated from/used in operating activities	-134,705,252.86	-74,306,110.63
2. Cash flows from investing activities:		
Proceeds from disinvestment	586,192,952.22	643,428,229.00
Return on investment	46,091,931.05	3,992,501.83
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	381,879.19	3,530,738.93
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities		12,600.00
Subtotal of cash generated from investing activities	632,666,762.46	650,964,069.76
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	3,398,695.16	3,578,214.68
Payments for investments	773,470,455.00	744,553,500.00
Net increase in pledged loans granted		
Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities		
Subtotal of cash used in investing activities	776,869,150.16	748,131,714.68

Net cash generated from/used in investing activities	-144,202,387.70	-97,167,644.92
3. Cash flows from financing activities:		
Capital contributions received		
Including: Capital contributions by non-controlling interests to subsidiaries		
Borrowings raised		
Cash generated from other financing activities		
Subtotal of cash generated from financing activities		
Repayment of borrowings		
Interest and dividends paid	15,525,235.15	7,056,925.07
Including: Dividends paid by subsidiaries to non-controlling interests		
Cash used in other financing activities		
Subtotal of cash used in financing activities	15,525,235.15	7,056,925.07
Net cash generated from/used in financing activities	-15,525,235.15	-7,056,925.07
4. Effect of foreign exchange rates changes on cash and cash equivalents	-10,667,988.63	
5. Net increase in cash and cash equivalents	-305,100,864.34	-178,530,680.62
Add: Cash and cash equivalents, beginning of the period	1,248,067,921.44	892,681,884.84
6. Cash and cash equivalents, end of the period	942,967,057.10	714,151,204.22

Legal representative: Xie Guozhong General Manager: Xie Guozhong

Head of the accounting department: Jiang He

6. Cash Flow Statement of the Company as the Parent

Unit: RMB

Item	2026 Semi-Annual	2025 Semi-Annual
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	848,256,605.65	784,383,704.35
Tax rebates	19,323,841.59	34,098,461.67
Cash generated from other operating activities	9,546,831.20	9,834,418.79
Subtotal of cash generated from operating activities	877,127,278.44	828,316,584.81
Payments for commodities and services	739,476,571.96	658,698,461.72
Cash paid to and for employees	138,422,270.90	136,568,203.72
Taxes paid	48,927,713.46	34,259,403.60
Cash used in other operating activities	46,856,172.80	72,493,533.98
Subtotal of cash used in operating activities	973,682,729.12	902,019,603.02
Net cash generated from/used in operating activities	-96,555,450.68	-73,703,018.21
2. Cash flows from investing activities:		
Proceeds from disinvestment	523,149,678.82	550,000,000.00
Return on investment	10,343,060.00	3,198,458.89
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	281,879.19	3,138,377.83
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities	0.00	612,159.97
Subtotal of cash generated from investing activities	533,774,618.01	556,948,996.69
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	2,155,503.74	1,795,759.49
Payments for investments	690,000,000.00	650,000,000.00
Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities		
Subtotal of cash used in investing activities	692,155,503.74	651,795,759.49
Net cash generated from/used in investing activities	-158,380,885.73	-94,846,762.80
3. Cash flows from financing activities:		
Capital contributions received		
Borrowings raised		
Cash generated from other financing activities		
Subtotal of cash generated from financing activities		
Repayment of borrowings		
Interest and dividends paid	15,525,235.15	7,056,925.07
Cash used in other financing activities		
Subtotal of cash used in financing activities	15,525,235.15	7,056,925.07
Net cash generated from/used in financing activities	-15,525,235.15	-7,056,925.07
4. Effect of foreign exchange rates changes on cash and cash equivalents	-10,298,436.94	
5. Net increase in cash and cash equivalents	-280,760,008.50	-175,606,706.08
Add: Cash and cash equivalents, beginning of the period	1,114,948,098.04	805,614,858.63
6. Cash and cash equivalents, end of the period	834,188,089.54	630,008,152.55

Legal representative: Xie Guozhong General Manager: Xie Guozhong

Head of the accounting department: Jiang He

7. Consolidated Statements of Changes in Shareholders' Equity

Current Period

Unit: RMB

Item	2026 Semi-Annual														
	Equity attributable to shareholders of the Company as the parent													Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings	Other	Subtotal		
		Preferred shares	Perpetual bonds	Other											
1. Balance as at the end of the prior year	705,692,507.00				641,070,433.90		677,272,601.44	23,936,408.22	370,454,881.23		1,024,763,845.76		3,443,190,677.55	81,977,762.36	3,525,168,439.91
Add: Adjustment for change in accounting policy															
Adjustment for correction of previous error															
Other adjustments															
2. Balance as at the beginning of the period	705,692,507.00				641,070,433.90		677,272,601.44	23,936,408.22	370,454,881.23		1,024,763,845.76		3,443,190,677.55	81,977,762.36	3,525,168,439.91

3. Increase/ decrease in the period ("-" for decrease)							6,329,950.00	2,084,482.64			89,534,418.83		97,948,851.47	2,829,012.07	100,777,863.54
3.1 Total comprehensive income							6,329,950.00				105,059,653.98		111,389,603.98	4,868,773.73	116,258,377.71
3.2 Capital increased and reduced by shareholders															
3.2.1 Ordinary shares increased by shareholders															
3.2.2 Capital increased by holders of other equity instruments															
3.2.3 Share-based payments included in shareholders' equity															
3.2.4 Other															
3.3 Profit distribution											-15,525,235.15		-15,525,235.15	-2,400,000.00	-17,925,235.15
3.3.1 Appropriation to surplus reserves															
3.3.2 Appropriation to general reserve															
3.3.3 Appropriation to shareholders											-15,525,235.15		-15,525,235.15	-2,400,000.00	-17,925,235.15
3.3.4 Other															
3.4 Transfers within shareholders' 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								2,084,482.64					2,084,482.64	360,238.34	2,444,720.98

3.5.1 Increase in the period								3,820,655.49					3,820,655.49	412,654.29	4,233,309.78
3.5.2 Used in the period								1,736,172.85					1,736,172.85	52,415.95	1,788,588.80
3.6 Other															
4. Balance as at the end of the period	705,692,507.00				641,070,433.90		683,602,551.44	26,020,890.86	370,454,881.23		1,114,298,264.59		3,541,139,529.02	84,806,774.43	3,625,946,303.45

Prior Period

Unit: RMB

Item	2025 Semi-Annual														
	Equity attributable to shareholders of the Company as the parent													Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings	Other	Subtotal		
		Preferred shares	Perpetual bonds	Other											
1. Balance as at the end of the prior year	705,692,507.00				640,509,675.84		643,067,549.91	21,959,066.35	367,826,665.27		983,627,999.95		3,362,683,464.32	77,897,091.03	3,440,580,555.35
Add: Adjustment for change in accounting policy															
Adjustment for correction of previous error															
Other adjustments															

2. Balance as at the beginning of the period	705,692,507.00				640,509,675.84		643,067,549.91	21,959,066.35	367,826,665.27		983,627,999.95		3,362,683,464.32	77,897,091.03	3,440,580,555.35
3. Increase/ decrease in the period ("-" for decrease)	0.00						66,731,800.00	2,582,295.74			66,365,889.62		135,679,985.36	3,904,894.90	139,584,880.26
3.1 Total comprehensive income							66,731,800.00				73,422,814.69		140,154,614.69	3,581,402.32	143,736,017.01
3.2 Capital increased and reduced by shareholders															
3.2.1 Ordinary shares increased by shareholders															
3.2.2 Capital increased by holders of other equity instruments															
3.2.3 Share-based payments included in shareholders' equity															
3.2.4 Other															
3.3 Profit distribution											-7,056,925.07		-7,056,925.07		-7,056,925.07
3.3.1 Appropriation to surplus reserves															
3.3.2 Appropriation to general reserve															
3.3.3 Appropriation to shareholders											-7,056,925.07		-7,056,925.07		-7,056,925.07
3.3.4 Other															
3.4 Transfers within shareholders' 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								2,582,295.74					2,582,295.74	323,492.58	2,905,788.32

3.5.1 Increase in the period								6,005,031.87					6,005,031.87	373,360.17	6,378,392.04
3.5.2 Used in the period								3,422,736.13					3,422,736.13	49,867.59	3,472,603.72
3.6 Other															
4. Balance as at the end of the period	705,692,507.00				640,509,675.84		709,799,349.91	24,541,362.09	367,826,665.27		1,049,993,889.57		3,498,363,449.68	81,801,985.93	3,580,165,435.61

Legal representative: Xie Guozhong General Manager: Xie Guozhong Head of the accounting department: Jiang He

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

Current Period

Unit: RMB

Item	2026 Semi-Annual											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total shareholders' equity
		Preferred shares	Perpetual bonds	Other								
1. Balance as at the end of the prior period	705,692,507.00				659,418,700.67		677,272,601.44	16,632,391.87	370,454,881.23	1,017,201,184.37		3,446,672,266.58
Add: Adjustment for change in accounting policy												
Adjustment for correction of previous error												
Other adjustments												
2. Balance as at the beginning of the period	705,692,507.00				659,418,700.67		677,272,601.44	16,632,391.87	370,454,881.23	1,017,201,184.37		3,446,672,266.58
3. Increase/ decrease in the period ("-" for decrease)							6,329,950.00	-1,187,631.84		57,078,609.61		62,220,927.77
3.1 Total comprehensive income							6,329,950.00			72,603,844.76		78,933,794.76
3.2 Capital increased and reduced by shareholders												
3.2.1 Ordinary shares increased by shareholders												
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in shareholders' equity												

3.2.4 Other												
3.3 Profit distribution										-15,525,235.15		-15,525,235.15
3.3.1 Appropriation to surplus reserves												
3.3.2 Appropriation to shareholders										-15,525,235.15		-15,525,235.15
3.3.3 Other												
3.4 Transfers within shareholders' 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								-1,187,631.84				-1,187,631.84
3.5.1 Increase in the period												
3.5.2 Used in the period								1,187,631.84				1,187,631.84
3.6 Other												
4. Balance as at the end of the period	705,692,507.00				659,418,700.67		683,602,551.44	15,444,760.03	370,454,881.23	1,074,279,793.98		3,508,893,194.35

Prior Period

Unit: RMB

Item	2025 Semi-Annual

	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total shareholders' equity
		Preferred shares	Perpetual bonds	Other								
1. Balance as at the end of the prior period	705,692,507.00				659,418,700.67		643,067,549.91	19,117,263.36	367,826,665.27	1,000,604,165.79		3,395,726,852.00
Add: Adjustment for change in accounting policy												
Adjustment for correction of previous error												
Other adjustments												
2. Balance as at the beginning of the period	705,692,507.00				659,418,700.67		643,067,549.91	19,117,263.36	367,826,665.27	1,000,604,165.79		3,395,726,852.00
3. Increase/ decrease in the period ("-" for decrease)							66,731,800.00	115,542.01		56,277,154.57		123,124,496.58
3.1 Total comprehensive income							66,731,800.00			63,334,079.64		130,065,879.64
3.2 Capital increased and reduced by shareholders												
3.2.1 Ordinary shares increased by shareholders												
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in shareholders' equity												
3.2.4 Other												
3.3 Profit distribution										-7,056,925.07		-7,056,925.07
3.3.1 Appropriation to surplus reserves												

3.3.2 Appropriation to shareholders										-7,056,925.07		-7,056,925.07
3.3.3 Other												
3.4 Transfers within shareholders' 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								115,542.01				115,542.01
3.5.1 Increase in the period								2,435,798.34				2,435,798.34
3.5.2 Used in the period								2,320,256.33				2,320,256.33
3.6 Other												
4. Balance as at the end of the period	705,692,507.00				659,418,700.67		709,799,349.91	19,232,805.37	367,826,665.27	1,056,881,320.36		3,518,851,348.58

Legal representative: Xie Guozhong General Manager: Xie Guozhong Head of the accounting department: Jiang He

III. Company Profile

1. Registered location, organization form and headquarter address of the Company

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 approval 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 "Changchai" for short of stock, as well as "0570" as stock code (present stock code is "000570").

In 1996, upon recommendation by Document No. 13 [1996] of the General Office of Jiangsu Provincial People's Government, preliminary review by Document No. 24 [1996] of Shenzhen Securities Regulatory Office, and approval by Document No. 27 [1996] of the State Council Securities Commission, the Company privately placed 100 million B-shares to qualified investors from August 27 to August 30, 1996. The shares were listed on September 13, 1996, with the stock abbreviation "Changchai B" and stock code "2570" (current stock code: "200570").

Through years of bonus share distributions, rights offerings, capital reserve conversions, and additional share issuances, as of June 30, 2026, the Company's total issued share capital reached 705,692,507 shares, with registered capital of RMB 705,692,507.

Registered Address: 123 Huaide Middle Road, Changzhou, Jiangsu Province

Headquarters Address: 123 Huaide Middle Road, Changzhou, Jiangsu Province

Unified Social Credit Code: 91320400134792410W

2. Principal Business Operations of the Company

The Company operates in the manufacturing industry, with its business scope primarily covering: the manufacturing and sales of diesel engines, diesel engine components and castings, gasoline engines, gasoline engine components, grain harvesting machinery, rotary tillers, walking tractors, molds, and fixtures, as well as the assembly and sales of diesel engine units and gasoline engine units.

The Company's main products or services include: the production and sales of small and medium-sized single-cylinder and multi-cylinder diesel engines under the "Changchai" brand. The diesel engines produced and sold by the Company are mainly used in tractors, combine harvesters, light commercial vehicles, agricultural equipment, small construction machinery, generator sets, and marine engines.

During the reporting period, there were no changes to the Company's core business operations.

3. Authorization of Financial Statements

The financial report has been approved to be issued by the Board of Directors on August 19, 2026.

IV. Basis for Preparation of the Financial Report

1. Basis for Preparation

The Company's financial statements are prepared on a going concern basis. They are based on actual transactions and events that have occurred, and are prepared in accordance with the Accounting Standards for Business Enterprises – Basic Standard and various specific accounting standards, application guides, interpretations and other relevant provisions (collectively referred to as the "Accounting Standards for Business Enterprises") issued by the Ministry of Finance, as well as in accordance with the Regulation on Information Disclosure and Reporting Standards for Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting (2023 Revision) issued by the China Securities Regulatory Commission.

In accordance with the relevant provisions of the Accounting Standards for Business Enterprises, the Company's accounting is based on the accrual basis. Except for certain financial instruments, these financial statements are prepared on the historical cost basis of measurement. Non-current assets held for sale are measured at the lower of their carrying amount at the time they meet the conditions for classification as held for sale and their fair value less costs to sell. If an asset is impaired, an appropriate provision for impairment is recognized in accordance with relevant provisions.

2. Continuation

These financial statements are prepared on a going concern basis. The Company has the ability to continue as a going concern for at least 12 months from the end of the reporting period.

V. Important Accounting Policies and Estimations

Notification of specific accounting policies and accounting estimations:

The Company and its subsidiaries are principally engaged in the production and sales of small-to-medium sized single-cylinder and multi-cylinder diesel engines under the 'Changchai' trademark. In accordance with their actual production and operating characteristics and the relevant Accounting Standards for Business Enterprises, the Company and its subsidiaries have formulated specific accounting policies and accounting estimates for various transactions and events, as detailed in the following descriptions.

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

The financial statements prepared by the Company comply with the requirements of the Accounting Standards for Business Enterprises (ASBE) and present fairly, in all material respects, the consolidated and parent company's financial position as of June 30, 2026, and the consolidated and parent company's operating results and cash flows for the first half of 2026.

2. Fiscal Period

The Company's accounting periods are divided into annual periods and interim periods. An interim period refers to a reporting period that is shorter than a full accounting year. The Company's fiscal year follows the calendar year, commencing on January 1 and ending on December 31 of each year.

3. Operating Cycle

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

The functional currency of the Company and its subsidiaries within the People's Republic of China is Renminbi ("RMB"), being the currency of the primary economic environment in which they operate. The financial statements are prepared and presented in RMB.

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

Business Combination refers to transactions or events that integrate two or more separate enterprises into a single reporting entity. Business combinations are categorized into Business Combinations under the Same Control and Business Combinations not under the Same Control.

(1) Business combinations under the same control

The enterprises involved in combination are ultimately controlled by the same party or parties before and after the combination. The control is not temporary, and the combination is under the same control. For business combination under the same control, the party that obtains control over other participating enterprises on the purchase date is the acquirer, and other enterprises that participate in the combination are the acquirees. Combination date refers to the date on which the combing party actually obtains control to the combined party.

The Company measures the assets and liabilities obtained from consolidation of enterprises, according to the book value of consolidated party's assets and liabilities (including the goodwill arising from ultimate controller's acquisition of the consolidated party) in the ultimate controller's consolidated financial statement on the consolidation date; adjusts the capital premium in capital reserve, by the difference between obtained net asset book value and paid consolidated consideration book value (or total par value of shares issued), and adjusts retained earnings, if the capital premium in capital reserve is insufficient to offset.

The direct expenses generated by the acquirer for the purpose of business combinations shall be recorded into the profits and losses for the current period.

(2) Business combinations not under the same control

A business combination involving enterprises that are not ultimately controlled by the same party or parties both before and after the combination is a business combination not under common control. In a business combination not under common control, the party that obtains control over the other combining enterprises on the acquisition date is the acquirer, and the other enterprises participating in the combination are the acquirees. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

For a business combination not under common control, the cost of combination includes the fair value, at the acquisition date, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for control of the acquiree. Professional fees such as audit, legal, valuation and consulting services, as well as other administrative costs related to the business combination, are expensed as incurred. Transaction costs incurred by the acquirer in issuing equity or debt instruments as consideration for the combination are included in the initial recognition amount of the equity or debt instruments. Any contingent consideration is included in the cost of combination at its fair value at the acquisition date. If new or additional evidence relating to circumstances existing at the acquisition date arises within twelve months after the acquisition date and results in an adjustment to the contingent consideration, the amount of goodwill is adjusted accordingly. The acquirer measures the cost of combination and the identifiable assets and liabilities acquired at their fair values at the acquisition date. The excess of the cost of combination over the acquirer's interest in the fair value of the identifiable net assets of the acquiree at the acquisition date is recognized as goodwill. If the cost of combination is less than the acquirer's interest in the fair value of the identifiable net assets of the acquiree, the acquirer first reassesses the measurement of the identifiable assets, liabilities and contingent liabilities acquired and the cost of combination. If the cost of combination remains less than the acquirer's interest in the fair value of the identifiable net assets of the acquiree after the reassessment, the difference is recognized in profit or loss for the period.

If the acquirer obtains deductible temporary differences of the acquiree that do not meet the recognition criteria for deferred tax assets at the acquisition date and are therefore not recognized, and if within twelve months after the acquisition date new or additional information becomes available indicating that the relevant circumstances existed at the acquisition date and that the economic benefits associated with the deductible temporary differences of the acquiree at the acquisition date are probable, the related deferred tax assets are recognized with a corresponding decrease in goodwill. If the goodwill is insufficient to absorb the decrease, the excess is recognized in profit or loss. In all other cases, deferred tax assets arising from a business combination are recognized in profit or loss.

A business combination not under common control achieved in stages through multiple transactions is accounted for by reference to the preceding paragraphs and Note V.14 "Long-term equity investments" if the transactions are part of a single arrangement. If the transactions are not part of a single arrangement, the accounting treatment is differentiated between the separate financial statements and the consolidated financial statements:

In the separate financial statements, the initial cost of the investment is the sum of the carrying amount of the equity investment in the acquiree held prior to the acquisition date and the cost of the additional investment incurred on the acquisition date. If the equity investment in the acquiree held prior to the acquisition date involves other comprehensive income, the related other comprehensive income is accounted for on the same basis as if the acquiree had directly disposed of the related assets or liabilities when the investment is disposed of (i.e., except for the relevant share of changes arising from the acquiree's remeasurement of defined benefit plan net liabilities or assets accounted for under the equity method, the remainder is reclassified to investment income in the current period).

In the consolidated financial statements, the equity investment in the acquiree held prior to the acquisition date is remeasured at its fair value on the acquisition date, with any difference between the fair value and the carrying amount recognized in investment income for the period. If the equity investment in the acquiree held prior to the acquisition date involves other comprehensive income, the related other comprehensive income is accounted for on the same basis as if the acquiree had directly disposed of the related assets or liabilities (i.e., except for the relevant share of changes arising from the acquiree's remeasurement of defined benefit plan net liabilities or assets accounted for under the equity method, the remainder is reclassified to investment income in the period in which the acquisition date falls).

6. Criteria for Determining Control and Methods for Preparing Consolidated Financial Statements

(1) Criteria for Determining Control

The scope of consolidation is determined based on control. Control means that the Company has power over an investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect the amount of the returns. This generally includes situations where: the parent holds more than half of the voting rights of the investee; or the parent holds half or less of the voting rights but has more than half of the voting rights through agreements with other investors; or has the power to govern the financial and operating policies of the investee under the investee’s articles of association or agreements; or has the power to appoint or remove the majority of the members of the board of directors of the investee; or has the majority of voting rights at the board of directors of the investee.

(2) Methods for Preparing Consolidated Financial Statements

The Company includes subsidiaries in the consolidated financial statements from the date on which it obtains control over the subsidiaries' net assets and operating decisions, and excludes them from the date on which such control ceases. For subsidiaries disposed of, the results of operations and cash flows prior to the disposal date are properly included in the consolidated income statement and consolidated cash flow statement; for subsidiaries disposed of during the period, the opening balances of the consolidated balance sheet are not adjusted. For subsidiaries acquired in business combinations not under common control, their results of operations and cash flows after the acquisition date are properly included in the consolidated income statement and consolidated cash flow statement, and the opening balances and comparative figures in the consolidated financial statements are not adjusted. For subsidiaries acquired in business combinations under common control and entities acquired through mergers, their results of operations and cash flows from the beginning of the period in which the combination occurs to the combination date are properly included in the consolidated income statement and consolidated cash flow statement, and the comparative figures in the consolidated financial statements are adjusted accordingly.

When preparing the consolidated financial statements, if the accounting policies or reporting periods adopted by a subsidiary differ from those of the Company, the subsidiary's financial statements are adjusted to conform to the Company's accounting policies and reporting periods. For subsidiaries acquired in business combinations not under common control, their financial statements are adjusted based on the fair values of the identifiable net assets at the acquisition date.

All significant intercompany balances, transactions and unrealized profits are eliminated in full in the consolidated financial statements.

The portion of equity and net profit or loss of subsidiaries attributable to non-controlling interests is presented separately in the consolidated financial statements under equity and net profit, respectively. The portion of net profit or loss of subsidiaries attributable to non-controlling interests is presented as "non-controlling interests" under net profit in the consolidated income statement. Losses attributable to non-controlling interests in a subsidiary that exceed the non-controlling interests' share of equity in the subsidiary at the beginning of the period are allocated against non-controlling interests.

When control over a former subsidiary is lost due to disposal of part of the equity investment or other reasons, the remaining equity interest is remeasured at its fair value at the date when control is lost. The difference between the sum of the consideration received from the disposal and the fair value of the remaining equity interest, and the share of the carrying amount of the former subsidiary's net assets attributable to the original equity interest from the acquisition date, is recognized in profit or loss for the period in which control is lost. Other comprehensive income related to the equity investment in the former subsidiary is accounted for on the same basis as if the investee had directly disposed of the related assets or liabilities when control is lost (i.e., except for the relevant share of changes arising from the investee's remeasurement of defined benefit plan net liabilities or assets, the remainder is reclassified to profit or loss for the current period). Subsequently, the remaining equity interest is accounted for in accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments or Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments. For details, see Note V.14 "Long-term Equity Investments" or Note V.10 "Financial Instruments".

When the Company loses control over a subsidiary through multiple transactions that involve disposing of equity investments in the subsidiary step by step, it is necessary to determine whether the transactions should be accounted for as a single transaction. The terms, conditions and economic effects of the transactions meet one or more of the following circumstances, which generally indicate that the transactions should be accounted for as a single transaction: (1) the transactions are entered into simultaneously or in contemplation of one another; (2) the transactions form a single transaction to achieve an overall commercial effect; (3) the occurrence of one transaction depends on the occurrence of at least one other transaction; or (4) one transaction considered alone is not economically justified, but is economically justified when considered together with other transactions. If the transactions are not part of a single transaction, each transaction is accounted for separately as appropriate under the principles applicable to “partial disposal of long-term equity investments in subsidiaries without loss of control” and “loss of control over former subsidiaries due to disposal of part of equity investments or other reasons”. If the transactions are part of a single transaction, they are accounted for as a single transaction involving disposal of the subsidiary and loss of control; however, the difference between the consideration received from each disposal before the loss of control and the share of the subsidiary’s net assets attributable to the disposed investment is recognized as other comprehensive income in the consolidated financial statements and reclassified to profit or loss for the period in which control is lost.

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

A joint arrangement is an arrangement of which two or more parties have joint control. The Company classifies joint arrangements into joint operations and joint ventures based on the rights and obligations arising from the arrangement. A joint operation is a joint arrangement whereby the Company has rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the Company has rights to the net assets of the arrangement.

The Company accounts for its investments in joint ventures using the equity method, applying the accounting policies described in Note V.14(2) ② "Long-term Equity Investments Accounted for Using the Equity Method".

As a joint operator in a joint operation, the Company recognizes its individually held assets and assumed liabilities, as well as its share of jointly held assets and jointly assumed liabilities; recognizes revenue from the sale of its share of the output from the joint operation; recognizes its share of revenue arising from the sale of output by the joint operation; and recognizes expenses it incurs individually as well as its share of expenses incurred by the joint operation.

When the Company, as a joint operator, contributes or sells assets (which do not constitute a business, the same below) to a joint operation, or purchases assets from a joint operation, the Company only recognizes the portion of gains or losses arising from the transaction that is attributable to the other joint operators until such assets are sold to third parties. If these assets meet the criteria for impairment losses as stipulated in Accounting Standards for Business Enterprises No. 8 - Impairment of Assets and other relevant standards, the Company fully recognizes such losses for assets contributed or sold to the joint operation by the Company, and recognizes its share of such losses for assets purchased from the joint operation by the Company.

8. Determination of cash and cash equivalents

The Company’s cash and cash equivalents include cash on hand, deposits that can be used for payment at any time, investments that are owned by the Company which are in short-term (usually due within three months from the purchase date), highly liquid, easy to convert to a known amount of cash, low risk of value change.

9. Foreign currency operations

(1) Translation Methods for Foreign Currency Transactions

The Company translates foreign currency transactions into the functional currency amount at the spot exchange rate on the transaction date upon initial recognition. However, for foreign currency exchange transactions or transactions involving currency exchange conducted by the Company, the actual exchange rate adopted is used for translation into the functional currency amount.

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

At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate on that date. The resulting exchange differences are recognized in profit or loss, except for: ① exchange differences arising from foreign currency-specific borrowings related to the acquisition or construction of qualifying assets, which are accounted for in accordance with the principles for capitalizing borrowing costs; and ② exchange differences arising from changes in the carrying amount of available-for-sale foreign currency monetary items other than amortized cost, which are recognized in other comprehensive income.

Non-monetary items denominated in foreign currency and measured at historical cost continue to be translated using the spot exchange rate on the transaction date. Non-monetary items denominated in foreign currency and measured at fair value are translated using the spot exchange rate on the date when the fair value is determined. The difference between the translated functional currency amount and the original functional currency amount is treated as a fair value change (including exchange rate effects) and recognized in profit or loss or other comprehensive income.

10. Financial Instruments

A financial asset or financial liability is recognized when the Company becomes a party to the financial instrument contract.

(1) Classification, confirmation and measurement of financial assets

Based on business model of managing financial assets and contractual cash flow characteristics of financial assets, the Company divides financial assets into: financial assets measured at amortized cost; financial assets measured at fair value with changes included in other comprehensive income; financial assets measured at fair value through profit and loss.

Financial assets are measured at fair value at initial recognition. For the financial assets at fair value and through current profit or loss, the transaction expenses thereof should be recognized directly in profit or loss; for other categories of financial assets, the transaction expenses thereof should be recognized into initially recognized amount. For the accounts receivable or bills receivable arising from product sales or labor service provision excluding or not considering significant financing components, the Company regards the amount of consideration expected to charge as the initial recognition amount.

① Financial assets measured at amortized costs

The corporate business model for managing financial assets measured at amortized cost aims at charging contractual cash flow, and the contractual cash flow characteristics of such financial assets are consistent with basic borrowing and loan arrangements, namely cash flow is generated on a specific date, only for payment of principal and interests based on outstanding principal amount. The Company utilizes effective interest rate method for such financial assets, and performs subsequent measurement as per amortized cost, with gains or losses arising from amortization or impairment included in current profits and losses.

② Financial assets measured at fair value with changes included in other comprehensive income

The corporate business model for managing such financial assets aims at both contractual cash flow charging and sales, and the contractual cash flow characteristics of such financial assets are consistent with basic borrowing and loan arrangements. The Company measures such financial assets at fair value with changes included in other comprehensive income, but impairment losses or gains, exchange gains and losses, and interest income calculated according to the actual interest rate method are included in current profits and losses.

In addition, the Company designates some non-trading equity instrument investments as financial assets measured at fair value with changes included in other comprehensive income. The Company records relevant dividend income of such financial assets into current profits and losses, and records fair value changes into other comprehensive income. When such financial assets are derecognized, the cumulative gains or losses previously recorded in other comprehensive income will transfer from other comprehensive income into retained earnings, excluded in current profits and losses.

③ Financial Liabilities measured at fair value through profit and loss

The Company classifies the above financial assets measured at amortized cost and the financial assets other than the financial assets measured at fair value with changes included in other comprehensive income as the financial assets measured at fair value through profit and loss. In addition, during initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Company designates some financial assets as financial assets measured at fair value through profit and loss. For such financial assets, the Company uses fair value for subsequent measurement, and fair value changes are included in current profits and losses.

(2) Classification, recognition and measurement of financial liabilities

Financial liabilities are classified during initial recognition as the financial liabilities measured at fair value through profit and loss, and other financial liabilities. For financial liabilities at fair value through profit or loss, the transaction expenses thereof should be recognized directly in current profit or loss, and for other financial liabilities, the transaction expenses thereof should be recognized into initially recognized amount.

① Financial liabilities measured at fair value through profit and loss

Financial liabilities measured at fair value through profit and loss contain transactional financial liabilities (including derivatives that belong to financial liabilities) and financial liabilities designated as measured at fair value during initial recognition with changes included in current profits and losses.

Transactional financial liabilities (including derivatives that belong to financial liabilities) are subsequently measured at fair value, and except for those related to hedge accounting, the fair value changes are included in current profits and losses.

The financial liabilities designated as measured at fair value with changes included in current profits and losses, such liabilities are caused by the Company's own credit risk changes, with fair value changes included in other comprehensive income, and when the liabilities are derecognized, they are included in other comprehensive income, caused by own credit risk changes, with cumulative fair value changes transferred into retained earnings. The remaining fair value changes are included in current profits and losses. If treatment of own credit risk change impact of such financial liabilities in the above manner will cause or expand accounting mismatch in profits and losses, the Company includes all gains or losses of such financial liabilities (including the amount of corporate own credit risk change impact) in current profits and losses.

② Other financial liabilities

Except the financial liabilities and financial guarantee contract arising from financial asset transfer at variance with derecognition conditions or continuous involvement of transferred financial assets, other financial liabilities are classified as financial liabilities measured at amortized cost, and subsequently measured at amortized cost, with gains or losses resulting from derecognition or amortization included in current profits and losses.

(3) Recognition basis and measurement method of financial assets transfer

Financial assets are derecognized in one of the following conditions: ① the contractual right to receive cash flow of such financial assets is terminated; ② such financial assets have been transferred, and almost all risks and rewards on the financial asset Ownership are transferred to the transferee; ③ such financial assets have been transferred, and although the Company has neither transferred nor retained almost all risks and rewards on the financial asset Ownership, it has given up control of such financial assets.

If the enterprise neither transfers nor retains substantially all the risks and rewards of Ownership of a financial asset, and it has not abandoned the control of that financial asset, the relevant financial asset is recognized at the extent of continuing involvement in the transferred financial asset and the corresponding liability is recognized accordingly. The degree of continuous involvement in the transferred financial asset refers to the risk level that the enterprise faces due to the change of the value of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria of de-recognition, the difference between the carrying amount of the financial asset transferred and the sum of the consideration received from the transfer and any cumulative change in fair value that has been recognized in other comprehensive income is recognized in current profit or loss.

Where a transfer of financial asset partly meets the criteria of de-recognition, the carrying amount of the financial asset transferred should be amortized between the part that is derecognized and the part that is not derecognized according to the fair value, and the difference between the sum of the consideration received from the transfer and any cumulative change in fair value that has been recognized in other comprehensive income and should be amortized to the derecognized part, and the above-mentioned amortized carrying amount, shall be recorded into current profit or loss.

When the Company uses financial assets sold with recourse or sells financial assets held in an endorsement, it must determine whether all risks and rewards of Ownership of the financial assets have been almost transferred. If all the risks and rewards of Ownership of the financial asset are almost transferred to the transferee, and the financial asset is derecognized; if all the risks and rewards on the Ownership of the financial asset are retained, the financial asset is not derecognized; all the risks and rewards of Ownership of financial assets are not almost transferred or retained, continue to determine whether the Company retains the control over the assets and perform the accounting operation based on the principles described in the preceding paragraphs.

(4) De-recognition of financial liabilities

If current obligations of financial liabilities (or a part thereof) are removed, the Company derecognizes such financial liabilities (or a part thereof). If the Company (borrower) signs an agreement with the lender, to replace the original financial liabilities by bearing new financial liabilities, and contract clauses of new financial liabilities and original financial liabilities are substantially different, the original financial liabilities are derecognized, while recognizing a new financial liability. If the Company makes substantial modification to the contractual clauses of original financial liabilities (or a part thereof), the original financial liabilities are derecognized, and a new financial liability is recognized according to the clauses after modification.

If financial liabilities (or a part thereof) are derecognized, the Company records the difference between their book value and consideration paid (including non-cash assets transferred out or liabilities assumed) into current profits and losses.

(5) Offset of financial assets and financial liabilities

When the Company has legal right to offset financial assets and financial liabilities of the recognized amount, and such legal rights are currently enforceable, meanwhile, the Company plans to settle by net assets or concurrently liquidate such financial assets and repay such financial liabilities, financial assets and financial liabilities are presented in the balance sheet by net amounts after mutual offset. In addition, financial assets and financial liabilities are separately presented in the balance sheet, which are not offset by each other.

(6) Determining method of the fair value of financial assets and financial liabilities

Fair value refers to the price that a market participant can receive for the sale of an asset or the price he needs to pay for transferring a liability in an orderly transaction occurring on the measurement date. Where the financial instruments exist on active market, the Company determines their fair value by using quotation on active market. Quoted market prices in an active market refer to the prices that are readily available regularly from the exchange, the broker, the trade association, pricing services institution, etc., and they represent the actual market transaction prices in the fair transactions. Where the financial instruments do not exist on active market, the Company determines their fair value by using valuation techniques. Valuation techniques include the prices used in recent market transactions by the parties that are familiar to the situation and are voluntary to participate in the transaction, refers to the current fair values of other essentially the same financial instruments, discount cash flow valuation, option pricing models, etc. At the time of valuation, the Company leverages valuation techniques that are applicable in the current circumstances and adequately supported by available data and other information, chooses the input value consistent with the characteristics of assets or liabilities considered by market participants in transaction of relevant assets or liabilities, and prefers to use the relevant observable input value. The value that cannot be inputted is utilized, when the relevant observable input value is unavailable or unfeasible to obtain.

11. Impairment of financial assets

The Company assesses impairment losses for the following financial assets: Financial assets measured at amortized cost; Debt instruments measured at fair value through other comprehensive income (FVOCI); These primarily include: Notes receivable; Accounts receivable; Contract assets; Other receivables; Debt investments; Other debt investments; Long-term receivables; Additionally, impairment provisions and credit impairment losses for certain financial guarantee contracts are recognized in accordance with the accounting policies outlined below.

(1) Method for Recognizing Impairment Provisions

The Company measures expected credit losses (ECL) for the above items using either the general approach or the simplified approach, depending on their applicability, and recognizes corresponding credit impairment losses.

Credit loss refers to the present value of all contractual cash flows the Company is entitled to receive under the contract, discounted at the original effective interest rate, minus the present value of all expected cash flows to be collected. For purchased or originated credit-impaired (POCI) financial assets, the discount rate applied is the credit-adjusted effective interest rate.

General Approach for ECL Measurement

At each reporting date, the Company assesses whether the credit risk of a financial asset has increased significantly since initial recognition:

If credit risk has increased significantly, the Company measures the loss allowance at an amount equal to lifetime ECL.

If credit risk has not increased significantly, the loss allowance is measured at 12-month ECL.

The assessment incorporates all reasonable and supportable information, including forward-looking data.

For financial instruments with low credit risk at the reporting date, the Company assumes no significant increase in credit risk since initial recognition and applies the 12-month ECL approach.

(2) Criteria for Determining Significant Increase in Credit Risk

A significant increase in credit risk is presumed if the probability of default (PD) over the remaining lifetime at the reporting date is substantially higher than the PD estimated at initial recognition. Unless exceptional circumstances exist, the Company uses changes in the 12-month PD as a reasonable proxy for lifetime PD changes to determine whether credit risk has increased significantly.

Factors considered in assessing significant increases in credit risk:

Actual or expected material deterioration in the debtor's operating performance;

Material adverse changes in the debtor's regulatory, economic, or technological environment;

Significant decline in collateral value or quality of third-party guarantees/credit enhancements, which may reduce the debtor's economic incentive to repay or affect PD;

Material changes in the debtor's expected behavior or repayment patterns;

Changes in the Company's credit management practices for the financial instrument.

Low credit risk presumption:

At the reporting date, if a financial instrument is determined to have low credit risk, the Company assumes no significant increase in credit risk since initial recognition. A financial instrument is considered low risk if:

The debtor has a strong capacity to meet short-term contractual cash flow obligations;

Adverse economic or operational conditions over a longer period would not necessarily impair the debtor's ability to fulfill its obligations.

(3) Portfolio-Based Assessment of Expected Credit Risk

The Company evaluates credit risk individually for financial assets with distinctly different risk profiles, such as:

Receivables under dispute, litigation, or arbitration;

Receivables with clear evidence indicating the debtor's inability to repay.

For all other financial assets, the Company groups them based on shared credit risk characteristics, including:

Financial instrument type

Credit risk rating

Aging profile (e.g., current, overdue segments)

(4) Accounting Treatment for Financial Asset Impairment

At period-end, the Company calculates ECL for each category of financial assets:

If the ECL exceeds the current carrying amount of the impairment allowance, the difference is recognized as an impairment loss;

If the ECL is lower than the current allowance, the difference is recognized as an impairment gain.

(5) Method for recognizing credit losses of various financial assets

① Bills receivable

The Company measures loss provision for bills receivable based on the amount equivalent to expected credit losses throughout the existence period. Based on credit risk characteristics of bills receivable, they are divided into different portfolios:

Items	Basis of determining the portfolio
Bank acceptance bill	Acceptors are banks with low credit risks
Bank Acceptance Draft (Issued by Finance Companies)	Issued by Finance Companies
Commercial acceptance bill	All of commercial acceptance bill

② Accounts receivable and contract assets

With regard to accounts receivable and contract assets excluding major financing components, the Company measures loss reserve at the amount equivalent to the expected credit loss throughout the duration.

With regard to accounts receivable and contract assets including major financing components, the Company chooses to always measure loss reserve at the amount equivalent to the expected credit loss throughout the duration.

In addition to accounts receivable with individual assessment of credit risks, they are divided into different portfolios based on their credit risk characteristics:

Items	Basis of determining the portfolio
Credit risk characteristics portfolio	Portfolio based on aging of receivables as credit risk characteristic
Related party within consolidation scope	Related party within consolidation scope

a. The aging of the Company's receivables is calculated from the date of occurrence.

For the portfolio, the aging-based grouping method is adopted to measure expected credit losses (ECL):

Aging	Provision ratios of notes Receivable (%)	Provision ratios of accounts receivable (%)	Provision ratios of contract assets (%)	Provision ratios of other receivables (%)
Within 1 year	2.00	2.00	2.00	2.00
1-2 years	5.00	5.00	5.00	5.00
2-3 years	15.00	15.00	15.00	15.00
3-4 years	30.00	30.00	30.00	30.00
4-5 years	60.00	60.00	60.00	60.00
Over 5 years	100.00	100.00	100.00	100.00

b. Criteria for Recognizing Individually Assessed Bad Debt Provisions:

A financial asset is considered credit-impaired when one or more events that have a detrimental impact on the asset's expected future cash flows occur. Observable evidence of credit impairment includes, but is not limited to, the following:

The issuer or debtor is experiencing significant financial difficulties.

The debtor has breached contractual terms, such as defaulting or delaying payments of interest or principal.

The creditor has granted concessions to the debtor (e.g., payment extensions, reduced interest rates, or principal forgiveness) that would not otherwise be considered due to the debtor's financial distress.

The debtor is likely to enter bankruptcy or undergo financial restructuring.

The active market for the financial asset has disappeared due to the financial difficulties of the issuer or debtor.

The financial asset was acquired or originated at a significant discount, reflecting incurred credit losses.

Credit impairment may result from a combination of factors and does not necessarily stem from a single identifiable event.

③Receivables Financing

Financial assets classified as notes receivable and accounts receivable measured at fair value through other comprehensive income (FVTOCI) shall be presented as follows:

"Receivables financing" for portions with original maturities of one year or less from the date of acquisition;

"Other debt investments" for portions with original maturities exceeding one year from the date of acquisition.

Except for individually assessed accounts receivable, these financial assets are grouped into different portfolios based on their credit risk characteristics.

Item	Basis of determining the portfolio
Notes receivable	Bank acceptance drafts issued by banks with high credit ratings
Accounts receivable	This portfolio uses the aging of receivables as the credit risk characteristic.

④ Other receivables

The Company measures impairment losses based on whether the credit risks of other receivables have increased significantly since initial recognition, by using the amount equivalent to expected credit losses within the next 12 months or throughout the existence period. In addition to other receivables with individual assessment of credit risks, they are divided into different portfolios based on their credit risk characteristics:

Item	Basis of determining the portfolio
Aging portfolio	Other receivables excluding related parties
Related party within consolidation scope	Other receivables from related parties within the scope of consolidation

12. Inventories

(1) Classification of Inventories

Inventories mainly include raw materials, materials in outside processing, work in progress, finished goods, and low-value consumables.

(2) Measurement Method for Issuance

All categories of inventories are purchased and received at planned costs, and issued using the weighted average method. Finished goods costs are transferred at actual costs incurred during the period, while cost of sales is recognized using the weighted average method.

(3) Inventory Counting System

The perpetual inventory system is adopted.

(4) Amortization Method for Low-Value Consumables and Packaging Materials

Low-value consumables are fully amortized upon issuance (one-time amortization method). Packaging materials are fully amortized upon issuance (one-time amortization method).

(5) Recognition Criteria and Provision Method for Inventory Write-Down

The net realizable value (NRV) of inventory refers to the estimated selling price in the ordinary course of business, minus the estimated costs to complete, selling expenses, and related taxes. The determination of NRV is based on reliable evidence, while also considering the purpose of holding the inventory and the impact of events after the reporting period.

At the balance sheet date, inventories are measured at the lower of cost or NRV. Based on a comprehensive year-end physical count, provisions are made for inventories that are damaged, obsolete, priced below cost, or otherwise unrecoverable. Write-downs are recognized for individual inventory items where cost exceeds NRV, with the loss recorded in profit or loss.

Methods for Determining NRV:

- Finished goods, merchandise, and materials held for sale: NRV = Estimated selling price − Estimated selling expenses − Related taxes.
- Materials requiring further processing: NRV = Estimated selling price of finished products − Estimated costs to complete − Estimated selling expenses − Related taxes.
- Partial contract pricing: If part of an inventory item has a contract price while the remainder does not, NRV is determined separately.
- Aggregate assessment: For inventories with similar use or produced/sold in the same region, write-downs are assessed collectively if individual valuation is impractical.
- High-volume, low-cost items: Write-downs are assessed by inventory category.

If the factors that previously caused inventory write-downs no longer exist, resulting in NRV exceeding the carrying amount, the reversal (limited to the original provision amount) is recognized in profit or loss.

13. Held-for-sale and Discontinued Operations

(1) Non-current Assets and Disposal Groups Held-for-sale

The Company classifies a non-current asset or disposal group as held-for-sale if its carrying amount will be recovered principally through a sale transaction (including non-monetary asset exchanges with commercial substance, the same applies below) rather than through continuing use. The specific criteria are that all of the following conditions are met: (i) the non-current asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups; (ii) the Company has approved the sale plan and obtained a firm purchase commitment; and (iii) the sale is expected to be completed within one year. A disposal group refers to a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. If the goodwill acquired in a business combination was allocated to a cash-generating unit or group of cash-generating units to which the disposal group belongs under Accounting Standards for Business Enterprises No. 8—Impairment of Assets, the disposal group shall include the goodwill allocated to it.

When initially measuring or remeasuring non-current assets or disposal groups classified as held-for-sale at the balance sheet date, if their carrying amount exceeds their fair value less costs to sell, the carrying amount is written down to fair value less costs to sell. The amount of the write-down is recognized as an impairment loss in profit or loss for the current period, and a provision for impairment of held-for-sale assets is made. For disposal groups, the recognized impairment loss is first allocated to reduce the carrying amount of any goodwill in the disposal group, and then to reduce the carrying amounts of the other non-current assets in the disposal group that are subject to the measurement requirements of Accounting Standards for Business Enterprises No. 42—Non-current Assets Held-for-sale and Discontinued Operations (hereinafter referred to as the "held-for-sale standards") on a pro-rata basis. If the fair value less costs to sell of a held-for-sale disposal group increases in subsequent balance sheet dates, the previously recognized impairment loss shall be reversed. The reversal is limited to the cumulative impairment loss recognized for the non-current assets in the disposal group that are subject to the measurement requirements of the held-for-sale standards after classification as held-for-sale, and the reversal amount is recognized in profit or loss for the current period. The carrying amounts of the non-current assets in the disposal group that are subject to the measurement requirements of the held-for-sale standards (excluding goodwill) are increased on a pro-rata basis according to their relative carrying amounts. The carrying amount of goodwill that has been reduced, as well as impairment losses recognized for non-current assets subject to the measurement requirements of the held-for-sale standards before classification as held-for-sale, shall not be reversed.

Non-current assets in a disposal group classified as held-for-sale are not depreciated or amortized, while interest and other expenses on liabilities in a held-for-sale disposal group continue to be recognized.

When a non-current asset or disposal group no longer meets the criteria for classification as held-for-sale, the Company ceases to classify it as held-for-sale or removes the non-current asset from the held-for-sale disposal group, and measures it at the lower of: (i) its carrying amount before classification as held-for-sale, adjusted for any depreciation, amortization, or impairment that would have been recognized had it not been classified as held-for-sale; and (ii) its recoverable amount.

(2) Criteria for Identifying and Presentation and Disclosures for Discontinued Operations

A discontinued operation is a component of the Company that either has been disposed of or is classified as held-for-sale and meets any of the following criteria: (i) the component represents a separate major line of business or geographical area of operations; (ii) the component is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or (iii) the component is a subsidiary acquired exclusively with a view to resale.

The Company presents the relevant profit or loss from discontinued operations in the income statement and discloses the effects of discontinued operations in the notes.

14. Long-term Equity Investments

The long-term equity investments referred to in this section are those in which the Company has control, joint control, or significant influence over the investee. Long-term equity investments in which the Company does not have control, joint control, or significant influence are accounted for as financial assets measured at fair value through profit or loss. For non-trading investments, the Company may elect at initial recognition to classify them as financial assets measured at fair value through other comprehensive income, as detailed in Note V.10 "Financial Instruments."

Joint control refers to the Company's shared control over an arrangement in accordance with relevant agreements, where decisions regarding the relevant activities of the arrangement require unanimous consent from all parties sharing control. Significant influence refers to the Company's power to participate in the financial and operating policy decisions of the investee but not to control or jointly control those policies with other parties.

(1) Determination of Investment Cost

For long-term equity investments acquired through business combinations under common control, the initial investment cost is measured at the share of the carrying value of the acquiree's equity in the consolidated financial statements of the ultimate controlling party on the combination date. The difference between the initial investment cost and the sum of the cash paid, the carrying value of non-cash assets transferred, and liabilities assumed is adjusted against capital reserve. If capital reserve is insufficient, the remaining difference is adjusted against retained earnings. If equity instruments are issued as consideration, the initial investment cost is measured at the share of the carrying value of the acquiree's equity in the consolidated financial statements of the ultimate controlling party on the combination date, with the total par value of the shares issued recognized as share capital. The difference between the initial investment cost and the total par value of the shares issued is adjusted against capital reserve. If capital reserve is insufficient, the remaining difference is adjusted against retained earnings. For step-by-step acquisitions of equity in an acquiree under common control that ultimately result in a business combination under common control, the transactions are accounted for separately based on whether they constitute a "package transaction." If they constitute a "package transaction," the transactions are treated as a single transaction to obtain control. If not, the initial investment cost on the combination date is measured at the share of the carrying value of the acquiree's equity in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost and the sum of the carrying value of the long-term equity investment before the combination and the carrying value of additional consideration paid on the combination date is adjusted against capital reserve. If capital reserve is insufficient, the remaining difference is adjusted against retained earnings. Other comprehensive income recognized for equity investments held before the combination date under the equity method or as financial assets measured at fair value through other comprehensive income is not accounted for at this stage.

For long-term equity investments acquired through business combinations not under common control, the initial investment cost is measured at the combination cost on the acquisition date. The combination cost includes the sum of the fair value of assets paid, liabilities incurred or assumed, and equity instruments issued by the acquirer. For step-by-step acquisitions of equity in an acquiree that ultimately result in a business combination not under common control, the transactions are accounted for separately based on whether they constitute a "package transaction." If they constitute a "package transaction," the transactions are treated as a single transaction to obtain control. If not, the initial investment cost of the long-term equity investment accounted for under the cost method is the sum of the carrying value of the previously held equity investment and the additional investment cost. Other comprehensive income related to the previously held equity investment accounted for under the equity method is not accounted for at this stage.

Intermediary fees such as audit, legal, and valuation consulting services, as well as other related administrative expenses incurred by the combining or acquiring party for the business combination, are recognized in profit or loss when incurred.

For other equity investments not formed through business combinations, the initial measurement is based on cost, which is determined according to the actual cash purchase price paid by the Company, the fair value of equity instruments issued by the Company, the value agreed in the investment contract or agreement, the fair value or original carrying value of assets exchanged in non-monetary asset exchanges, or the fair value of the long-term equity investment itself. Directly attributable costs, taxes, and other necessary expenses are also included in the investment cost. For additional investments that enable the Company to exert significant influence or joint control over the investee (but not control), the cost of the long-term equity investment is the sum of the fair value of the previously held equity investment determined in accordance with Accounting Standards for Business Enterprises No. 22—Recognition and Measurement of Financial Instruments and the additional investment cost.

(2) Subsequent Measurement and Profit/Loss Recognition Methods

Long-term equity investments in which the Company has joint control (excluding joint operations) or significant influence are accounted for using the equity method. Additionally, the Company's financial statements use the cost method to account for long-term equity investments that enable the Company to control the investee.

① Long-term Equity Investments Accounted for Using the Cost Method

Under the cost method, long-term equity investments are measured at initial investment cost, with adjustments made for additional investments or disposals. Investment income for the period is recognized based on the Company's share of cash dividends or profits declared by the investee, excluding any dividends or profits declared but not yet distributed at the time of investment.

② Long-term Equity Investments Accounted for Using the Equity Method

Under the equity method, if the initial investment cost exceeds the Company's share of the investee's identifiable net assets at fair value at the investment date, the initial investment cost is not adjusted. If the initial investment cost is less than the Company's share of the investee's identifiable net assets at fair value at the investment date, the difference is recognized in profit or loss, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Company recognizes investment income and other comprehensive income based on its share of the investee's net profit or loss and other comprehensive income, adjusting the carrying value of the long-term equity investment accordingly. The carrying value is reduced by the Company's share of profits or cash dividends declared by the investee. For other changes in the investee's equity not included in net profit or loss, other comprehensive income, or profit distribution, the carrying value of the long-term equity investment is adjusted and recognized in capital reserve. When recognizing the share of the investee's net profit or loss, the investee's net profit is adjusted based on the fair value of identifiable assets at the investment date. If the investee's accounting policies or reporting periods differ from the Company's, the investee's financial statements are adjusted to align with the Company's policies and periods before recognizing investment income and other comprehensive income.

For transactions between the Company and its associates or joint ventures where the assets contributed or sold do not constitute a business, unrealized internal transaction profits or losses attributable to the Company are eliminated based on the Company's share, and investment income is recognized after this adjustment. However, unrealized internal transaction losses attributable to impairment losses on the transferred assets are not eliminated. If the Company contributes assets constituting a business to a joint venture or associate and obtains long-term equity investment without control, the fair value of the contributed business is used as the initial investment cost of the new long-term equity investment. The difference between the initial investment cost and the carrying value of the contributed business is fully recognized in profit or loss. Similarly, if the Company sells assets constituting a business to a joint venture or associate, the difference between the consideration received and the carrying value of the business is fully recognized in profit or loss. If the Company purchases assets constituting a business from an associate or joint venture, the transaction is accounted for under Accounting Standards for Business Enterprises No. 20—Business Combinations, with gains or losses fully recognized.

When recognizing the share of the investee's net losses, the carrying value of the long-term equity investment and other long-term interests that substantially constitute a net investment in the investee are reduced to zero. If the Company has an obligation to assume additional losses, a provision is recognized for the estimated obligation and included in investment losses for the period. If the investee subsequently reports net profits, the Company resumes recognizing its share of profits after offsetting unconfirmed loss shares.

③ Acquisition of Minority Interests

When preparing consolidated financial statements, the difference between the additional long-term equity investment from acquiring minority interests and the share of the subsidiary's net assets calculated based on the additional Ownership percentage, continuously measured from the acquisition date (or combination date), is adjusted against capital reserve. If capital reserve is insufficient, the remaining difference is adjusted against retained earnings.

④ Disposal of Long-term Equity Investments

In consolidated financial statements, if the parent partially disposes of its long-term equity investment in a subsidiary without losing control, the difference between the disposal proceeds and the share of the subsidiary's net assets corresponding to the disposed long-term equity investment is recognized in equity. If the partial disposal results in loss of control over the subsidiary, the relevant accounting policy described in Note 5.6(2) "Preparation Methods for Consolidated Financial Statements" applies.

For other disposals of long-term equity investments, the difference between the carrying value of the disposed equity and the actual proceeds is recognized in profit or loss.

For long-term equity investments accounted for under the equity method, if the remaining equity after disposal continues to be accounted for under the equity method, the portion of other comprehensive income previously recognized in equity is accounted for on the same basis as if the investee had directly disposed of the related assets or liabilities. Changes in equity recognized due to other changes in the investee's equity (excluding net profit or loss, other comprehensive income, and profit distribution) are proportionally reclassified to profit or loss.

For long-term equity investments accounted for under the cost method, if the remaining equity after disposal continues to be accounted for under the cost method, other comprehensive income recognized before obtaining control under the equity method or financial instrument standards is accounted for on the same basis as if the investee had directly disposed of the related assets or liabilities and proportionally reclassified to profit or loss. Changes in equity recognized under the equity method due to other changes in the investee's equity (excluding net profit or loss, other comprehensive income, and profit distribution) are proportionally reclassified to profit or loss.

If the Company loses control of an investee due to partial disposal of equity investments, in its separate financial statements, the remaining equity that enables the Company to exert joint control or significant influence over the investee is reclassified to the equity method, with adjustments made as if the equity method had been applied from the initial acquisition. If the remaining equity does not enable joint control or significant influence, it is reclassified under the financial instrument standards, with the difference between fair value and carrying value at the date of losing control recognized in profit or loss. Other comprehensive income recognized before obtaining control under the equity method or financial instrument standards is accounted for on the same basis as if the investee had directly disposed of the related assets or liabilities. Changes in equity recognized under the equity method due to other changes in the investee's equity (excluding net profit or loss, other comprehensive income, and profit distribution) are reclassified to profit or loss at the date of losing control. For remaining equity accounted for under the equity method, other comprehensive income and other equity changes are proportionally reclassified. For remaining equity reclassified under the financial instrument standards, other comprehensive income and other equity changes are fully reclassified.

If the Company loses joint control or significant influence over an investee due to partial disposal of equity investments, the remaining equity is reclassified under the financial instrument standards, with the difference between fair value and carrying value at the date of losing joint control or significant influence recognized in profit or loss. Other comprehensive income recognized under the equity method is accounted for on the same basis as if the investee had directly disposed of the related assets or liabilities when the equity method is discontinued. Changes in equity recognized due to other changes in the investee's equity (excluding net profit or loss, other comprehensive income, and profit distribution) are fully reclassified to investment income when the equity method is discontinued.

If the Company disposes of its equity investments in a subsidiary step-by-step through multiple transactions until control is lost, and these transactions constitute a "package transaction," they are treated as a single transaction to dispose of the subsidiary's equity investments and lose control. Before losing control, the difference between the disposal proceeds and the carrying value of the disposed equity corresponding to the long-term equity investment is initially recognized in other comprehensive income and reclassified to profit or loss at the time control is lost.

15. Investment Properties

Investment properties refer to properties held to earn rental income or for capital appreciation, or both. These include leased land use rights, land use rights held for future appreciation and transfer, and leased buildings.

Investment properties are initially measured at cost. Subsequent expenditures related to investment properties are capitalized if it is probable that future economic benefits associated with the property will flow to the Company and the cost can be measured reliably. All other subsequent expenditures are recognized in profit or loss as incurred.

The Company applies the cost model for subsequent measurement of investment properties and depreciates or amortizes them using policies consistent with those applied to buildings or land use rights.

The impairment testing method and provision method for investment properties are detailed in Note V.20 "Impairment of Long-term Assets."

When owner-occupied properties or inventories are converted to investment properties, or vice versa, the carrying amount prior to conversion is used as the post-conversion carrying amount.

When the use of an investment property changes to owner-occupied, the property is reclassified as fixed assets or intangible assets from the date of change. When the use of owner-occupied property changes to rental or capital appreciation purposes, the fixed asset or intangible asset is reclassified as an investment property from the date of change.

For conversions:

To investment properties measured using the cost model, the pre-conversion carrying amount is used as the post-conversion carrying amount.

To investment properties measured using the fair value model, the fair value at the conversion date is used as the post-conversion carrying amount.

An investment property is derecognized when disposed of or permanently withdrawn from use with no expected future economic benefits. Gains or losses from the sale, transfer, retirement, or damage of investment properties are calculated as the disposal proceeds minus the carrying amount and related taxes/expenses, and are recognized in profit or loss.

16. Fixed Assets

(1) Recognition Criteria for Fixed Assets

Fixed assets are tangible assets held for the production of goods, provision of services, rental, or administrative purposes with a useful life exceeding one accounting year. Fixed assets are recognized only when it is probable that related economic benefits will flow to the Company and their costs can be reliably measured. Fixed assets are initially measured at cost, taking into account the effects of estimated abandonment costs.

(2) Depreciation Methods for Various Categories of Fixed Assets

Depreciation of fixed assets is calculated on a straight-line basis over their useful lives, commencing from the month following the date when the assets are ready for intended use. The useful lives, estimated residual values, and annual depreciation rates for each category of fixed assets are as follows:

Category	Depreciation method	Estimated useful life (years)	Depreciation rate (%)
Houses and buildings	Straight-line method	20-40	2.50-5
Machinery equipment	Straight-line method	6-15	6.67-16.67
Transportation equipment	Straight-line method	5-10	10-20

Category	Depreciation method	Estimated useful life (years)	Depreciation rate (%)
Other equipment	Straight-line method	5-10	10-20

(2) Estimated residual value refers to the amount that the Company currently expects to obtain from disposal of the asset, after deducting estimated disposal expenses, assuming the fixed asset has reached the end of its expected useful life and is in the expected condition at that time.

(3) The impairment testing method and provision method for fixed assets are detailed in Note V.20 "Impairment of Long-term Assets."

(4) Other Disclosures

Subsequent expenditures related to fixed assets are capitalized if it is probable that future economic benefits associated with the fixed asset will flow to the Company and the cost can be measured reliably. The carrying amount of replaced parts is derecognized. All other subsequent expenditures are recognized in profit or loss as incurred.

A fixed asset is derecognized when it is disposed of or when no future economic benefits are expected from its use or disposal. Gains or losses arising from the sale, transfer, retirement or damage of fixed assets are calculated as the disposal proceeds minus the carrying amount and related taxes/expenses, and are recognized in profit or loss.

The Company reviews the useful lives, estimated residual values and depreciation methods of fixed assets at least at each financial year-end. Changes in estimates are accounted for as changes in accounting estimates.

17. Construction in progress

The Company classifies construction in progress into two types: self-constructed and contractor-constructed. Construction in progress is transferred to fixed assets when the project is completed and reaches the intended usable condition. The criteria for determining the intended usable condition shall meet any of the following circumstances:

- The physical construction (including installation) of the fixed asset has been fully completed or substantially completed;
- Trial production or test operation has been conducted, and the results indicate that the asset can operate normally or stably produce qualified products, or the test operation results show that it can operate or function normally;
- The amount of expenditures on the construction of the fixed asset is minimal or almost no longer occurs;
- The constructed or acquired fixed asset has met or substantially met the design or contract requirements.

When construction in progress reaches the intended usable condition, it is transferred to fixed assets at the actual project cost. For projects that have reached the intended usable condition but have not yet completed final settlement, they are first transferred to fixed assets at an estimated value. After final settlement is completed, the original provisional value is adjusted to the actual cost, but no adjustment is made to previously calculated depreciation.

The impairment testing method and provision method for construction in progress are detailed in Note V.20 "Impairment of Long-term Assets."

18. Borrowing Costs

Borrowing costs include interest expenses on borrowings, amortization of discounts or premiums, ancillary costs, and exchange differences arising from foreign currency borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized when:

- Expenditures for the asset have been incurred;
- Borrowing costs have been incurred; and
- Activities necessary to prepare the asset for its intended use or sale have commenced.

Capitalization ceases when the qualifying asset reaches its intended usable or saleable condition. All other borrowing costs are recognized as expenses in the period in which they are incurred.

For specific borrowings, the amount to be capitalized is the actual interest expense incurred during the period, less any interest income earned on the unused portion of the borrowings deposited in banks or from temporary investments.

For general borrowings, the amount to be capitalized is determined by multiplying the weighted average of accumulated expenditures on the qualifying asset in excess of specific borrowings by the capitalization rate applicable to the general borrowings. The capitalization rate is calculated based on the weighted average interest rate of the general borrowings.

During the capitalization period, exchange differences on foreign currency specific borrowings are fully capitalized, while exchange differences on foreign currency general borrowings are recognized in profit or loss.

A qualifying asset refers to assets such as fixed assets, investment properties and inventories that require a substantial period of time for their acquisition, construction or production before they are ready for their intended use or sale.

If the acquisition, construction or production of a qualifying asset is interrupted abnormally and the interruption lasts for more than three consecutive months, the capitalization of borrowing costs shall be suspended until the acquisition, construction or production activities recommence.

A qualifying asset refers to assets such as fixed assets, investment properties and inventories that require a substantial period of time for their acquisition, construction or production before they are ready for their intended use or sale.

19. Intangible Assets

(1) Intangible Assets

Intangible assets refer to identifiable non-monetary assets without physical form that are owned or controlled by the Company.

Intangible assets are initially measured at cost. Expenditures related to intangible assets are capitalized if it is probable that future economic benefits will flow to the Company and the costs can be reliably measured. All other expenditures are recognized as expenses when incurred.

Land use rights acquired are normally accounted for as intangible assets. For self-constructed buildings such as factories, the related land use rights expenditures and building construction costs are accounted for as intangible assets and fixed assets separately. For purchased buildings, the purchase price is allocated between the land use rights and buildings. If the allocation cannot be made reasonably, the entire amount is accounted for as fixed assets.

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives from the date when they are available for use, based on the original cost less estimated residual value and accumulated impairment losses. Intangible assets with indefinite useful lives are not amortized.

At the end of each period, the useful lives and amortization methods of intangible assets with finite useful lives are reviewed. Any changes are treated as changes in accounting estimates. In addition, the useful lives of intangible assets with indefinite useful lives are reviewed. If evidence indicates that the period of economic benefits from the intangible asset is foreseeable, its useful life is estimated and amortized according to the policy for intangible assets with finite useful lives.

(2) Research and Development Expenditures

The Company classifies internal research and development project expenditures into research phase expenditures and development phase expenditures.

Expenditures in the research phase are recognized as expenses when incurred.

The Company's R&D expenditures include materials consumed, labor and service costs, amortization of R&D equipment, amortization of other intangible assets and fixed assets used in the development process, and utilities expenses.

The Company's specific criteria for distinguishing between research phase and development phase expenditures:

The research phase refers to the stage of original and planned investigation undertaken to gain new scientific or technical knowledge. The development phase refers to the stage of applying research findings or other knowledge to a plan or design to produce new or substantially improved materials, devices, products, etc. before commercial production or use.

Development phase expenditures are recognized as intangible assets only when all the following conditions are met. Otherwise, they are recognized as expenses when incurred:

① Technical feasibility of completing the intangible asset for use or sale;

② Intention to complete and use or sell the intangible asset;

③ Ability to generate economic benefits, including demonstrating a market for products using the intangible asset or for the intangible asset itself, or its usefulness for internal use;

④ Availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset;

⑤ Ability to reliably measure expenditures attributable to the development phase.

The Company's specific conditions for capitalizing development phase expenditures: technical feasibility of completion; intention to complete and use/sell; ability to generate economic benefits; availability of adequate resources; and reliable measurement of attributable expenditures.

If research phase and development phase expenditures cannot be distinguished, all R&D expenditures are recognized as expenses when incurred.

(3) Impairment Testing Method and Provision Method for Intangible Assets

The impairment testing method and provision method for intangible assets are detailed in Note V.20 "Impairment of Long-term Assets."

20. Long-term Asset Impairment

For non-current non-financial assets such as fixed assets, construction in progress, intangible assets with finite useful lives, right-of-use assets, investment properties measured at cost model, and long-term equity investments in subsidiaries, joint ventures and associates, the Company assesses at each balance sheet date whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the impairment loss. Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, regardless of whether there is any indication of impairment.

When the recoverable amount is less than the carrying amount, an impairment loss is recognized for the difference. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Fair value is determined based on the price in the sales agreement under fair transactions; if there is no sales agreement but an active market exists, fair value is determined based on the asset's bid price; if neither exists, fair value is estimated based on the best available information. Costs of disposal include legal fees, related taxes, transportation costs and other direct costs to bring the asset to a saleable condition. Value in use is determined by discounting the estimated future cash flows expected from the asset's continuing use and ultimate disposal at an appropriate discount rate. Impairment losses are calculated and recognized for individual assets. If it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows independently.

For goodwill presented separately in the financial statements, the carrying amount of goodwill is allocated to cash-generating units or groups of cash-generating units expected to benefit from the synergies of the business combination when performing impairment tests. If the recoverable amount of a cash-generating unit or group of units including allocated goodwill is less than its carrying amount, the impairment loss is recognized. The impairment loss is first allocated to reduce the carrying amount of goodwill allocated to the unit or group, then to other assets of the unit or group pro rata based on their carrying amounts.

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

21. Long-term Deferred Expenses

Long-term deferred expenses refer to expenses incurred but to be amortized over more than one year in the current and future periods. The Company measures long-term deferred expenses at actual cost and amortizes them evenly over the expected benefit period. For long-term deferred expenses that will not benefit future accounting periods, their carrying amounts are fully recognized in profit or loss when determined.

22. Contract Liabilities

Contract liabilities represent the Company's obligation to transfer goods or services to customers for which consideration has been received or is receivable. If the customer has paid consideration or the Company has obtained an unconditional right to payment before transferring goods or services, the Company presents the amount received or receivable as a contract liability at the earlier of when payment is actually received or when payment is due. Contract assets and liabilities under the same contract are presented net, while those under different contracts are not offset.

23. Employee Benefits

（1） Accounting policies for short-term employee benefits

The Company's employee benefits mainly include short-term employee benefits, post-employment benefits and termination benefits.

Short-term benefits mainly include wages, bonuses, allowances and subsidies, employee welfare expenses, medical insurance, maternity insurance, work injury insurance, housing provident fund, labor union funds and employee education funds, and non-monetary benefits. The Company recognizes actual short-term employee benefits as liabilities during the accounting periods when employees render services, and charges them to profit or loss or relevant asset costs. Non-monetary benefits are measured at fair value.

（2） Accounting policies for post-employment benefits

Post-employment benefits mainly include basic pension insurance and unemployment insurance. Post-employment benefit plans include defined contribution plans. For defined contribution plans, the corresponding payable amounts are charged to relevant asset costs or profit or loss when incurred.

（3） Accounting policies for Termination benefits

Termination benefits are recognized as employee benefit liabilities when the Company can no longer unilaterally withdraw the termination benefits offered under the redundancy plan or proposal, or when the Company recognizes costs related to restructuring involving termination benefits, whichever is earlier, and charged to profit or loss. However, termination benefits expected to be paid more than twelve months after the reporting period are treated as other long-term employee benefits.

Internal retirement plans are accounted for using the same principles as termination benefits above. The Company recognizes salaries and social insurance contributions to be paid to internally retired employees from the date they stop rendering services to the normal retirement date as profit or loss (termination benefits) when the recognition criteria for provisions are met.

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

Other long-term employee benefits provided by the Company are accounted for as defined contribution plans if they meet the criteria; otherwise, they are accounted for as defined benefit plans.

24. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are initially measured at the best estimate of the expenditure required to settle the present obligation, and the carrying amounts are reviewed at each balance sheet date.

If all or part of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognized as a separate asset when its receipt is virtually certain, and the amount recognized does not exceed the carrying amount of the provision.

25. Share-based Payment

(1) Accounting Treatment for Share-based Payment

Share-based payment refers to transactions in which equity instruments are granted or liabilities based on equity instruments are assumed in exchange for services provided by employees or other parties. Share-based payments are classified into equity-settled share-based payments and cash-settled share-based payments.

① Equity-settled Share-based Payment

For equity-settled share-based payments to obtain employee services, the fair value of the equity instruments granted is measured at the grant date.

- If the vesting of the equity instruments is conditional upon completing a specified service period or meeting performance conditions, the fair value is recognized over the vesting period on a straight-line basis, based on the best estimate of the number of instruments expected to vest, with corresponding increases in capital reserves.
- If the equity instruments vest immediately upon grant, the fair value is recognized as an expense on the grant date, with a corresponding increase in capital reserves.

At each balance sheet date during the vesting period, the Company revises its estimate of the number of equity instruments expected to vest based on the latest information (e.g., changes in the number of employees eligible for vesting). Any adjustments are recognized in the current period's costs or expenses, with corresponding adjustments to capital reserves.

For equity-settled share-based payments to obtain services from non-employees:

If the fair value of the services received can be reliably measured, the expense is recognized based on the fair value of the services at the acquisition date.

If the fair value of the services cannot be reliably measured but the fair value of the equity instruments can, the expense is recognized based on the fair value of the equity instruments at the service acquisition date, with a corresponding increase in shareholders' equity.

② Cash-settled Share-based Payment

Cash-settled share-based payments are measured at the fair value of the liability incurred, determined based on shares or other equity instruments.

- If the instruments vest immediately upon grant, the liability is recognized on the grant date as an expense.
- If vesting is conditional upon completing a service period or meeting performance conditions, the expense is recognized over the vesting period based on the best estimate of the number of instruments expected to vest, with a corresponding increase in liabilities.

At each balance sheet date until settlement, the liability is remeasured at fair value, with changes recognized in profit or loss.

(2) Accounting for Modifications or Terminations of Share-based Payment Plans

- If a modification increases the fair value of the equity instruments granted, the incremental fair value (i.e., the difference between the fair value before and after modification) is recognized as additional service cost.
- If a modification reduces the total fair value or is otherwise unfavorable to employees, the original accounting treatment continues as if the modification never occurred, unless the equity instruments are partially or fully canceled.
- If granted equity instruments are canceled during the vesting period, the remaining unvested amount is recognized immediately in profit or loss as an accelerated vesting expense, with a corresponding adjustment to capital reserves. If employees or other parties fail to meet non-vesting conditions (despite having the option to do so), the grant is treated as canceled.

(3) Accounting for Share-based Payments Involving the Company's shareholders or Controlling Parties

For share-based payment transactions between the Company and its shareholders or controlling parties, where one party (the settlement entity) is within the Company's consolidated scope and the other (the service recipient) is outside:

Consolidated Financial Statements Treatment:

- If the settlement entity settles using its own equity instruments, the transaction is treated as an equity-settled share-based payment. Otherwise, it is treated as a cash-settled share-based payment.
- If the settlement entity is an investor in the service recipient, it recognizes a long-term equity investment at the grant-date fair value of the equity instruments or liability, with a corresponding increase in capital reserves (other capital reserves) or liabilities.
- If the service recipient has no settlement obligation or grants its own equity instruments to employees, the transaction is treated as equity-settled. If the service recipient has a settlement obligation and grants instruments other than its own equity, the transaction is treated as cash-settled.

Individual Financial Statements Treatment:

For transactions between entities within the Company's consolidated scope where the service recipient and settlement entity differ, each entity accounts for the transaction in its individual financial statements following the above principles.

26. Other Financial Instruments Such as Preference Shares and Perpetual Bonds

(1) Classification of Perpetual Bonds and Preference Shares

Financial instruments such as perpetual bonds and preference shares issued by the Company shall be classified as equity instruments only if they meet all of the following conditions:

① The instrument does not impose any contractual obligation to deliver cash or other financial assets to another party, or to exchange financial assets or liabilities under potentially unfavorable conditions;

② If settlement may or must occur using the Company's own equity instruments in the future:

- For non-derivative instruments, there is no contractual obligation to deliver a variable number of the Company's own equity instruments for settlement;
- For derivative instruments, settlement can only be made by exchanging a fixed number of the Company's own equity instruments for a fixed amount of cash or other financial assets.

Financial instruments issued by the Company that do not meet the above conditions shall be classified as financial liabilities.

For compound financial instruments issued by the Company:

- The liability component is measured at fair value and recognized as a liability.
- The residual amount (total proceeds received minus the fair value of the liability component) is recognized as "other equity instruments."
- Transaction costs are allocated between the liability and equity components in proportion to their respective shares of the total issuance proceeds.

(2) Accounting Treatment for Perpetual Bonds and Preference Shares

For perpetual bonds and preference shares classified as financial liabilities:

Interest, dividends, gains/losses, and gains/losses from redemption or refinancing are recognized in profit or loss, except for borrowing costs eligible for capitalization (see Note V.18 "Borrowing Costs").

For perpetual bonds and preference shares classified as equity instruments:

Issuance (including refinancing), repurchase, sale, or cancellation is treated as a change in equity, with related transaction costs deducted from equity. Distributions to holders of equity instruments are treated as profit distributions.

The Company does not recognize changes in the fair value of equity instruments.

27. Revenue

The Company recognizes revenue when control of the relevant goods is transferred to the customer, provided all the following conditions are met: the contract has been approved by all parties who are committed to fulfilling their respective obligations; the contract clearly specifies the rights and obligations of each party regarding the goods or services to be transferred; the contract contains clear payment terms related to the goods to be transferred; the contract has commercial substance, meaning its performance will change the risk, timing or amount of the Company's future cash flows; and the consideration to which the Company is entitled for transferring goods to the customer is probable of collection.

At contract inception, the Company identifies the distinct performance obligations in the contract and allocates the transaction price to each performance obligation based on the relative stand-alone selling prices of the goods or services promised. In determining the transaction price, the Company considers the effects of variable consideration, significant financing components in the contract, non-cash consideration, and consideration payable to customers.

For each performance obligation, the Company recognizes revenue over time by measuring progress toward complete satisfaction of that performance obligation if any of the following criteria are met: the customer simultaneously receives and consumes the benefits as the Company performs; the customer controls the asset as it is created or enhanced; or the asset has no alternative use and the Company has an enforceable right to payment for performance completed to date. Progress is measured using an input method appropriate to the nature of the goods transferred. When progress cannot be reasonably measured, revenue is recognized to the extent of costs incurred that are expected to be recoverable until progress can be reasonably measured.

If none of the above criteria are met, revenue is recognized at the point in time when control of the goods is transferred to the customer. In assessing whether control has transferred, the Company considers indicators including: the Company's present right to payment; transfer of legal title; physical possession; transfer of significant risks and rewards of Ownership; customer acceptance; and other indicators of control transfer.

For contracts with variable consideration, the Company estimates the amount using either the expected value or most likely amount method. The transaction price including variable consideration does not exceed the amount for which it is highly probable that cumulative revenue recognized will not reverse when uncertainty is resolved. At each reporting date, the Company reassesses estimates of variable consideration included in the transaction price.

Consideration payable to a customer is deducted from the transaction price unless it is for distinct goods or services, with the reduction recognized at the later of revenue recognition or payment (or commitment to pay) date.

The Company assesses whether it is a principal or agent based on whether it controls the goods or services before transfer to the customer. As principal, revenue is recognized at the gross amount of consideration; as agent, revenue is recognized at the net amount retained after paying other parties.

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

Sales contracts typically contain a single performance obligation to transfer goods, satisfied at a point in time.

Domestic sales revenue is recognized when: goods are delivered and accepted per contract; payment is received or collectability is probable; significant risks/rewards are transferred; and legal title passes.

Export sales revenue is recognized when: goods are cleared through customs with bill of lading obtained; payment is received or collectability is probable; significant risks/rewards are transferred; and legal title passes.

Interest income is recognized based on time and effective interest rate.

28. Contract Costs

Contract costs comprise costs to fulfill and costs to obtain contracts.

Costs to fulfill are capitalized as assets if:

(1) Directly related to a contract (labor, materials, overhead, client-reimbursable costs);

(2) Enhance resources for future performance; and

(3) Probable of recovery.

Incremental costs to obtain contracts are capitalized if probable of recovery, unless the amortization period would be one year or less.

Capitalized contract costs are amortized consistently with revenue recognition.

Impairment losses are recognized when carrying amount exceeds the higher of:

(1) Expected remaining consideration; and

(2) Estimated costs to complete transfer.

Reversals cannot exceed the carrying amount that would have existed without impairment.

29. Government Grants

Government grants refer to monetary or non-monetary assets obtained by the Company from the government without compensation, excluding capital contributions made by the government as an investor with corresponding Ownership rights. Government grants are classified into asset-related government grants and income-related government grants. Grants obtained for the acquisition or construction of long-term assets through other means are defined as asset-related government grants; other government grants are defined as income-related government grants. If government documents do not explicitly specify the grant recipient, the following methods are used to classify the grants:

(1) For government documents that specify particular projects, classification is based on the relative proportion of expenditures forming assets versus expenses in the project budget, with this proportion reviewed at each balance sheet date and adjusted if necessary;

(2) For government documents that only provide general descriptions of usage without specifying particular projects, the grants are treated as income-related government grants.

Government grants in the form of monetary assets are measured at the amount received or receivable. Government grants in the form of non-monetary assets are measured at fair value; if fair value cannot be reliably determined, they are measured at nominal amount. Government grants measured at nominal amount are directly recognized in current period profit or loss.

The Company generally recognizes and measures government grants based on the actual amount received. However, at period-end, if there is conclusive evidence that the Company meets the relevant conditions of fiscal support policies and expects to receive fiscal support funds, the grants are measured at the receivable amount. Government grants measured at receivable amount must simultaneously meet the following conditions:

(1) The receivable grant amount has been confirmed by the competent government authority or can be reasonably estimated based on officially released fiscal fund management regulations, with no significant uncertainty

expected in the amount;

(2) The grants are based on fiscal support projects and corresponding fiscal fund management regulations officially released by local finance departments in accordance with the "Government Information Disclosure Regulations," and such regulations must be universally applicable (available to any enterprise meeting the specified conditions) rather than specifically designed for particular enterprises;

(3) The relevant grant approval documents clearly specify the payment timeline, and the payment is supported by corresponding fiscal budgets, thereby reasonably ensuring receipt within the stipulated period.

Asset-related government grants are recognized as deferred income and systematically amortized into current period profit or loss over the useful life of the relevant assets. Income-related government grants used to compensate for future related costs, expenses, or losses are recognized as deferred income and amortized into current period profit or loss when the related costs, expenses, or losses are recognized; those used to compensate for already incurred related costs, expenses, or losses are directly recognized in current period profit or loss.

Government grants containing both asset-related and income-related components are accounted for separately by component; if the components cannot be reasonably distinguished, the entire grant is classified as income-related.

Government grants related to the Company's ordinary activities are recognized in other income or offset against related costs and expenses based on the economic substance of the transaction; grants unrelated to ordinary activities are recognized in non-operating income or expenses.

When recognized government grants need to be returned, any remaining deferred income balance is first offset, with any excess recognized in current period profit or loss; in other cases, the return is directly recognized in current period profit or loss.

30. Deferred Tax Assets/Deferred Tax Liabilities

Deferred tax assets or deferred tax liabilities are recognized based on the differences between the carrying amounts and tax bases of assets and liabilities (including items not recognized as assets or liabilities but having determinable tax bases under tax laws), calculated using the applicable tax rates expected to apply when the assets are recovered or liabilities are settled.

Deferred tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. At the balance sheet date, if there is conclusive evidence indicating sufficient taxable profit will likely be available in future periods to utilize deductible temporary differences, previously unrecognized deferred tax assets are recognized.

At each balance sheet date, the carrying amounts of deferred tax assets are reviewed. If it is no longer probable that sufficient taxable profit will be available to realize the benefit of the deferred tax asset, the carrying amount is reduced. The reduction is reversed when it becomes probable that sufficient taxable profit will be available.

The Company's current tax and deferred tax are recognized as income tax expense or income in profit or loss, except for income taxes arising from: business combinations; and transactions or events recognized directly in equity.

When the Company has a legally enforceable right to settle current tax assets and liabilities on a net basis and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously, current tax assets and current tax liabilities are presented net.

31. Leases

(1) The Company as a Lessee

The Company's leased assets are primarily buildings.

At the commencement date of the lease term, the Company recognizes right-of-use assets and lease liabilities for leases other than short-term leases and leases of low-value assets, and recognizes depreciation expenses and interest expenses separately during the lease term.

For short-term leases and leases of low-value assets, the Company recognizes lease payments on a straight-line basis as expenses in the respective periods of the lease term.

① Right-of-use Assets

Right-of-use assets represent the lessee's right to use the leased asset during the lease term. At the commencement date of the lease term, right-of-use assets are initially measured at cost, which includes:

The initial measurement amount of the lease liability;

Lease payments made at or before the commencement date, less any lease incentives received;

Initial direct costs incurred by the lessee;

Estimated costs to be incurred by the lessee for dismantling and removing the leased asset, restoring the site where the asset is located, or returning the asset to the condition required by the lease terms.

The Company depreciates right-of-use assets using the straight-line method by category. For assets where Ownership is reasonably certain to be obtained at the end of the lease term, depreciation is calculated over the remaining useful life of the leased asset. For assets where Ownership cannot be reasonably determined, depreciation is calculated over the shorter of the lease term or the remaining useful life of the leased asset.

The Company determines whether right-of-use assets are impaired and accounts for them in accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 8—Impairment of Assets.

② Lease Liabilities

Lease liabilities are initially measured at the present value of lease payments not yet paid at the commencement date of the lease term. Lease payments include:

Fixed payments (including in-substance fixed payments), less any lease incentives;

Variable lease payments that depend on an index or rate;

Amounts expected to be payable under residual value guarantees provided by the lessee;

The exercise price of purchase options, if the lessee is reasonably certain to exercise the option;

Payments required to exercise termination options, if the lease term reflects the lessee exercising the termination option.

The Company uses the interest rate implicit in the lease as the discount rate; if this cannot be reasonably determined, the Company's incremental borrowing rate is used. Interest expenses on lease liabilities are calculated using a fixed periodic interest rate and recorded in financial expenses. The periodic interest rate is the discount rate or revised discount rate used by the Company.

Variable lease payments not included in the measurement of lease liabilities are recognized in profit or loss when incurred.

When the Company's assessment of renewal options, termination options, or purchase options changes, the lease liability is remeasured at the present value of the revised lease payments using the revised discount rate, with corresponding adjustments to the carrying amount of the right-of-use asset. When in-substance fixed payments, expected payments under residual value guarantees, or variable lease payments dependent on an index or rate change, the lease liability is remeasured at the present value of the revised lease payments using the original discount rate, with corresponding adjustments to the carrying amount of the right-of-use asset.

③ Short-term Leases and Leases of Low-value Assets

For short-term leases (leases with a term of 12 months or less at commencement date) and leases of low-value assets (value below RMB 2,000), the Company applies a simplified approach by not recognizing right-of-use assets or lease liabilities, and instead recognizes lease payments on a straight-line basis or another systematic and rational basis as expenses in the respective periods of the lease term.

(2) The Company as a Lessor

① Operating Leases

The Company recognizes lease receipts from operating leases as rental income on a straight-line basis over the lease term. Variable lease payments not included in lease receipts are recognized in profit or loss when incurred.

② Finance Leases

At the commencement date of the lease term, the Company recognizes finance lease receivables and derecognizes the leased assets. Finance lease receivables are initially measured at the net investment in the lease (the sum of the unguaranteed residual value and the present value of lease receipts not yet received at the commencement date, discounted using the interest rate implicit in the lease), with interest income recognized during the lease term using a fixed periodic interest rate. Variable lease payments not included in the measurement of the net investment in the lease are recognized in profit or loss when incurred.

32. Methods for Determining Materiality Thresholds and Basis for Selection

√Applicable □Not applicable

Disclosure Matters Involving Materiality Judgment Criteria	Materiality Threshold Determination Methods and Selection Basis
Significant individually assessed receivables with specific bad debt provisions	Receivables with ending balance exceeding RMB 1,000,000
Material construction in progress	Construction in progress projects either transferred to fixed assets or with ending balance exceeding RMB 3,000,000
Significant accounts payable aged over one year or past due	Accounts payable with ending balance exceeding RMB 1,000,000
Material advance receipts aged over one year	Advance receipts with ending balance exceeding RMB 1,000,000
Material contract liabilities aged over one year	Contract liabilities with ending balance exceeding RMB 1,000,000
Material other payables aged over one year	Other payables with ending balance exceeding RMB 1,000,000
Significant cash receipts related to investing	Individual investing activities with cash inflows exceeding

activities	RMB 3,000,000
Significant cash payments related to investing activities	Individual investing activities with cash outflows exceeding RMB 3,000,000
Material non-wholly owned subsidiaries	Subsidiaries whose total assets exceed 5% of consolidated total assets

33. Other Significant Accounting Policies and Accounting Estimates

Debt Restructuring

(1) Timing of Recognizing Debt Restructuring Gains and Losses

The Company may derecognize the relevant receivables and payables and recognize gains and losses related to debt restructuring only on the debt restructuring completion date when the derecognition conditions for financial assets and financial liabilities are met. The debt restructuring completion date refers to the date when the board of directors and shareholders' meeting resolutions have been approved, the debt restructuring agreement has been signed or the court ruling has been issued, the relevant assets have been transferred to the creditor, the debt has been converted into capital, or the modified debt terms have commenced execution.

For debt restructuring through asset settlement, the recognition point is when the relevant assets have been delivered and the Ownership transfer procedures have been completed. For debt restructuring through conversion of debt into equity, the recognition point is when the industrial and commercial registration procedures or the equity registration with the registration authority have been completed. For debt restructuring through modification of debt terms, the recognition point is when it is determined that the terms can be performed and execution has commenced. Debt restructuring negotiations that commenced during the reporting period but were completed after the balance sheet date are not treated as post-balance-sheet events.

(2) Accounting Treatment by the Creditor

When the Company acts as a creditor, the difference between the fair value of the relinquished claim and its carrying amount is recognized in profit or loss.

(3) Accounting Treatment by the Debtor

A. For debt restructuring through asset settlement, the relevant assets and the settled debt are derecognized when the derecognition conditions are met. The difference between the carrying amount of the settled debt and the carrying amount of the transferred assets is recognized in profit or loss.

B. For debt restructuring through conversion of debt into equity instruments, the settled debt is derecognized when the derecognition conditions are met. The difference between the carrying amount of the settled debt and the amount determined based on the fair value of the equity instruments is recognized in profit or loss.

C. For debt restructuring through modification of other terms, the restructured debt is re-recognized and remeasured. The difference between the remeasured debt and the original debt is recognized in profit or loss.

D. For debt restructuring through settlement with multiple assets or a combination of methods, the equity instruments and restructured debt are recognized and measured in accordance with the Accounting Standards for Business Enterprises. The difference between the carrying amount of the settled debt and the sum of the carrying amounts of the transferred assets and the recognized amounts of the equity instruments and restructured debt is recognized in profit or loss.

34. Changes in Main Accounting Policies and Estimates

(1) Change of Accounting Policies

√ Applicable □ Not applicable

Unit: RMB

Contents and reasons for accounting policy changes	Financial statement items materially affected	Amount of impact
On December 5, 2025, the Ministry of Finance issued the Notice on the Issuance of Interpretation No. 19 of the Accounting Standards for Business Enterprises (Cai Kuai [2025] No. 32), which sets forth provisions on the following matters: "Accounting Treatment of Compensatory Assets in Business Combinations Not Under Common Control," "Accounting Treatment of Related Capital Reserves in the Disposal of Subsidiaries Acquired through Business Combinations Under Common Control," "Derecognition of Financial Liabilities Settled through Electronic Payment Systems," "Assessment of Contractual Cash Flow Characteristics of Financial Assets and Related Disclosures," and "Disclosures of Equity Instruments Designated as Measured at Fair Value through Other Comprehensive Income." The Company shall apply the provisions of Interpretation No. 19 from January 1, 2026.	None	0.00

(2) Changes in Accounting Estimates

□Applicable √Not applicable

(3) Adjustments to Opening Balance Sheet Items for Initial Application of New Accounting Standards Effective 2026

□Applicable √Not applicable

VI. Taxation

1. Main Taxes and Tax Rate

Category of taxes	Tax rate
VAT	Output VAT is calculated on taxable revenue at rates of 13%, 9%, 6% and 5%, with VAT payable being the balance after deducting input VAT credits allowable in the current period.
Urban maintenance and construction tax	Payment is calculated and made in accordance with local tax regulations applicable to each tax-paying unit.
Enterprise income tax	See the table below for details.

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

Name	Income tax rate
Changchai Company, Limited	15%
Changchai Wanzhou Diesel Engine Co., Ltd.	15%
Changzhou Horizon Investment Co., Ltd.	25%
Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.	15%

Jiangsu Changchai Machinery Co., Ltd.	25%
Changzhou Xingsheng Real Estate Management Co., Ltd.	5%
Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.	15%
Changzhou Changniu Machinery Co., Ltd.	25%

2. Tax Preference

(1) On November 6, 2024, the Company renewed its High-Tech Enterprise Certification and continued to enjoy a preferential corporate income tax rate of 15% during the reporting period.

(2) Controlled subsidiary Changchai Wanzhou Diesel Engine Co., Ltd. qualifies for the 15% reduced corporate income tax rate from January 1, 2011 to December 31, 2030 under the Notice on Tax Policies for the Implementation of the Western Development Strategy (jointly issued by the Ministry of Finance, General Administration of Customs, and State Taxation Administration) and the Announcement on Extending Western Development Enterprise Income Tax Policies (Ministry of Finance Announcement [2020] No. 23).

(3) On November 6, 2023, wholly-owned subsidiary Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. renewed its High-Tech Enterprise Certification and applied the 15% preferential tax rate during the reporting period.

(4) Wholly-owned subsidiary Changzhou Xingsheng Property Management Co., Ltd., as a qualified small and low-profit enterprise, applied the 5% reduced tax rate for such entities during the reporting period.

(5) Subsidiary Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. obtained its High-Tech Enterprise Certification on November 18, 2025 and maintained the 15% preferential 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	101,773.73	164,159.29
Bank deposits	970,857,332.81	1,267,225,051.01
Other monetary assets	128,177,439.23	70,842,582.34
Total	1,099,136,545.77	1,338,231,792.64
Total amount of funds with usage restrictions due to mortgage, pledge, freezing or other reasons	156,169,488.67	90,163,871.20

Additional Notes:

As at the end of the reporting period, the following monetary funds were restricted in use: bank acceptance note deposits of RMB 127,315,712.80, letter of guarantee deposits and performance bond deposits of RMB 853,775.87, and time deposits of RMB 28,000,000.

2. Trading Financial Assets

Unit: RMB

Item	Ending balance	Beginning balance
Financial assets at fair value through profit or loss	542,524,651.65	372,184,689.98
Of which:		
Stocks	40,914,780.00	73,740,010.00
Financial products	501,609,871.65	298,444,679.98
Of which:		
Total	542,524,651.65	372,184,689.98

3. Notes Receivable

(1) Notes Receivable Listed by Category

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance bill	169,365,705.45	386,557,535.74
Total	169,365,705.45	386,557,535.74

(2) Disclosure by Withdrawal Methods for Bad Debts

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Notes receivable for which bad debt provision separately accrued	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00%	0.00
Of which:										
Notes receivable for which bad debt provision accrued by group	169,365,705.45	100.00%	0.00	0.00%	169,365,705.45	386,557,535.74	100.00%	0.00	0.00%	386,557,535.74
Of which:										
Bank acceptance bills	169,365,705.45	100.00%	0.00	0.00%	169,365,705.45	386,557,535.74	100.00%	0.00	0.00%	386,557,535.74
Total	169,365,705.	100.00%	0.00	0.00%	169,365,705.	386,557,535.7	100.00%	0.00	0.00%	386,557,53

	45				45	4				5.74

Name of the category for which allowance for doubtful debts is provided on a portfolio basis: Among the portfolios, bills receivable for which provision for impairment is made under the bank acceptance bill portfolio:

Unit: RMB

Category	Ending balance		
	Carrying amount	Bad debt provision	Withdrawal proportion
Bank acceptance bills	169,365,705.45	0.00	0.00%
Total	169,365,705.45	0.00	

The allowance for doubtful accounts on notes receivable was recognized based on the general expected credit loss model.

□Applicable √Not applicable

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

(4) Notes Receivable which Had been Endorsed by the Company or had been 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	0.00	94,396,883.42
Total	0.00	94,396,883.42

(5) Notes Transferred to Accounts Receivable Due to Non-performance by Issuers at Period-end

As of the period-end, there were no notes transferred to accounts receivable due to non-performance by issuers.

4. Accounts Receivable

(1) Disclosure by Aging

Unit: RMB

Aging	Ending carrying amount	Beginning carrying amount
Within 1 year (including 1 year)	1,307,107,326.50	458,742,679.98
1 to 2 years	865,066.34	986,101.34
2 to 3 years	443,595.20	1,013,726.45
Over 3 years	134,566,427.46	134,667,210.39
3 to 4 years	550,815.51	895,540.14
4 to 5 years	3,438,212.64	3,687,084.20
Over 5 years	130,577,399.31	130,084,586.05
Total	1,442,982,415.50	595,409,718.16

(2) Disclosure by Withdrawal Methods for Bad Debts

Unit: RMB

Category	Ending balance			Beginning balance		
	Carrying amount	Bad debt	Carryi	Carrying	Bad debt	Carrying

			provision		ng value	amount		provision		value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable withdrawal of Bad debt provision separately accrued	24,733,157.32	1.71%	24,733,157.32	100.00%	0.00	28,329,310.07	4.76%	28,329,310.07	100.00%	0.00
Of which:										
Accounts receivable withdrawal of bad debt provision of by group	1,418,249,258.18	98.29%	136,043,822.94	9.59%	1,282,205,435.24	567,080,408.09	95.24%	115,331,875.75	20.34%	451,748,532.34
Of which:										
Accounts receivable for which bad debt provision accrued by credit risk features group	1,418,249,258.18	98.29%	136,043,822.94	9.59%	1,282,205,435.24	567,080,408.09	95.24%	115,331,875.75	20.34%	451,748,532.34
Total	1,442,982,415.50	——	160,776,980.26	——	1,282,205,435.24	595,409,718.16	——	143,661,185.82	——	451,748,532.34

Individually Assessed Bad Debt Provisions: RMB 24,733,157.32, including significant impairment items of RMB 22,535,786.64. The details are presented below:

Unit: RMB

Name	Beginning balance		Ending balance			
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision	Withdrawal proportion	Reason for withdraw
Customer 1	5,972,101.90	5,972,101.90	5,972,101.90	5,972,101.90	100.00%	Difficult to recover
Customer 2	4,592,679.05	4,592,679.05	4,592,679.05	4,592,679.05	100.00%	Difficult to recover
Customer 3	2,584,805.83	2,584,805.83	2,584,805.83	2,584,805.83	100.00%	Difficult to recover
Customer 4	2,254,860.60	2,254,860.60	2,254,860.60	2,254,860.60	100.00%	Difficult to recover
Customer 5	2,025,880.18	2,025,880.18	2,025,880.18	2,025,880.18	100.00%	Difficult to recover
Customer 6	1,902,326.58	1,902,326.58	1,902,326.58	1,902,326.58	100.00%	Difficult to recover
Customer 7	1,682,721.03	1,682,721.03	1,639,132.43	1,639,132.43	100.00%	Difficult to recover

Customer 8	1,564,000.07	1,564,000.07	1,564,000.07	1,564,000.07	100.00%	Difficult to recover
Total	22,579,375.24	22,579,375.24	22,535,786.64	22,535,786.64		

Withdrawal of bad debt provision by group: Provision for bad debts by credit risk characteristic group

Unit: RMB

Name	Ending balance		
	Carrying amount	Bad debt provision	Withdrawal proportion
Within 1 year	1,306,904,778.43	26,138,095.57	2.00%
1 to 2 years	865,066.34	43,253.32	5.00%
2 to 3 years	443,595.20	66,539.28	15.00%
3 to 4 years	27,852.41	8,355.72	30.00%
4 to 5 years	550,966.88	330,580.13	60.00%
Over 5 years	109,456,998.92	109,456,998.92	100.00%
Total	1,418,249,258.18	136,043,822.94	

The allowance for doubtful accounts on accounts receivable was recognized based on the general expected credit loss model:

□Applicable √Not applicable

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

Withdrawal of bad debt provision:

Unit: RMB

Category	Beginning balance	Changes in the current period				Ending balance
		Withdrawal	Reversed or recovered	Verification	Others	
Bad debt provision separately accrued	28,329,310.07	-3,505,152.75	91,000.00			24,733,157.32
Withdrawal of bad debt provision by group	115,331,875.75	20,711,947.19				136,043,822.94
Total	143,661,185.82	17,206,794.44	91,000.00			160,776,980.26

(4) Accounts Receivable Written-off in Current Period: None

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

Unit: RMB

Name of the entity	Ending balance of accounts receivable	Ending balance of contract assets	Ending balance of accounts receivable and contract assets	Proportion to total ending balance of accounts receivable and contract assets	Ending balance of bad debt provision of accounts receivable and impairment provision for contract assets
Customer 1	774,539,761.50	0.00	774,539,761.50	53.68%	15,490,795.20

Customer 2	85,701,507.99	0.00	85,701,507.99	5.94%	1,714,030.16
Customer 3	47,428,859.37	0.00	47,428,859.37	3.29%	948,577.19
Customer 4	44,670,600.00	0.00	44,670,600.00	3.10%	893,412.00
Customer 5	35,399,769.65	0.00	35,399,769.65	2.45%	707,995.39
Total	987,740,498.51	0.00	987,740,498.51	68.46%	19,754,809.94

5. Accounts Receivable Financing

(1) Accounts Receivable Financing Listed by Category

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance bills	59,605,955.92	165,125,708.93
Total	59,605,955.92	165,125,708.93

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

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

Unit: RMB

Category	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank acceptance bill	15,218,934.69	
Total	15,218,934.69	

(4) Changes in Receivables Financing and Fair Value Fluctuations During the Reporting Period

Unit: RMB

Item	Beginning balance		Changes in the current period		Ending balance	
	Cost	Fair Value Changes	Cost	Fair Value Changes	Cost	Fair Value Changes
Notes Receivable	165,125,708.93		-105,519,753.01		59,605,955.92	

6. Other Receivables

Unit: RMB

Item	Ending balance	Beginning balance
Dividend receivable	5,456,880.00	0.00
Other receivables	7,348,319.65	5,495,898.75
Total	12,805,199.65	5,495,898.75

（1）Dividend receivable

1） Classification of dividends receivable

Unit: RMB

Projects (or Investee Entities)	Ending balance	Beginning balance
Bank of Jiangsu 2025 Dividend Distribution	5,456,880.00	0.00
Total	5,456,880.00	0.00

（2）Other Receivables

1) Other Receivables Classified by Accounts Nature

Unit: RMB

Nature	Ending carrying value	Beginning carrying value
Margin and cash pledge	1,300.00	1,300.00
Inter-entity current accounts	23,978,589.86	23,131,823.56
Compensation receivable	3,348,087.00	3,348,087.00
Petty cash and borrowings by employees	1,295,302.44	797,076.58
Other	14,471,797.00	13,929,431.10
Total	43,095,076.30	41,207,718.24

2) Disclosure by Aging

Unit: RMB

Aging	Ending carrying amount	Beginning carrying amount
Within 1 year (including 1 year)	7,170,444.01	5,218,085.95
1 to 2 years	106,851.06	173,751.06
2 to 3 years	112,959.03	104,059.03
Over 3 years	35,704,822.20	35,711,822.20
3 to 4 years	169,485.76	176,485.76
4 to 5 years	12,802.00	12,802.00
Over 5 years	35,522,534.44	35,522,534.44
Total	43,095,076.30	41,207,718.24

3) Disclosure by Withdrawal Methods for Bad Debts

√Applicable □Not applicable
Provision for bad debts based on general model of expected credit losses

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss of the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2026	104,361.72	84,923.33	35,522,534.44	35,711,819.49

Balance of 1 January 2026 in the Current Period				
--Transfer to Second stage	-5,342.55	5,342.55		0.00
-- Transfer to Third stage				
-- Reverse to Second stage				
-- Reverse to First stage				
Withdrawal of the Current Period	44,389.71	-9,452.55		34,937.16
Reversal of the Current Period				
Write-offs of the Current Period				
Verification of the Current Period				
Other changes				
Balance of 30 June 2026	143,408.88	80,813.33	35,522,534.44	35,746,756.65

The basis for the division of each stage and the withdrawal proportion of bad debt provision: None

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

□Applicable √Not applicable

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

Withdrawal of bad debt provision:

Unit: RMB

Category	Beginning balance	Changes in the current period				Ending balance
		Withdrawal	Reversed or recovered	Charged-off/Written-off	Others	
Bad debt provision separately accrued	5,601,964.53					5,601,964.53
Withdrawal of bad debt provision by group	30,109,854.96	34,937.16				30,144,792.12
Total	35,711,819.49	34,937.16				35,746,756.65

5）Write-off of Other Receivables During the Reporting Period: None

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

Unit: RMB

Name of the entity	Nature	Ending balance	Aging	Proportion to total ending balance of other receivables %	Ending balance of bad debt provision

Housing Expropriation and Compensation Service Center of Sanjing Subdistrict, Xinbei District, Changzhou City	Compensation receivable	3,348,087.00	Within 1 year	7.77%	66,961.74
Changzhou Compressor Factory	Intercourse funds	2,940,000.00	Over 5 years	6.82%	2,940,000.00
Changchai Group Imp. & Exp. Co., Ltd.	Intercourse funds	2,853,188.02	Over 5 years	6.62%	2,853,188.02
Changzhou New District Accounting Center	Intercourse funds	1,626,483.25	Over 5 years	3.77%	1,626,483.25
Changchai Group Settlement Center	Intercourse funds	1,128,676.16	Over 5 years	2.62%	1,128,676.16
Total		11,896,434.43		27.61%	8,615,309.17

7. Prepayments

(1) Prepayment Listed by Aging Analysis

Unit: RMB

Aging	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	5,971,162.39	84.33%	21,279,375.93	95.05%
1 to 2 years	1,000,954.68	14.14%	1,063,808.41	4.75%
2 to 3 years	101,921.50	1.44%	39,067.77	0.17%
Over 3 years	6,850.00	0.10%	6,850.00	0.03%
Total	7,080,888.57		22,389,102.11	

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

Unit: RMB

Name of the entity	Ending balance	Proportion of Total Prepayment Balance at Period-End (%)
Suppliers 1	686,364.94	9.69%
Suppliers 2	672,454.04	9.50%
Suppliers 3	560,105.26	7.91%
Suppliers 4	498,009.00	7.03%
Suppliers 5	402,153.08	5.68%
Total	2,819,086.32	39.81%

8. Inventories

Whether the Company needs to comply with the disclosure requirements for the real estate industry: No

(1) Category of Inventory

Unit: RMB

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

		inventories or impairment provision for contract performance costs			inventories or impairment provision for contract performance costs	
Raw materials	224,240,927.24	14,152,414.26	210,088,512.98	217,633,853.60	14,119,489.72	203,514,363.88
Materials processed on commission	14,345,585.56	0.00	14,345,585.56	15,152,812.70	0.00	15,152,812.70
Goods in process	81,669,881.05	3,190,199.23	78,479,681.82	73,699,810.27	3,405,243.63	70,294,566.64
Finished goods	295,468,662.33	33,103,181.14	262,365,481.19	499,741,040.42	33,057,275.59	466,683,764.83
Low priced and easily worn articles	1,566,541.89	0.00	1,566,541.89	1,437,928.10	0.00	1,437,928.10
Total	617,291,598.07	50,445,794.63	566,845,803.44	807,665,445.09	50,582,008.94	757,083,436.15

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

Unit: RMB

Item	Beginning balance	Increase		Decrease		Ending balance
		Withdrawal	Others	Transferred-back or charged-off	Others	
Raw materials	14,119,489.72	176,853.84		143,929.30		14,152,414.26
Goods in process	3,405,243.63	0.00		215,044.40		3,190,199.23
Finished goods	33,057,275.59	733,995.60		688,090.05		33,103,181.14
Total	50,582,008.94	910,849.44		1,047,063.75		50,445,794.63

9. Other Current Assets

Unit: RMB

Item	Ending balance	Beginning balance
The VAT tax credits	14,580,916.77	16,444,311.47
Prepaid corporate income tax	681,492.41	2,492,261.30
Prepaid expense	276,462.08	84,155.21
Total	15,538,871.26	19,020,727.98

10. Other Equity Instrument Investment

Unit: RMB

Item	Beginning balance	Gains recorded in other comprehensive	Losses recorded in other comprehensive	Accumulative gains recorded in other	Accumulative losses recorded in other	Dividend income recognized in current	Ending balance	Reason for assigning to measure

		income in the current period	income in the current period	comprehensive income in the current period	comprehensive income in the current period	year		in fair value of which changes included other comprehensive income
Non-trading equity investment	981,361,295.81	7,447,000.00		804,238,295.81		13,199,940.00	988,808,295.81	Non-trading equity investment
Total	981,361,295.81	7,447,000.00		804,238,295.81		13,199,940.00	988,808,295.81	

Non-trading equity instrument investment disclosed by category

Unit: RMB

Item	Dividend income recognized	Accumulated gains	Accumulated losses	Amount of other comprehensive transferred to retained earnings	Reason for assigning to measure by fair value, with changes included in other comprehensive income	Reason for other comprehensive income transferred to retained earnings
Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership)		216,061,295.81			Non-trading equity investment	
Foton Motor Co., Ltd.		378,927,750.00			Non-trading equity investment	
Bank of Jiangsu Co., Ltd.	13,199,940.00	208,132,200.00			Non-trading equity investment	

11. Long-term Equity Investment

Unit: RMB

Investees	Beginning balance (carrying value)	Beginning balance of depreciation reserves	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		

I. Joint venture												
Subtotal	0.00	0.00									0.00	0.00
II. Associated enterprises												
Beijing Tsinghua Industrial Investment Management Co., Ltd.	0.00	44,182.50									0.00	44,182.50
Subtotal	0.00	44,182.50									0.00	44,182.50
Total	0.00	44,182.50									0.00	44,182.50

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

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

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

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

12. Other Non-current Financial Assets

Unit: RMB

Item	Ending balance	Beginning balance
Financial Assets at Fair Value Through Profit or Loss	338,118,757.03	337,118,757.03
Total	338,118,757.03	337,118,757.03

Other notes: The Company's subsidiary, Changzhou Horizon Investment Co., Ltd., together with Changzhou Investment Group Co., Ltd. and other parties, jointly established Yuanzhi Changtou Xingyu (Changzhou) Equity Investment Partnership (Limited Partnership). This investment is accounted for using the fair value measurement method. As at June 30, 2026, Yuanzhi Changtou Xingyu (Changzhou) Equity Investment Partnership (Limited Partnership) had not yet made any external investments.

13. 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	87,632,571.14	87,632,571.14
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	87,632,571.14	87,632,571.14
II. Accumulative depreciation and accumulative amortization		
1. Beginning balance	51,988,440.15	51,988,440.15
2. Increased amount of the period	1,048,356.78	1,048,356.78
(1) Withdrawal or amortization	1,048,356.78	1,048,356.78
3. Decreased amount of the period		
(1) Disposal		
(2) Other transfer		
4. Ending balance	53,036,796.93	53,036,796.93
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	34,595,774.21	34,595,774.21
2. Beginning carrying value	35,644,130.99	35,644,130.99

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

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

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

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

14. Fixed Assets

Unit: RMB

Item	Ending balance	Beginning balance
Fixed assets	517,154,616.58	550,316,120.80

Total	517,154,616.58	550,316,120.80

(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	635,923,706.34	1,053,739,766.86	14,849,730.20	63,813,419.30	1,768,326,622.70
2. Increased amount of the period	1,064,862.21	503,595.09	503,663.71	108,285.19	2,180,406.20
(1) Purchase		503,595.09	503,663.71	108,285.19	1,115,543.99
(2) Transfer from construction in progress	1,064,862.21				1,064,862.21
(3) Enterprise combination increase					
3. Decreased amount of the period	42,413.54	1,325,145.33	1,119,765.75	1,247,501.59	3,734,826.21
(1) Disposal or scrap	42,413.54	1,325,145.33	1,119,765.75	1,247,501.59	3,734,826.21
4. Ending balance	636,946,155.01	1,052,918,216.62	14,233,628.16	62,674,202.90	1,766,772,202.69
II. Accumulated Depreciation					
1. Beginning balance	320,282,601.35	838,703,968.67	10,435,455.04	48,573,086.84	1,217,995,111.90
2. Increased amount of the period	9,692,241.37	22,041,660.29	661,605.29	2,942,932.51	35,338,439.46
(1) Withdraw	9,692,241.37	22,041,660.29	661,605.29	2,942,932.51	35,338,439.46
3. Decreased amount of the period	42,413.54	1,324,039.14	1,119,765.75	1,245,136.82	3,731,355.25
(1) Disposal or scrap	42,413.54	1,324,039.14	1,119,765.75	1,245,136.82	3,731,355.25
4. Ending balance	329,932,429.18	859,421,589.82	9,977,294.58	50,270,882.53	1,249,602,196.11
III. Impairment Provision					
1. Beginning balance		15,390.00			15,390.00
2. Increased amount of the period					
(1) Withdraw					
3. Decreased amount of the period					

(1) Disposal or scrap					
4. Ending balance		15,390.00			15,390.00
IV. Carrying value					
1. Ending carrying value	307,013,725.83	193,481,236.80	4,256,333.58	12,403,320.37	517,154,616.58
2. Beginning carrying value	315,641,104.99	215,020,408.19	4,414,275.16	15,240,332.46	550,316,120.80

(2) List of Temporarily Idle Fixed Assets

Unit: RMB

Item	Original carrying value	Accumulative depreciation	Depreciation reserves	Carrying value	Note
Houses and buildings	58,513,102.14	53,799,477.66		4,713,624.48	Refer to note 1
Transportation equipment	42,837,700.44	41,742,641.14		1,095,059.30	
Other equipment	1,059,544.05	1,053,147.47		6,396.58	
Machinery equipment	22,800.00	7,410.00	15,390.00	0.00	

Note 1: Due to public interest requirements for urban redevelopment, the People's Government of Xinbei District, Changzhou has decided to expropriate buildings within the scope of the Sanjing Subdistrict Foundry Plant and surrounding area urban renewal project (Phase I). The expropriation area covers the Company's former foundry base, where some fixed assets of the original foundry base remain idle.

15. Construction in Progress

Unit: RMB

Item	Ending balance	Beginning balance
Construction in progress	4,067,335.75	2,801,650.98
Total	4,067,335.75	2,801,650.98

(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
Technology Center Innovation Capability Construction Project	597,345.00		597,345.00	597,345.00		597,345.00
Equipment Installation Pending Project	2,602,562.74		2,602,562.74	1,449,260.11		1,449,260.11

Miscellaneous Engineering Works	867,428.01		867,428.01	755,045.87		755,045.87
Total	4,067,335.75		4,067,335.75	2,801,650.98		2,801,650.98

(2) Significant Changes in Construction-in-Progress Projects During the Current Period

Unit: RMB

Item	Beginning balance	New additions	Transfers to fixed assets	Transfers to intangible assets	Ending balance	Sources of Funds
Payments for equipment installation and construction projects	1,449,260.11	2,218,164.84	1,064,862.21		2,602,562.74	Self-owned funds
Total	1,449,260.11	2,218,164.84	1,064,862.21		2,602,562.74	

（3）Impairment Test of Construction in Progress

□Applicable √Not applicable

16. 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	197,308,383.96	23,252,145.58	5,538,000.00	1,650,973.47	227,749,503.01
2. Increased amount of the period					
(1) Purchase					
(2) Internal R&D					
(3) Business combination increase					
3. Decreased amount of the period					
(1) Disposal					
4. Ending balance	197,308,383.96	23,252,145.58	5,538,000.00	1,650,973.47	227,749,503.01
II. Accumulated amortization					
1. Beginning balance	66,686,043.81	21,559,610.41	4,897,733.02	854,763.16	93,998,150.40

2. Increased amount of the period	1,939,018.08	1,002,410.77	274,399.98	82,830.66	3,298,659.49
(1) Withdrawal	1,939,018.08	1,002,410.77	274,399.98	82,830.66	3,298,659.49
3. Decreased amount of the period					
(1) Disposal					
4. Ending balance	68,625,061.89	22,562,021.18	5,172,133.00	937,593.82	97,296,809.89
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	128,683,322.07	690,124.40	365,867.00	713,379.65	130,452,693.12
2. Beginning carrying value	130,622,340.15	1,692,535.17	640,266.98	796,210.31	133,751,352.61

17. Long-term Prepaid Expenses

Unit: RMB

Item	Beginning balance	Increase	Amortized amount	Decrease	Ending balance
Trademark renewal fee	527,722.40	64,554.46	34,294.89		557,981.97
External power line access project	2,069,749.99		159,211.56		1,910,538.43
Total	2,597,472.39	64,554.46	193,506.45		2,468,520.40

18. 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	28,464,400.04	4,404,308.52	11,785,788.50	1,762,815.70

Provisions	65,000.00	9,750.00	65,000.00	9,750.00
Advance tax paid on pre-collected demolition compensation	30,000,000.00	4,500,000.00	30,000,000.00	4,500,000.00
Unrealized internal transaction losses	6,677,181.18	1,087,683.49	6,609,172.38	1,077,482.17
Total	65,206,581.22	10,001,742.01	48,459,960.88	7,350,047.87

(2) Deferred Income Tax Liabilities Had Not Been Offset

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	5,011,361.53	751,704.23	5,112,778.94	766,916.83
Changes of fair value of other equity instrument investments	1,016,563,495.57	155,121,790.14	1,029,621,110.21	158,682,604.30
Total	1,021,574,857.10	155,873,494.37	1,034,733,889.15	159,449,521.13

(3) List of Unrecognized Deferred Income Tax Assets

Unit: RMB

Item	Ending balance	Beginning balance
Deductible temporary differences	219,902,802.55	218,964,615.72
Deductible tax losses	73,935,125.13	73,431,275.08
Total	293,837,927.68	292,395,890.80

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

Unit: RMB

Years	Ending balance	Beginning balance
2030	1,489,106.18	1,489,106.18
2031	1,284,090.55	1,284,090.55
2032	11,818,605.75	11,818,605.75
2033	50,340,092.01	50,340,092.01
2034	8,454,322.69	8,454,322.69
2035	45,057.90	45,057.90
2036	503,850.05	
Total	73,935,125.13	73,431,275.08

19. Other Non-current Assets

Unit: RMB

Item	Ending balance	Beginning balance

	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Prepayments for the acquisition of long-term assets	1,987,922.73		1,987,922.73	1,941,866.73		1,941,866.73
Assets held for disposal	3,657,345.68		3,657,345.68	3,657,345.68		3,657,345.68
Investment in Changzhou Changtou Xinhui No.1 Equity Investment Fund (Limited Partnership)	3,903,834.51		3,903,834.51	3,903,834.51		3,903,834.51
Total	9,549,102.92		9,549,102.92	9,503,046.92		9,503,046.92

Other notes:

The assets to be disposed of represent the buildings and equipment demolished in connection with the urban renewal project on the plot of the Changzhou Sanjing Branch of Changchai Company Limited (see Note XVI, 2 for details). The Company has received the first installment of compensation of RMB 30,000,000.00 and expects that such compensation will be sufficient to cover the related demolition losses. The Company has transferred the carrying amount of the demolished fixed assets to other non-current assets.

The investment in Changzhou Changtou Xinhui No. 1 Equity Investment Fund (Limited Partnership) was established by the Company's subsidiary, Changzhou Horizon Investment Co., Ltd., together with Changzhou Investment Group Co., Ltd. and Changzhou Xinhui Private Equity Fund Management Co., Ltd. As the Company has significant influence over the fund, the investment is accounted for using the equity method. As at June 30, 2026, Changzhou Changtou Xinhui No. 1 Equity Investment Fund (Limited Partnership) had not yet made any external investments.

20. Assets with Restricted Ownership or Right of Use

Unit: RMB

Item	Ending balance				Beginning balance			
	Carrying amount	Carrying value	Type of restriction	Status of restriction	Carrying amount	Carrying value	Type of restriction	Status of restriction
Monetary assets	156,169,488.67	156,169,488.67	Occupied as cash deposit	Bank Acceptance Bill Guarantees, Letter of Guarantee Deposits, Performance Bonds, Time Deposits and Accrued Interest,	90,163,871.20	90,163,871.20	Occupied as cash deposit	Bank Acceptance Bill Guarantees, Letter of Guarantee Deposits, Performance Bonds, Time Deposits and Accrued Interest,

				etc.				etc.
Notes receivable -- outstanding discounted notes	7,521,472.93	7,521,472.93	Payment obligations for discounted bills not yet due	As at the end of the reporting period, bills discounted by the Company that were outstanding / not yet due as at the balance sheet date.	77,099,600.00	77,099,600.00	Payment obligations for discounted bills not yet due	As at the end of the reporting period, bills discounted by the Company that were outstanding / not yet due as at the balance sheet date.
Notes receivable -- outstanding transferred notes	86,875,410.49	86,875,410.49	Payment Obligations for Transferred Bills Before Maturity	At the end of the reporting period, the Company had endorsed bills that remained outstanding as of the balance sheet date.	59,152,351.53	59,152,351.53	Payment Obligations for Transferred Bills Before Maturity	At the end of the reporting period, the Company had endorsed bills that remained outstanding as of the balance sheet date.
Total	250,566,372.09	250,566,372.09			226,415,822.73	226,415,822.73		

21. Short-term Borrowings

(1) Category of Short-term Borrowings

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance bills with financing nature	7,521,472.93	88,926,344.09
Total	7,521,472.93	88,926,344.09

22. Notes Payable

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance bill	816,214,639.72	562,313,345.98
Total	816,214,639.72	562,313,345.98

23. Accounts Payable

(1) List of Accounts Payable

Unit: RMB

Item	Ending balance	Beginning balance
Payment for goods	770,623,751.24	793,473,800.05
Total	770,623,751.24	793,473,800.05

(2) Significant Accounts Payable Aging over One Year or Overdue

Unit: RMB

Item	Ending balance	Unpaid/ Un-carry-over reason
Payables for goods and services	63,983,953.48	Not yet settled
Total	63,983,953.48	

24. Other Payables

Unit: RMB

Item	Ending balance	Beginning balance
Dividends payable	3,891,433.83	3,891,433.83
Other payables	135,545,268.68	130,728,339.00
Total	139,436,702.51	134,619,772.83

(1) Dividends Payable

Unit: RMB

Item	Ending balance	Beginning balance
Ordinary share dividends	3,243,179.97	3,243,179.97
Dividends for non-controlling shareholders	648,253.86	648,253.86
Total	3,891,433.83	3,891,433.83

Other notes: The important dividends payable that have been outstanding for more than one year and the reasons for non-payment shall be disclosed: the dividends have not been collected by the shareholders.

(2) Other Payables

1) Other Payables Listed by Nature of Account

Unit: RMB

Item	Ending balance	Beginning balance
Margin & cash pledged	2,624,473.46	2,623,449.83
Intercompany balances	15,088,416.19	10,899,458.04
Personal advances and receivables	588,789.55	576,193.19
Sales discounts and product warranties	97,392,973.70	96,890,648.05
Other	19,850,615.78	19,738,589.89

Total	135,545,268.68	130,728,339.00

2) Significant Other Payables Aging over One Year

Other notes: The significant other payables with aging over one year at period-end mainly consist of unsettled temporary receipts and outstanding payables.

25. Advances from customers

(1) List of Advances from customers

Unit: RMB

Item	Ending balance	Beginning balance
Advance rental receipts	0.00	112,510.00
Advance receipts for land compensation	30,000,000.00	30,000,000.00
Total	30,000,000.00	30,112,510.00

26. Contract liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Advance receipts from contracts	40,356,723.37	40,040,496.36
Total	40,356,723.37	40,040,496.36

27. Employee benefits payable

(1) List of employee benefits payable

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
I. Short-term salary	56,773,482.39	126,481,130.39	169,762,254.70	13,492,358.08
II. Post-employment benefit-defined contribution plans		17,321,614.13	17,321,614.13	
III. Termination benefits				
IV. Current portion of other benefits				
Total	56,773,482.39	143,802,744.52	187,083,868.83	13,492,358.08

(2) List of Short-term Salary

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
1. Salary, bonus, allowance, subsidy	49,306,856.68	101,693,280.90	144,741,467.87	6,258,669.71

2.Employee welfare	1,592.74	2,009,593.45	2,009,593.45	1,592.74
3. Social insurance		10,354,250.37	10,354,250.37	
Of which: Medical insurance premiums		8,419,990.34	8,419,990.34	
Work-related injury insurance		1,118,608.56	1,118,608.56	
Maternity insurance		815,651.47	815,651.47	
4. Housing fund		9,776,655.00	9,776,655.00	
5.Labor union budget and employee education budget	7,465,032.97	2,647,350.67	2,880,288.01	7,232,095.63
Total	56,773,482.39	126,481,130.39	169,762,254.70	13,492,358.08

(3) List of Defined Contribution Plans

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
1. Basic pension benefits		16,799,631.92	16,799,631.92	
2. Unemployment insurance		521,982.21	521,982.21	
3. Enterprise annuities				
Total		17,321,614.13	17,321,614.13	

28. Taxes Payable

Unit: RMB

Item	Ending balance	Beginning balance
VAT	2,073,676.11	1,069,751.94
Corporate income tax	787,492.46	916,971.53
Personal income tax	596,645.16	76,698.17
Urban maintenance and construction tax	174,476.40	77,057.10
Property tax	1,788,689.72	1,699,964.72
Land use tax	1,046,742.25	943,261.64
Stamp duty	526,199.65	447,535.62
Education Surcharge	124,625.99	55,007.72
Environmental protection tax	39,548.81	19,278.44
Total	7,158,096.55	5,305,526.88

29. Other Current Liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Sale service fee	205,632.35	180,123.89
Electric charge	5,015,050.62	5,274,196.04
Tax to be transferred	4,366,396.51	4,422,202.18
Estimated share value added tax	840,782.94	1,661,977.36

Obligation to pay bills transferred before maturity	86,875,410.49	59,152,351.53
Other withholding expenses	1,765,236.25	1,981,905.98
Total	99,068,509.16	72,672,756.98

30. Provisions

Unit: RMB

Item	Ending balance	Beginning balance	Reason for formation
Product warranty	60,362,270.57	83,448,865.86	Estimated after-sales expenses
Total	60,362,270.57	83,448,865.86	

31. Deferred Income

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance	Reason for formation
Government grants	25,976,437.56		1,704,864.73	24,271,572.83	Government funding appropriation
Total	25,976,437.56		1,704,864.73	24,271,572.83	

Note:

Liability items involving government grants

Unit: RMB

Item	Beginning balance	Amount of new subsidy	Amount recorded into other income 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	6,963,303.00		759,633.00		6,203,670.00	Related to assets
Remove compensation	15,849,869.50		332,986.81		15,516,882.69	Related to assets
Research and development and industrialization allocations of national III/IV standard high-powered efficient diesel engine for agricultural use	3,163,265.06		612,244.92		2,551,020.14	Related to assets
Total	25,976,437.56		1,704,864.73		24,271,572.83	——

32. 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

33. Capital Reserves

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Capital premium (premium on stock)	620,899,001.27			620,899,001.27
Other capital reserves	20,171,432.63			20,171,432.63
Total	641,070,433.90			641,070,433.90

34. 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 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	677,272,601.44	7,447,000.00			1,117,050.00	6,329,950.00		683,602,551.44
Changes in fair value of other equity	677,272,601.44	7,447,000.00			1,117,050.00	6,329,950.00		683,602,551.44

instrument investment								
Total of other comprehensive income	677,272,601.44	7,447,000.00			1,117,050.00	6,329,950.00		683,602,551.44

Other notes, including the adjustment of the effective gain/loss on cash flow hedges to the initial recognized amount: None

35. Specific Reserve

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Safety production cost	23,936,408.22	3,820,655.49	1,736,172.85	26,020,890.86
Total	23,936,408.22	3,820,655.49	1,736,172.85	26,020,890.86

36. Surplus Reserves

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	357,298,023.33			357,298,023.33
Discretional surplus reserves	13,156,857.90			13,156,857.90
Total	370,454,881.23			370,454,881.23

37. Retained Earnings

Unit: RMB

Item	Reporting Period	Same period of last year
Beginning balance of retained earnings before adjustments	1,024,763,845.76	983,627,999.95
Beginning balance of retained earnings after adjustments	1,024,763,845.76	983,627,999.95
Add: Net profit attributable to shareholders of the Company as the parent	105,059,653.98	73,422,814.69
Less:Dividend of ordinary shares payable	15,525,235.15	7,056,925.07
Ending retained earnings	1,114,298,264.59	1,049,993,889.57

Adjustments to opening retained earnings details:

(1) Retrospective adjustment due to the Accounting Standards for Business Enterprises and related new regulations: RMB 0.00 impact on opening retained earnings.

(2) Change in accounting policies: RMB 0.00 impact on opening retained earnings.

(3) Correction of material accounting errors: RMB 0.00 impact on opening retained earnings.

(4) Changes in consolidation scope due to transactions under common control: RMB 0.00 impact on opening retained earnings.

(5) Other adjustments, net impact on opening retained earnings: RMB 0.00.

38. 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	1,645,957,037.35	1,400,183,437.95	1,537,977,952.94	1,342,621,700.34
Other operations	23,829,636.13	21,348,564.64	23,208,672.89	18,852,404.99
Total	1,669,786,673.48	1,421,532,002.59	1,561,186,625.83	1,361,474,105.33

Disaggregated information of revenue and cost of sales：

Unit: RMB

Contract Classification	Segment revenue 1		Total	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
By business type				
Of which:				
Diesel Engines - Single-Cylinder	700,817,945.11	566,978,669.25	700,817,945.11	566,978,669.25
Diesel Engines - Multi-Cylinder	781,602,034.39	691,156,139.52	781,602,034.39	691,156,139.52
Other Products	86,743,979.89	74,527,035.91	86,743,979.89	74,527,035.91
Parts & Accessories	76,793,077.96	67,521,593.27	76,793,077.96	67,521,593.27
By geographical segment				
Of which:				
Domestic Sales	1,399,785,658.26	1,166,306,062.77	1,399,785,658.26	1,166,306,062.77
Export sales	246,171,379.09	233,877,375.18	246,171,379.09	233,877,375.18
Total	1,645,957,037.35	1,400,183,437.95	1,645,957,037.35	1,400,183,437.95

The revenue amount corresponding to performance obligations under contracts signed as of the end of the reporting period that have not yet been fulfilled or partially fulfilled is RMB 0.00.

39. Taxes and Surtaxes

Unit: RMB

Item	Reporting Period	Same period of last year
Urban maintenance and construction tax	2,658,613.38	1,698,090.57
Education surcharge	1,899,002.13	1,333,390.93
Property tax	3,502,515.28	3,460,896.66
Land use tax	1,973,348.06	2,237,252.61
Vehicle and vessel use tax	692.08	1,401.76
Stamp duty	1,239,083.23	1,146,892.36
Environment tax	121,157.51	51,228.57
Total	11,394,411.67	9,929,153.46

40. Administrative Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Employee benefits	28,285,956.27	28,224,056.35
Office expenses	3,571,794.52	4,194,712.11
Depreciation and amortization	8,221,162.28	8,395,187.65
Safety expenses	982,406.05	3,422,736.13
Repair charge	247,420.76	358,383.99
Inventory scrap and inventory loss (profit)	-1,629.50	129,856.36
Consulting fees	2,474,321.72	1,033,962.25
Insurance premiums	1,117,235.29	842,173.89
Utilities expenses	1,089,155.72	949,597.73
Other	1,831,418.97	3,167,743.10
Total	47,819,242.08	50,718,409.56

41. Selling Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Employee benefits	23,573,905.97	23,101,018.93
Office expenses	5,785,098.36	4,210,906.58
Advertising and exhibition expenses	397,253.03	645,263.25
Depreciation and amortization	364,675.17	356,069.67
Other	466,042.86	1,581,025.65
Total	30,586,975.39	29,894,284.08

42. Development Costs

Unit: RMB

Item	Reporting Period	Same period of last year
Direct input expense	30,827,778.58	21,849,718.28
Employee benefits	11,757,971.54	11,604,885.34
Depreciation and amortization	2,701,518.30	2,761,687.13
Other	1,737,407.20	2,675,614.58
Total	47,024,675.62	38,891,905.33

43. Finance Costs

Unit: RMB

Item	Reporting Period	Same period of last year
Interest expense	876,977.31	704,087.32
Less: Interest income	5,113,989.66	7,108,599.23
Net foreign exchange gains or losses	10,667,988.63	773,408.70

Other	311,422.90	12,156.41
Total	6,742,399.18	-5,618,946.80

44. Other Income

Unit: RMB

Sources	Reporting Period	Same period of last year	Amount included in non-recurring profit or loss for the current period
VAT additional deduction	1,488,002.11	4,683,847.30	
Withholding individual income tax handling fee refund	58,431.60	53,705.85	
Government grants recognized directly in current period profit or loss	41,308.62	85,535.00	36,000.00
Government grants related to deferred income	1,704,864.73	1,704,864.73	

The details of government subsidies are as follows:

Unit: RMB

Items	Reporting Period	Asset-related grants/ Income-related grants
National Major Special Fund Allocation - Flexible Machining Production Line for Diesel Engine Cylinder Blocks	759,633.00	Asset-related grants
National III/IV Standard High-Power Efficient Agricultural Diesel Engine R&D and Industrialization Fund	612,244.92	Asset-related grants
Demolition Compensation - Hehai Road Base Main Workshop	199,320.06	Asset-related grants
Demolition Compensation - Hehai Road Land	133,666.75	Asset-related grants
Job Stabilization Subsidy	5,308.62	Income-related grants
Employment expansion subsidies	36,000.00	Income-related grants
Total	1,746,173.35	——

45. Gain on Changes in Fair Value

Unit: RMB

Sources	Reporting Period	Same period of last year
Held-for-trading financial assets	3,474,167.46	15,685,633.55
Total	3,474,167.46	15,685,633.55

46. Investment Income

Unit: RMB

Item	Reporting Period	Same period of last year
Investment income from holding of trading financial assets	3,013,123.26	270,311.71
Investment income from disposal of trading financial assets	14,700,637.95	3,198,458.89

Dividend income from holding of other equity instrument investment	13,199,940.00	5,016,960.00
Investment Income from Wealth Management Products	176,622.04	474,575.11
Accounts Receivable Financing - Discount Interest on Bank Acceptance Bills	0.00	-1,389,349.23
Total	31,090,323.25	7,570,956.48

47. Credit Impairment Loss

Unit: RMB

Item	Reporting Period	Same period of last year
Bad debt loss of accounts receivable	-17,115,794.44	-17,010,411.59
Bad debt loss of other receivables	-34,937.16	-40,743.72
Total	-17,150,731.60	-17,051,155.31

48. Asset Impairment Loss

Unit: RMB

Item	Reporting Period	Same period of last year
Loss on inventory valuation and contract performance cost	-910,849.44	-1,007,978.87
Total	-910,849.44	-1,007,978.87

49. Asset Disposal Income

Unit: RMB

Sources	Reporting Period	Same period of last year	Amount included in non-recurring profit or loss for the current period
Disposal income of fixed assets and intangible assets	278,408.23	2,797,353.31	278,408.23

50. Non-operating Income

Unit: RMB

Item	Reporting Period	Same period of last year	Amount included in non-recurring profit or loss for the current period
Income from penalty	5,000.00	20,162.47	5,000.00
Other	30,210.65	121,955.83	30,210.65
Total	35,210.65	142,118.30	35,210.65

51. Non-operating Expense

Unit: RMB

Item	Reporting Period	Same period of last year	Amount included in non-recurring profit or loss for

			the current period
Losses on damage and scrapping of non-current assets	3,273.70		3,273.70
Of which: Fixed assets	3,273.70		3,273.70
Late payment penalties	45.27		45.27
Other	17,452.97	28,702.13	17,452.97
Total	20,771.94	28,702.13	20,771.94

52. Income Tax Expense

(1) List of Income Tax Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Current income tax expense	22,191,603.81	12,376,782.62
Deferred income tax expense	-7,344,700.90	1,152,893.45
Total	14,846,902.91	13,529,676.07

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

Unit: RMB

Item	Reporting Period
Profit before taxation	124,775,330.62
Current income tax expense accounted at statutory/applicable tax rate	18,716,299.59
Influence of applying different tax rates by subsidiaries	3,064,331.97
Influence of income tax before adjustment	
Influence of non-taxable income	-1,999,391.00
Impact of non-deductible costs, expenses and losses	562,352.63
Impact of utilizing previously unrecognized deductible tax losses	
Impact of unrecognized deductible temporary differences and tax losses in current period	-2,933,163.65
Impact of additional deductions on income tax	-2,563,526.63
Income tax expense	14,846,902.91

53. Other Comprehensive Income

See Note VII 34 for details.

54. Cash Flow Statement

(1) Cash Related to Operating Activities

Cash Generated from Other Operating Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Subsidy and appropriation	41,308.62	55,752.64
Other intercourses in cash	6,600,971.73	6,861,841.50

Interest income	4,501,829.69	7,108,599.23
Other	31,252.32	264,430.97
Total	11,175,362.36	14,290,624.34

Cash Used in Other Operating Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Expense-type Expenditures	63,823,255.65	108,145,899.71
Other transactions	645,263.65	704,087.32
Other	704,965.52	698,581.31
Total	65,173,484.82	109,548,568.34

55. 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	109,928,427.71	77,004,217.01
Add: Provision for impairment of assets	910,849.44	1,007,978.87
Credit impairment loss	17,150,731.60	17,051,155.31
Depreciation of fixed assets, of investment properties	36,386,796.24	39,306,228.83
Depreciation of right-of-use assets		
Amortization of intangible assets	3,298,659.49	3,103,559.60
Amortization of long-term deferred expenses	193,506.45	209,193.81
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains by "-")	-278,408.23	-2,797,353.31
Losses on the scrapping of fixed assets (gains by "-")		
Losses on the changes in fair value (gains by "-")	-3,474,167.46	-15,685,633.55
Financial expenses (gains by "-")	11,544,965.94	1,477,496.02
Investment losses (gains by "-")	-31,090,323.25	-8,960,305.71
Decrease in deferred income tax assets (increase by "-")	-2,651,694.14	-2,471,328.60
Increase in deferred income tax liabilities (decrease by "-")	-4,693,076.76	3,624,222.05
Decrease in inventory (increase by "-")	183,852,073.38	252,488,273.43
Decrease in accounts receivable from operating activities (increase by "-")	-606,575,450.47	-585,436,816.45
Increase in payables from operating activities (decrease by "-")	150,791,857.20	145,773,002.06
Other		
Net cash flows generated from operating activities	-134,705,252.86	-74,306,110.63
2. Investing and financing activities that do not involve 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	942,967,057.10	714,151,204.22
Less: Beginning balance of cash	1,248,067,921.44	892,681,884.84
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-305,100,864.34	-178,530,680.62

(2) Cash Flows from Significant Investing Activities Received or Paid

Unit: RMB

Item	Reporting Period
Cash received from significant investing activities	
Including: Cash Received from Redemption of Wealth Management Products, Structured Deposits, and Debt Investments	586,192,952.22
Cash paid for significant investing activities	
Including: Cash paid for purchase of wealth management products and structured deposits	773,470,455.00

(3) Cash and Cash Equivalent

Unit: RMB

Item	Ending balance	Beginning balance
I. Cash	942,967,057.10	1,248,067,921.44
Including: Cash on hand	101,773.73	164,159.29
Bank deposit on demand	942,186,572.23	1,247,225,051.01
Other monetary assets on demand	678,711.14	678,711.14
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	942,967,057.10	1,248,067,921.44
Of which: Cash and cash equivalents with restriction in use for the Company as the parent or subsidiaries of the Group		

(4) Disclosure of changes in financing-related liabilities from opening to closing balances by category

Unit: RMB

Item	Opening balance	Increase		Decrease		Closing balance
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Short-term borrowings	88,926,344.09				81,404,871.16	7,521,472.93
Other	3,891,433.83					3,891,433.83

payables-dividends payable						
Total	92,817,777.92				81,404,871.16	11,412,906.76

Note: The Company's short-term borrowings are all arising from discounted bills that are not yet due. The increase during the current period was attributable to cash obtained from discounting bills and changes in discount interest, while the decrease was due to the maturity of bills.

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			170,855,314.72
Of which: USD	25,030,343.51	6.8109	170,479,166.62
HKD	433,051.00	0.8686	376,148.10
Accounts receivable			101,436,182.01
Of which: USD	14,893,212.64	6.8109	101,436,182.01
Accounts payable			2,060.98
Of which: USD	302.60	6.8109	2,060.98

(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

(3) Circumstances in which the functional currency of a foreign operation is not freely convertible into the entity's presentation currency.

□Applicable √Not applicable

57. Lease

(1) The Company as Lessor:

Operating leases with the Company as lessor

√Applicable □Not applicable

Unit: RMB

Item	Rental income	Of which: income related to variable lease payments not included in lease receipts
Lease income	869,237.61	
Total	869,237.61	

Finance leases with the Company as lessor

□Applicable √Not applicable

Undiscounted lease receipts for each of the next five years

☐Applicable √Not applicable

Reconciliation of undiscounted lease receipts to net investment in leases: Not applicable

VIII. Research and Development Expenditure

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Direct input	30,827,778.58	21,849,718.28
Employee remuneration	11,757,971.54	11,604,885.34
Depreciation and amortization	2,701,518.30	2,761,687.13
Others	1,737,407.20	2,675,614.58
Total	47,024,675.62	38,891,905.33
Of which：Research and development expenditure recognised as expense	47,024,675.62	38,891,905.33
Capitalised research and development expenditure	0.00	0.00

IX. Equity in Other Entities

1. Equity in Subsidiary

(1) Subsidiaries

Unit: RMB

Name	Registered capital	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
					Directly	Indirectly	
Changchai Wanzhou Diesel Engine Co., Ltd.	85,000,000.00	Chongqing	Chongqing	Industry	60.00%		Set-up
Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.	55,063,000.00	Changzhou	Changzhou	Industry	99.00%	1.00%	Set-up
Changzhou Horizon Investment Co., Ltd.	40,000,000.00	Changzhou	Changzhou	Service	100.00%		Set-up
Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.	37,250,000.00	Changzhou	Changzhou	Industry	100.00%		Combination not under the same control
Jiangsu Changchai Machinery Co., Ltd.	300,000,000.00	Changzhou	Changzhou	Industry	100.00%		Set-up
Changzhou Xingsheng Property Management Co., Ltd.	1,000,000.00	Changzhou	Changzhou	Service	100.00%		Set-up

Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.	2,000,000.00	Zhenjiang	Zhenjiang	Industry	52.00%		Combination not under the same control

(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%	549,266.80		22,124,179.27
Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.	48.00%	4,319,506.93	2,400,000.00	62,682,595.16

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

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

Unit: RMB

Name	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Changchai Wanzhou Diesel Engine Co., Ltd.	60,511,203.13	20,154,190.01	80,665,393.14	23,447,144.98	1,907,800.00	25,354,944.98	57,131,342.54	20,632,914.84	77,764,257.38	22,284,304.57	1,907,800.00	24,192,104.57
Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.	128,589,561.55	20,466,887.41	149,056,448.96	20,024,042.00	84,677.08	20,108,719.08	124,449,839.06	21,043,876.66	145,493,715.72	20,906,504.43	84,677.08	20,991,181.51

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.	40,739,150.64	1,373,166.99	1,373,166.99	2,461,582.73	25,004,858.48	1,126,451.83	1,126,451.83	638,950.01
Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.	48,585,617.48	8,998,972.78	8,998,972.78	-7,134,627.33	42,066,351.38	6,199,185.17	6,199,185.17	7,429,071.74

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:

1、In 2017, the Company set up Changzhou Xietong Private Equity Fund (Limited Partnership) together with Synergetic Innovation Fund Management Co., Ltd. through joint investment. On 18 October 2018 and 3 December 2020, new partners were respectively added. Partnership Shares transfer was made on 29 December 2022 and 10 October 2023. In line with the revised Partnership Agreement, the general partner is Synergetic Innovation Fund Management Co., Ltd., and the limited partners are Changchai Company, Limited, Changzhou Zhongyou Petroleum Sales Co., Ltd., Changzhou Fuel Co., Ltd., Tong Yinzhu, Tong Yinxin, Anhui Haiyunzhou Equity Investment Partnership Enterprise (Limited), Shenzhen Jiaxin One Venture Capital Partnership (limited partnership),Zhong Wende and Qingdao Yinjiahui Industrial Investment Partnership Enterprise (Limited Partnership). In accordance with the Partnership Agreement, the limited partner does not execute the partnership affairs. Thus, the Company does not control Changzhou Xietong Private Equity Fund (Limited Partnership) and did not include it into the scope of consolidated financial statements.

2、The Company's subsidiary, Changzhou Horizon Investment Co., Ltd., together with Changzhou Investment Group Co., Ltd. and Changzhou Xinhui Private Equity Fund Management Co., Ltd., jointly established Changzhou Changtou Xinhui No. 1 Equity Investment Fund (Limited Partnership). In accordance with the Partnership Agreement, as the Company has significant influence over Changzhou Changtou Xinhui No. 1 Equity Investment Fund (Limited Partnership), the investment is accounted for using the equity method and is included in other non-current assets.

3、The Company's subsidiary, Changzhou Horizon Investment Co., Ltd., together with Changzhou Investment Group Co., Ltd., Changzhou Xingyu Xinhui Venture Capital Co., Ltd., Shenzhen Yuanzhi Venture Capital Co., Ltd., Changzhou Xingyu Investment Management Co., Ltd., Shenzhen Capital Operation Group Co., Ltd., Shanghai Zhuiguang Julian Hard Technology Venture Capital Partnership (Limited Partnership), and Changzhou Zhonglou Science and Innovation Investment Partnership (Limited Partnership), jointly established Yuanzhi Changtou Xingyu (Changzhou) Equity Investment Partnership (Limited Partnership). In accordance with the Partnership Agreement, Horizon Investment, as a limited partner, does not execute partnership affairs. The Company does not control, nor does it have significant influence over, Yuanzhi Changtou Xingyu (Changzhou)

Equity Investment Partnership (Limited Partnership). The investment is measured at fair value with changes recognized in profit or loss, and is included in non-current financial assets.

X. Government Grants

1. Government Grants Recognized at the End of the Reporting Period at the Amount Receivable

□Applicable √Not applicable

Reasons for failing to receive government grants in the estimated amount at the estimated point in time

□Applicable √Not applicable

2. Liability Items Involving Government Grants

√Applicable ☐Not applicable

Unit: RMB

Accounting items	Beginning balance	Amount of new subsidy	Amount recorded into non-operating income in the Reporting Period	Amount recorded into other income in the Reporting Period	Other changes	Ending balance	Related to assets/related income
Deferred income	25,976,437.56			1,704,864.73		24,271,572.83	Related to assets

3. Government Grants Recognized as Current Profit or Loss

√Applicable ☐Not applicable

Unit: RMB

Accounting items	Amount for the current period	Amount for the previous period
Other income	1,746,173.35	1,790,399.73

XI. The Risk Related to Financial Instruments

1. Various Types of Risks Arising from Financial Instruments

The Company's principal financial instruments include financial assets at fair value through profit or loss, other equity instrument investments, other non-current financial assets, accounts receivable, accounts payable, etc. Detailed disclosures of these financial instruments are provided in the relevant sections of Note VII. The risks associated with these financial instruments, as well as the Company's risk management policies to mitigate such risks, are described below. The Company's management manages and monitors these risk exposures to ensure they remain within defined limits.

The Company employs sensitivity analysis to assess the potential impact of reasonably possible changes in risk variables on current period profit or loss or shareholders' equity. Since risk variables rarely change in isolation and the correlation between variables significantly influences the ultimate impact of changes in any single variable, the following analysis assumes each variable changes independently.

1. Risk Management Objectives and Policies

The Company's risk management objectives are to achieve an appropriate balance between risk and return, minimize the adverse impact of risks on operational performance, and maximize the interests of shareholders and other equity investors. Based on these objectives, the Company's fundamental risk management strategy involves identifying and analyzing risks, establishing risk tolerance thresholds, implementing risk management measures, and conducting reliable monitoring to maintain risks within defined limits.

(1) Market Risk

① Foreign Exchange Risk

Foreign exchange risk refers to the risk of loss due to exchange rate fluctuations. The Company is primarily exposed to foreign exchange risk related to USD and EUR. Apart from overseas operations denominated in USD and EUR, the Company's other major business activities are settled in RMB. As of June 30, 2026, the Company's foreign currency monetary items include cash and cash equivalents, accounts receivable, and accounts payable (see Note VII.56). The foreign exchange risk arising from these assets and liabilities may impact the Company's financial performance.

The Company closely monitors the effects of exchange rate fluctuations on its foreign exchange risk exposure.

② Interest Rate Risk – Cash Flow Variability Risk

The Company's exposure to cash flow variability due to interest rate changes primarily relates to floating-rate bank deposits. The Company's policy is to maintain these deposits at floating rates.

③ Other Price Risk

The Company's investments classified as financial assets at fair value through profit or loss or fair value through other comprehensive income are measured at fair value at the balance sheet date. Consequently, the Company is exposed to price volatility in the securities market. The Company mitigates equity price risk by maintaining a diversified portfolio of equity securities.

(2) Credit Risk

Credit risk refers to the risk that one party to a financial instrument fails to fulfill its obligations, resulting in financial loss to the other party.

The Company's credit risk primarily arises from receivables. To manage this risk, the Company has implemented the following measures:

The Company only transacts with approved and reputable third parties. In accordance with the Company's policies, credit reviews are required for all customers who request credit terms. In addition, the Company continuously monitors its accounts receivable balances to ensure that it is not exposed to significant bad debt risks.

As the counterparties of monetary funds and bank acceptance bills receivable are banks with good reputation and high credit ratings, the credit risk associated with these financial instruments is low.

Other financial assets (e.g., accounts receivable, other receivables) are exposed to counterparty default risk, with maximum exposure equal to their carrying amounts.

The Company does not require collateral, as it transacts only with approved and creditworthy parties. Credit risk concentration is managed by customer. As of June 30, 2026, 68.46% (December 31, 2025: 60.63%) of the Company's accounts receivable balance was attributable to its top five customers. No collateral or credit enhancements are held for accounts receivable.

Criteria for Significant Increase in Credit Risk:

At each reporting date, the Company assesses whether credit risk has increased significantly since initial recognition. This evaluation considers qualitative and quantitative factors, including historical data, external credit ratings, and forward-looking information.

A significant increase in credit risk is deemed to occur when one or more of the following triggers are met:

- Quantitative: Probability of default (PD) increases by a material margin compared to initial recognition.

- Qualitative: Material adverse changes in the debtor’s financial condition or inclusion in a watchlist.

Definition of Credit-Impaired Assets:

To determine credit impairment, the Company aligns with internal risk management objectives and considers quantitative and qualitative indicators, including:

- Significant financial difficulty of the debtor;
- Breach of contract (e.g., payment default or delinquency);
- Concessions granted due to the debtor’s financial distress;
- Likelihood of bankruptcy or restructuring;
- Disappearance of an active market for the asset;
- Purchase or origination of a financial asset at a deep discount reflecting credit loss.

Expected Credit Loss (ECL) Measurement Parameters:

ECL is measured based on 12-month or lifetime expected credit losses, depending on whether credit risk has increased significantly or impairment has occurred. Key parameters include:

- Probability of Default (PD): Likelihood of default within 12 months or the remaining lifetime. Adjusted for forward-looking macroeconomic factors.
- Loss Given Default (LGD): Expected loss severity upon default, varying by counterparty type, recourse, and collateral.
- Exposure at Default (EAD): Amount expected to be owed at the time of default.

Forward-Looking Information:

ECL calculations incorporate forward-looking macroeconomic indicators, analyzed through historical data regression and expert judgment.

(3) Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash and cash equivalents, monitored to meet operational needs and mitigate cash flow volatility. Management ensures compliance with borrowing agreements and monitors bank loan utilization.

2. Financial Assets

(1) Classification of Transfer Methods

√Applicable ☐Not applicable

Unit: RMB

Transfer method	Nature of transferred financial assets	Amount of transferred financial assets	Recognition termination or not	Basis for recognition termination
Endorsement/discount	Notes receivable	94,396,883.42	Not derecognized	The Company has retained substantially all the risks and rewards of the asset, including the credit/default risk related thereto.
Endorsement	Accounts receivable financing	15,218,934.69	Derecognized	The Company transfers almost all the risks and rewards
Total		109,615,818.11		

(2) Financial Assets Derecognized due to Transfer

√Applicable ☐Not applicable

Unit: RMB

Item	Transfer method of financial assets	Amount of derecognized financial assets	Gains or losses related to derecognition
Accounts receivable financing	Endorsement	15,218,934.69	0.00
Total		15,218,934.69	0.00

(3) Continued Involvement in the Transfer of Assets Financial Assets

√Applicable ☐Not applicable

Unit: RMB

Item	Transfer method of assets	Amount of assets resulting from continued involvement	Amount of liabilities resulting from continued involvement
Notes receivable	Endorsement	86,875,410.49	86,875,410.49
Notes receivable	Discount	7,521,472.93	7,521,472.93
Total		94,396,883.42	94,396,883.42

XII. The Disclosure of Fair Value

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

Unit: RMB

Item	Ending fair value			
	Fair value measurement items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	Total
I. Consistent fair value measurement	--	--	--	--
(I) Trading financial assets				
1. Financial assets at fair value through profit or loss				
(1) Debt instrument investment				
(2) Equity instrument investment	40,914,780.00			40,914,780.00
(3) Derivative financial assets				
(4) Wealth management investments		501,609,871.65		501,609,871.65
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	672,747,000.00		316,061,295.81	988,808,295.81

(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			59,605,955.92	59,605,955.92
Other non-current financial assets			338,118,757.03	338,118,757.03
Total assets consistently measured by fair value	713,661,780.00	501,609,871.65	713,786,008.76	1,929,057,660.41
II.Non-recurring fair value measurement	——	——	——	——

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 other non-current financial assets:

The equity instrument investment in Jiangsu Horizon New Energy Technology Co., Ltd. (a manufacturer of lithium battery separators whose main products include coated products and base films, primarily used in new energy vehicle power batteries, 3C consumer batteries, and energy storage batteries) is characterized by high technical complexity, lengthy R&D cycles, and substantial capital investment. The company is in a rapid development phase and has been actively engaged in frequent financing activities in recent years. Accordingly, the Company has determined the fair value of this equity investment using the most recent financing price adjustment method and engaged an appraisal firm to validate the valuation.

(3) Among other equity instrument investments:

The investments in Chengdu Changwan Diesel Engine Sales Co., Ltd., Chongqing Wanzhou Changwan Diesel Engine Parts Co., Ltd., Changzhou Economic and Technological Development Company, Changzhou Tractor Company, Changzhou Industrial Capital Mutual Aid Association of the Economic Commission, and Beijing

Engineering Machinery Agricultural Machinery Company, totaling RMB 1.21 million, are measured at a fair value of RMB 0.00 due to the recoverability of the invested amounts.

For Changzhou Collaborative Innovation Equity Investment Partnership (Limited Partnership), established in October 2017, the year-end partners' equity has increased due to fair value changes in its equity holdings. No material changes have occurred in its operating environment, business conditions, or financial position. Thus, the Company has determined its fair value based on the partnership's net asset value at the period-end.

5. Transfers Between Fair Value Hierarchy Levels for Recurring Fair Value Measurements: Reasons for Transfers and Policies for Determining Transfer Timing

During the current year, no transfers occurred between Level 1 and Level 2 of the fair value hierarchy for the Company's financial assets and liabilities, nor were there any transfers into or out of Level 3.

6. Changes in Valuation Techniques and Reasons for Such Changes During the Period

No changes were made to valuation techniques during the reporting period.

7. Fair Value Information 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.

XIII. Related Party and Related-party Transactions

1. Information Related to the Company as the Parent of the Company

Name	Registration place	Nature of business	Registered capital	Proportion of share held by the Company as the parent against the Company	Proportion of voting rights owned by the Company as the parent against the Company
Changzhou Investment Group Co., Ltd.	Changzhou	Investment and operations of state-owned assets, assets management (excluding financial business), investment consulting (excluding consulting on investment in securities and options), etc.	RMB1.2 billion	32.26%	32.26%

Information about the parent company of the enterprise:

The parent company of the enterprise is Changzhou Investment Group Co., Ltd. According to the "Implementation Plan for Transferring Part of State-owned Capital to Enrich Social Security Funds in Jiangsu Province" (Su Zhengfa [2020] No. 27) issued by the provincial government, the "Notice on Transferring Part of State-owned Capital in Cities and Counties to Enrich Social Security Funds" (Su Caigongmao [2020] No. 139) issued by Jiangsu Provincial Department of Finance and five other departments, and the "Notice on Transferring Part of Municipal (District) State-owned Capital to Enrich Social Security Funds" (Chang Caigongmao [2020]

No. 4) issued by Changzhou Municipal Finance Bureau and four other departments, 10% of the state-owned equity of the Investment Group held by the People's Government of Changzhou City was transferred to Jiangsu Provincial Department of Finance without compensation. After the equity transfer, the People's Government of Changzhou City holds 90% of the state-owned equity of Changzhou Investment Group Co., Ltd., and Jiangsu Provincial Department of Finance holds 10% of the state-owned equity of Changzhou Investment Group Co., Ltd. According to the document of the People's Government of Changzhou City (Chang Zhengfa [2006] No. 62), Changzhou Investment Group Co., Ltd. is an enterprise where the State-owned Assets Supervision and Administration Commission of Changzhou City performs the investor's responsibilities as authorized by the People's Government of Changzhou City. Therefore, Changzhou Investment Group Co., Ltd. is the controlling shareholder of the company, and the State-owned Assets Supervision and Administration Commission of Changzhou City remains the actual controller of the company. The ultimate controlling party of the enterprise is the State-owned Assets Supervision and Administration Commission of Changzhou City.

2. Subsidiaries of the Company

Refer to Note IX for details.

3. Situation of joint ventures and associated enterprises of the company

For details, refer to Note VII.11 "Long-term Equity Investments" in the accompanying financial statements.

4. Information on Other Related Parties

<table>
<tr><th>Name</th><th>Relationship with the Company</th></tr>
<tr><td>Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership)</td><td>Participated in establishing the industrial investment fund</td></tr>
<tr><td>Changzhou Changtou Xinhui No. 1 Equity Investment Fund (Limited Partnership)</td><td rowspan="2">Industry investment fund established by the Company's subsidiary, Changzhou Horizon Investment Co., Ltd.</td></tr>
<tr><td>Yuanzhi Changtou Xingyu (Changzhou) Equity Investment Partnership (Limited Partnership)</td></tr>
<tr><td>Jiangsu Horizon New Energy Technology Co., Ltd.</td><td>Shareholding enterprise of the Company</td></tr>
</table>

XIV.Commitments and Contingency

1. Significant Commitments

Significant commitments on balance sheet date:

As of 30 June 2026, there was no significant commitment for the Company to disclose.

2. Contingency

(1) Significant Contingency on Balance Sheet Date: None

(2) In spite of no Significant Contingency to Disclose, the Company Shall Also Make Relevant Statements

There was no significant contingency in the Company.

XV. Events after Balance Sheet Date

1. Profit Distribution: None

2. Notes to Other Events after Balance Sheet Date

As of the date of this report, the Company has no other significant post-balance-sheet events requiring disclosure.

XVI. Other Significant Events

1. Segment Information

(1) Basis for Determining Reportable Segments and Accounting Policies

As the Company and its major subsidiaries operate similar business activities under unified management without separate business units, the Company operates as a single reportable segment.

2. Other Significant Transactions and Events Relevant to Investors' Decision-Making

Pursuant to the Announcement of the People's Government of Xinbei District, Changzhou City on the Expropriation Decision for Houses on State-Owned Land (Chang Xin Zheng Gao [2022] No. 6) issued by the People's Government of Xinbei District, Changzhou City, it was decided to expropriate the houses within the expropriation scope of the urban renewal project on the plot of the Company's Single-Cylinder Engine Plant, i.e., the Changzhou Sanjing Branch of Changchai Company Limited (hereinafter referred to as the "Company"). On November 29, 2023, the Company entered into a compensation agreement with the Housing and Urban-Rural Development Bureau of Changzhou National High-Tech Industrial Development Zone (Xinbei District) (hereinafter referred to as the "Xinbei District Housing and Urban-Rural Development Bureau") and the Housing Expropriation and Compensation Service Center of Sanjing Subdistrict, Xinbei District, Changzhou City (hereinafter referred to as the "Sanjing Subdistrict Service Center"), with a total agreed compensation amount of RMB 99,929,868. In accordance with the payment terms set out in the Compensation Agreement, the Company has received the first installment of compensation (30% of the total compensation) of RMB 30,000,000 (of which RMB 1,000,000 was received on December 29, 2023, and RMB 29,000,000 was received on January 3, 2024). In July 2026, the Company, the Xinbei District Housing and Urban-Rural Development Bureau and the Sanjing Subdistrict Service Center reached an agreement on the land consolidation and upgrading of the Sanjing Branch site and the subsequent compensation payment arrangements, based on professional reports issued by qualified professional institutions. This matter was approved at the Company's first extraordinary general meeting of shareholders for 2026 held on July 21, 2026. Pursuant to the agreement, the Company will allocate RMB

30,000,000 from the compensation receivable as a special fund for the land consolidation and upgrading of the Sanjing Branch site, which will be managed separately by the Xinbei District Housing and Urban-Rural Development Bureau and the Sanjing Subdistrict Service Center and used exclusively for the land consolidation and upgrading of the site. The relevant land expropriation work is currently in progress.

XVII. Notes of Main Items in the Financial Statements of the Company as the Parent

1. Accounts Receivable

(1) Disclosure by Aging

Unit: RMB

Aging	Ending carrying amount	Beginning carrying amount
Within one year (including 1 year)	1,256,529,659.27	428,915,050.18
One to two years	690,954.49	838,239.49
Two to three years	443,059.20	1,013,190.45
More than three years	94,395,021.81	94,742,934.74
Three to four years	550,815.51	895,540.14
Four to five years	3,378,987.49	3,627,859.05
Over 5 years	90,465,218.81	90,219,535.55
Total	1,352,058,694.77	525,509,414.86

(2) Disclosure by Withdrawal Methods for Bad Debts

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable withdrawal of Bad debt provision separately accrued	11,987,862.59	0.89%	11,987,862.59	100.00%	0.00	15,584,015.34	2.97%	15,584,015.34	100.00%	0.00
Of which:										
Accounts receivable withdrawal of bad debt provision of by group	1,340,070,832.18	99.11%	107,825,486.56	8.05%	1,232,245,345.62	509,925,399.52	97.03%	87,572,558.80	17.17%	422,352,840.72
Of which:										
Accounts receivable with provision for	1,338,182,653.53	98.97%	107,825,486.56	8.06%	1,230,357,166.97	509,925,399.52	97.03%	87,572,558.80	17.17%	422,352,840.72

bad debts based on credit risk characteristics portfolio										
Accounts receivable with provision for bad debts based on related-party transactions portfolio within the consolidation scope	1,888,178.65	0.14%	0.00	0.00%	1,888,178.65	0.00	0.00	0.00	0.00	0.00
Total	1,352,058,694.77	——	119,813,349.15	——	1,232,245,345.62	525,509,414.86	——	103,156,574.14	——	422,352,840.72

Provision for bad debts assessed individually: RMB 11,987,862.59, including significant impairment items totaling RMB 9,945,125.51. The details are as follows:

Unit: RMB

Name	Beginning balance		Ending balance			
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision	Withdrawal proportion	Reason for withdraw
Customer 1	2,584,805.83	2,584,805.83	2,584,805.83	2,584,805.83	100.00%	Difficult to recover
Customer 2	2,254,860.60	2,254,860.60	2,254,860.60	2,254,860.60	100.00%	Difficult to recover
Customer 3	1,902,326.58	1,902,326.58	1,902,326.58	1,902,326.58	100.00%	Difficult to recover
Customer 4	1,682,721.03	1,682,721.03	1,639,132.43	1,639,132.43	100.00%	Difficult to recover
Customer 5	1,564,000.07	1,564,000.07	1,564,000.07	1,564,000.07	100.00%	Difficult to recover
Total	9,988,714.11	9,988,714.11	9,945,125.51	9,945,125.51		

Number of categories of bad debt provision by group: For receivables within the portfolio, the allowance for bad debts is recognized based on credit risk characteristics.

Unit: RMB

Item	Ending balance		
	Carrying amount	Bad debt provision	Withdrawal proportion
Within 1 year	1,254,191,802.55	25,083,836.05	2.00 %
1 to 2 years	690,954.49	34,547.72	5.00 %
2 to 3 years	443,059.20	66,458.88	15.00%
3 to 4 years	27,852.41	8,355.72	30.00%
4 to 5 years	491,741.73	295,045.04	60.00%
Over 5 years	82,337,243.15	82,337,243.15	100.00%
Total	1,338,182,653.53	107,825,486.56	

If the provision for doubtful debts of accounts receivable is made in accordance with the general model of expected credit losses:

□Applicable √Not applicable

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

Movement of allowance for doubtful debts during the current period:

Unit: RMB

Category	Beginning balance	Changes in the current period				Ending balance
		Withdrawal	Reversed or recovered	Verification	Others	
Bad debt provision accrued by item	15,584,015.34	-3,587,052.75	9,100.00			11,987,862.59
Withdrawal of bad debt provision by group	87,572,558.80	20,252,927.76				107,825,486.56
Total	103,156,574.14	16,665,875.01	9,100.00			119,813,349.15

(4) Accounts Receivable Written-off in Current Period：None

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

Unit: RMB

Name of the entity	Ending balance of accounts receivable	Ending balance of contract assets	Ending balance of accounts receivable and contract assets	Proportion to total ending balance of accounts receivable and contract assets	Ending balance of bad debt provision of accounts receivable and impairment provision for contract assets
Customer 1	774,539,761.50	0.00	774,539,761.50	57.29%	15,490,795.20
Customer 2	85,701,507.99	0.00	85,701,507.99	6.34%	1,714,030.16
Customer 3	47,428,859.37	0.00	47,428,859.37	3.51%	948,577.19
Customer 4	44,670,600.00	0.00	44,670,600.00	3.30%	893,412.00
Customer 5	35,399,769.65	0.00	35,399,769.65	2.62%	707,995.39
Total	987,740,498.51	0.00	987,740,498.51	73.06%	19,754,809.94

2. Other Receivables

Unit: RMB

Item	Ending balance	Beginning balance
Dividend receivable	5,456,880.00	0.00
Other receivables	22,608,434.25	20,239,727.26
Total	28,065,314.25	20,239,727.26

(1)Dividend receivable

1) Classification of dividends receivable

Unit: RMB

Projects (or Investee Entities)	Ending balance	Beginning balance
Bank of Jiangsu 2025 Dividend Distribution	5,456,880.00	0.00
Total	5,456,880.00	0.00

(2) Other Receivables

1) Other Receivables Classified by Accounts Nature

Unit: RMB

Nature	Ending carrying value	Beginning carrying value
Related-party transactions within the consolidation scope	15,000,000.00	15,000,000.00
Margin and cash pledge	1,300.00	1,300.00
Other entity current accounts	22,186,221.32	20,326,696.60
Compensation receivable	3,348,087.00	3,348,087.00
Petty cash and borrowings by employees	1,271,986.19	773,766.34
Other	13,736,523.49	13,683,078.59
Total	55,544,118.00	53,132,928.53

2) Disclosure by Aging

Unit: RMB

Aging	Ending carrying amount	Beginning carrying amount
Within 1 year (including 1 year)	7,434,174.92	4,957,985.45
1 to 2 years	105,511.06	172,411.06
2 to 3 years	6,112,959.03	6,104,059.03
Over 3 years	41,891,472.99	41,898,472.99
3 to 4 years	9,169,485.76	9,176,485.76
4 to 5 years	12,802.00	12,802.00
Over 5 years	32,709,185.23	32,709,185.23
Total	55,544,118.00	53,132,928.53

3) Disclosure by Withdrawal Methods for Bad Debts

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

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss of the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2026	99,159.71	84,856.33	32,709,185.23	32,893,201.27

Balance of 1 January 2026 in the Current Period				
--Transfer to Second stage	-5,275.55	5,275.55		
-- Transfer to Third stage				
-- Reverse to Second stage				
-- Reverse to First stage				
Withdrawal of the Current Period	51,868.04	-9,385.56		42,482.48
Reversal of the Current Period				
Write-offs of the Current Period				
Verification of the Current Period				
Other changes				
Balance of 30 June 2026	145,752.20	80,746.32	32,709,185.23	32,935,683.75

The basis for the division of each stage and the withdrawal proportion of bad debt provision: None

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

□Applicable √Not applicable

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

Withdrawal of bad debt provision:

Unit: RMB

Category	Beginning balance	Changes in the current period				Ending balance
		Withdrawal	Reversed or recovered	Charged-off/Written-off	Others	
Bad debt provision separately accrued	5,601,964.53					5,601,964.53
Withdrawal of bad debt provision by group	27,291,236.74	42,482.48				27,333,719.22
Total	32,893,201.27	42,482.48				32,935,683.75

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
Changzhou Changniu Machinery Co., Ltd.	Intercompany	15,000,000.00	2-4 years	27.01%	0.00

	Transactions with Consolidated Entities				
Housing Expropriation and Compensation Service Center, Sanjing Subdistrict, Xinbei District, Changzhou	Compensation receivable	3,348,087.00	Within 1 year	6.03%	66,961.74
Changzhou Compressor Factory	Intercompany funds	2,940,000.00	Over 5 years	5.29%	2,940,000.00
Changchai Group Imp. & Exp. Co., Ltd.	Intercompany funds	2,853,188.02	Over 5 years	5.14%	2,853,188.02
Changzhou New District Accounting Center	Intercompany funds	1,626,483.25	Over 5 years	2.93%	1,626,483.25
Total		25,767,758.27		46.40%	7,486,633.01

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	871,339,449.94		871,339,449.94	871,339,449.94		871,339,449.94
Investment to joint ventures and associated enterprises	44,182.50	44,182.50		44,182.50	44,182.50	
Total	871,383,632.44	44,182.50	871,339,449.94	871,383,632.44	44,182.50	871,339,449.94

(1) Investment to Subsidiaries

Unit: RMB

Investee	Beginning balance (carrying value)	Beginning balance of depreciation reserve	Increase/decrease for the current period				Ending balance (carrying value)	Ending balance of depreciation reserve
			Additional investment	Reduced investment	Withdrawal of impairment provision	Others		
Changchai Wanzhou Diesel Engine Co., Ltd.	51,000,000.00						51,000,000.00	
Changzhou Changchai Benniu	96,466,500.00						96,466,500.00	

Diesel Engine Fittings Co., Ltd.								
Changzhou Horizon Investment Co., Ltd.	40,000,000.00						40,000,000.00	
Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.	47,286,230.03						47,286,230.03	
Jiangsu Changchai Machinery Co., Ltd.	591,835,919.91						591,835,919.91	
ChangzhouXingsheng Property Management Co., Ltd.	1,000,000.00						1,000,000.00	
Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.	43,750,800.00						43,750,800.00	
Total	871,339,449.94						871,339,449.94	

(2) Investment to Joint Ventures and Associated Enterprises

Unit: RMB

Investee	Beginning balance (carrying value)	Beginning balance of depreciation reserve	Increase/decrease for the current period								Ending balance (Carrying value)	Ending balance of depreciation reserve
			Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Others		
I. Joint ventures												
Subto	0.00	0.00									0.00	0.00

tal											
II. Associated enterprises											
Beijing Tsinghua Xingye Industrial Investment Management Co., Ltd.	0.00	44,182.50								0.00	44,182.50
Subtotal	0.00	44,182.50								0.00	44,182.50
Total	0.00	44,182.50								0.00	44,182.50

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

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

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

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

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	1,495,560,862.90	1,314,947,879.98	1,390,026,293.94	1,240,388,539.57
Other operations	65,713,429.19	63,261,261.90	61,686,090.56	61,737,542.10
Total	1,561,274,292.09	1,378,209,141.88	1,451,712,384.50	1,302,126,081.67

Breakdown information of operating income and operating cost:

Unit: RMB

Category of contracts	Segment 1		Total	
	Operating Revenue	Operating cost	Operating Revenue	Operating cost
Business Type				
Of which:				
Single-cylinder diesel engines	703,892,272.05	599,093,921.93	703,892,272.05	599,093,921.93
Multi-cylinder diesel engines	735,770,356.54	666,030,170.67	735,770,356.54	666,030,170.67

Other products	25,350,562.29	21,870,544.94	25,350,562.29	21,870,544.94
Fittings	30,547,672.02	27,953,242.44	30,547,672.02	27,953,242.44
Classification by operating region				
Of which:				
Sales in domestic market	1,283,519,613.78	1,113,508,693.32	1,283,519,613.78	1,113,508,693.32
Export sales	212,041,249.12	201,439,186.66	212,041,249.12	201,439,186.66
Total	1,495,560,862.90	1,314,947,879.98	1,495,560,862.90	1,314,947,879.98

Information in relation to the transaction price apportioned to the residual contract performance obligation:

The amount of revenue corresponding to performance obligations of contracts signed but not performed or not fully performed yet was RMB 0 at the period-end.

5. Investment Income

Unit: RMB

Item	Reporting Period	Same period of last year
Investment income from disposal of held-for-trading financial assets	2,869,123.26	3,198,458.89
Dividend income from holding of other equity instrument investment	15,799,940.00	5,016,960.00
Accounts receivable financing-discount interest of bank acceptance bills		-1,389,349.23
Total	18,669,063.26	6,826,069.66

XVIII. Supplementary Materials

1. Items and Amounts of Non-recurring Profit or Loss

√Applicable □Not applicable

Unit: RMB

Item	Amount	Note
Gain or loss on disposal of non-current assets (including the reversal of provision for asset impairment)	278,408.23	
Government grants recognized in current profit or loss (excluding those closely related to the company's normal business operations, in compliance with national policies, granted based on predetermined standards, and having a sustained impact on the company's profit or loss)	36,000.00	During the current reporting period, government grants recognised in profit or loss amounted to RMB 1,746,173.35. After deducting government grants related to assets transferred from deferred income of RMB 1,704,864.73 and employment stabilisation subsidies of RMB 5,308.62, the amount of government grants included in non-recurring gains and losses for the current period was RMB 36,000.00.

Except for effective hedging activities related to the Company's normal operating activities, gains and losses arising from changes in fair value of financial assets and financial liabilities held by non-financial enterprises, as well as gains and losses arising from the disposal of financial assets and financial liabilities	21,188,928.79	During the reporting period, the Company's wholly-owned subsidiary, Changzhou Horizon Investment Co., Ltd., sold part of the shares of the Company held by the subsidiary.
Gains and losses arising from entrusting others to invest or manage assets	176,622.04	
Reversals of impairment provisions for receivables that were individually tested for impairment	91,000.00	
Other non-operating income and expenses not listed above	14,438.71	
Less: Income tax effects	1,910,775.89	
Non-controlling interests effects (after tax)	62,895.37	
Total	19,811,726.51	

Others that meet the definition of non-recurring gain/loss:

□ Applicable √ Not applicable

No such cases in the Reporting Period.

Explain the reasons if the Company classifies any extraordinary gain/loss item mentioned in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Non-recurring Gains and Losses as a recurrent gain/loss item

□ Applicable √ Not applicable

2. Return on Equity and Earnings Per Share

Profit as of Reporting Period	Weighted average ROE (%)	EPS (Yuan/share)	
		EPS-basic	EPS-diluted
Net profit attributable to ordinary shareholders of the Company	3.00%	0.1489	0.1489
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss	2.44%	0.1208	0.1208

3. Differences between Accounting Data under Domestic and Overseas Accounting Standards

(1) Differences between Disclosed Net Profits and Net Assets in Financial Report in accordance with International Accounting Standards and Chinese Accounting Standards

□Applicable √Not applicable

(2) Differences between Disclosed Net Profits and Net Assets in Financial Report in accordance with Overseas Accounting Standards and Chinese Accounting Standards

□Applicable √Not applicable

(3) Explain Reasons for the Differences between Accounting Data Under Domestic and Overseas Accounting Standards; for Any Adjustment Made to the Difference Existing in the Data Audited by the Foreign Auditing Agent, Such Foreign Auditing Agent's Name Shall Be Clearly Stated

The Board of Directors
Changchai Company, Limited
21 August 2026