CHANGCHAI COMPANY, LIMITED

INTERIM REPORT 2023

August 2023

Part I Important Notes, Table of Contents and Definitions

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

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

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

Any plans for the future or other forward-looking statements mentioned in this Report and its summary shall NOT be considered as promises to investors. Investors and other stakeholders shall be sufficiently aware of the risk and shall differentiate between plans/forecasts and promises.

The Company has described in detail the risks it might face in "X Risks Facing the Company and Countermeasures" in "Part III Management Discussion and Analysis" herein.

The Company has no interim dividend plan, either in the form of cash or stock.

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Documents Available for Reference

(I) The financial statements signed and sealed by the Company's legal representative, General Manager and head of the financial department (accountant in charge).

(II) The originals of all the Company's documents and announcements which were disclosed on the website designated by the CSRC during the Reporting Period.

(III) The Interim Report disclosed in other securities markets.

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

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

Definitions

Term	Definition
“Changchai”, the “Company” or “we”	Changchai Company, Limited and its consolidated subsidiaries, except where the context otherwise requires
Changchai Benniu	Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.
Changchai Wanzhou	Changchai Wanzhou Diesel Engine Co., Ltd.
Horizon Investment	Changzhou Horizon Investment Co., Ltd.
Horizon Agricultural Equipment	Changzhou Changchai Horizon Agricultural Equipment Co., Ltd.
Changchai Robin	Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.
Changchai Machinery	Jiangsu Changchai Machinery Co., Ltd.
Xingsheng Real Estate Management	Changzhou Xingsheng Real Estate Management Co., Ltd.
Zhenjiang Siyang	Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.
RMB, RMB’0,000	Expressed in the Chinese currency of Renminbi, expressed in tens of thousands of Renminbi
The “Reporting Period” or “Current Period”	The period from 1 January 2023 to 30 June 2023

Part II Corporate Information and Key Financial Information

I Corporate Information

Stock name	Changchai, Changchai-B	Stock code	000570, 200570
Stock exchange for listing	Shenzhen Stock Exchange		
Company name in Chinese	常柴股份有限公司		
Abbr. (if any)	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	
Office 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. Contact Information of the Company

Indicate by tick mark whether any change occurred to the registered address, office address and their zip codes, website address and email address of the Company in the Reporting Period.

□ Applicable √ Not applicable

No change occurred to the said information in the Reporting Period, which can be found in the 2022 Annual Report.

2. Media for Information Disclosure and Place where this Report is Lodged

Indicate by tick mark whether any change occurred to the information disclosure media and the place for lodging the Company’s periodic reports in the Reporting Period.

□ Applicable √ Not applicable

The website and media name and website of the stock exchange where the company disclosed its semi-annual report. The location of the company's semi-annual report remains unchanged during the reporting period, as detailed in the 2022 annual report.

3. Other Relevant Information

Indicate by tick mark whether any change occurred to other relevant information in the Reporting Period.
□ Applicable √ Not applicable

IV Key Financial Information

Indicate by tick mark whether there is any retrospectively restated datum in the table below.
☐ Yes √ No

	H1 2023	H1 2022	Change (%)
Operating revenue (RMB)	1,350,517,639.85	1,178,222,492.04	14.62%
Net profit attributable to the listed company’s shareholders (RMB)	131,937,324.66	-14,595,269.61	——
Net profit attributable to the listed company’s shareholders before exceptional gains and losses (RMB)	5,825,543.98	-5,809,360.07	——
Net cash generated from/used in operating activities (RMB)	-104,796,816.75	-74,300,501.12	——
Basic earnings per share (RMB/share)	0.1870	-0.0207	——
Diluted earnings per share (RMB/share)	0.1870	-0.0207	——
Weighted average return on equity (%)	3.93%	-0.48%	4.41%
	30 June 2023	31 December 2022	Change (%)
Total assets (RMB)	5,559,083,368.07	5,219,359,853.42	6.51%
Equity attributable to the listed company’s shareholders (RMB)	3,485,429,025.82	3,284,710,665.90	6.11%

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

1. Net Profit and Equity under CAS and IFRS

□ Applicable √ Not applicable

No difference for the Reporting Period.

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

□ Applicable √ Not applicable

No difference for the Reporting Period.

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)	105,395,693.25	Expropriation of the constructions on the state-owned land of the Changzhou Wuxing branch company in the Reporting Period
Government grants through profit or loss (exclusive of government grants consistently given in the Company's ordinary course of business at fixed quotas or amounts as per governmental policies or standards)	3,299,056.52	
Gain or loss on fair-value changes on held-for-trading financial assets and liabilities & income from disposal of held-for-trading financial assets and liabilities and available-for-sale financial assets (exclusive of the effective portion of hedges that arise in the Company's ordinary course of business)	22,587,377.56	Increase in the fair value of the shares held by wholly-owned subsidiary Horizon Investment in Jiangsu Liance Electromechanical Technology Co., Ltd., Kailong High Technology Co., Ltd., Guilin Stars Science and Technology Co., Ltd., and Henan Lantian Gas Co., Ltd.
Non-operating income and expense other than the above	-801,809.16	
Less: Income tax effects	4,621,569.20	
Non-controlling interests effects (net of tax)	-253,031.71	
Total	126,111,780.68	

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 Activity of the Company in the Reporting Period

1. Principal Operations of the Company

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

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

2. Main Products of the Company

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

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

3. Major Business Models

(1) R&D model

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

(2) Purchasing model

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

(3) Production model

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

(4) Sale model

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

4. The Company in the Industry

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

(1) Development pattern and trend of the industry

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

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

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

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

(2) Industry sales in the first half of 2023

Amid a market recovery facilitated by multiple national policies, the upstream and downstream markets in the internal combustion engine industry were somewhat improved. Despite slightly insufficient market demands, the sales were gradually growing. On the terminal side, the agricultural machinery and project markets were still severe in sales.

From January to June 2023, the total sales of internal combustion engines were 21,592,400 units, a decline of 0.20% year on year; the accumulative power was 1,359,215,700 kW, an increase of 6.08% year on year. From January to June, 2,678,700 diesel engines were sold, an increase of 8.85% year on year. Specifically, 476,900 engines for construction machinery were sold, an increase of 5.88% from the same period last year; 862,100 engines for agricultural machinery were sold, an increase of 32.04% from last year; 33,500 engines for shipborne machinery were sold, an increase of 62.62% from last year; 190,700 engines for generator sets were sold, an increase of 22.79% from last year. In the first half, 18,902,100 gasoline internal combustion engines were sold, down 1.39% year on year.

In terms of the segments of the internal combustion engine market by purpose, from January to June, the sales of engines for agricultural machinery witnessed a year-on-year decline. To be more specific, 507,800 engines for construction machinery were sold, up 5.16% year on year; 2,073,600 engines for agricultural machinery were sold, down 14.13% year on year; 33,500 engines for shipborne machinery were sold, up 62.62% year on year; 767,300 engines for generator sets were sold, up 19.85% year on year.

(3) The Company's position in the market

We mainly specialize in the R&D, manufacture and sales of diesel engines under the brand "Changchai" and gasoline engines under the brand "Robin". Up to now, we have successfully developed a number of advanced core technologies with independent intellectual property rights. In terms of diesel engine, according to the statistics of

China Internal Combustion Engine Industry Association (CICEIA), as the largest small- and medium-sized single-cylinder diesel engine manufacturer in the agricultural machinery industry of China, we have maintained a high market share of single-cylinder engines, and our market share of single-cylinder diesel engines of some power ranges has ranked first in China. For many years, in the process of achieving steady economic development of the enterprise, we developed in a sound manner and cultivated the "Changchai" brand, a famous small diesel engine brand of China with independent intellectual property rights.

5. Key Performance Drivers

(1) National policy driver

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

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

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

(3) Stable and efficient R&D team

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

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

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

6. Performance of the Company's Principal Operations in the Reporting Period

In the first half of 2023, the macro economy was still recovering stably. Affected by factors such as the switch to the National Emission Standard IV, market overextension, and conservative purchase intentions of users, the agricultural machinery industry was confronted with a severe challenge and thus entered a downturn for in-depth adjustments. This tested the Company's business. In this context, the Company adhered to its annual policy and goals and seized market opportunities. Additionally, it enhanced internal management and comprehensively pushed ahead with all tasks. As a result, it surmounted difficulties and achieved excellent operating results. During the Reporting Period, the Company sold 365.3 thousand diesel engines, gasoline engines and generator sets, including 78.2 thousand gasoline engines, generating total sales revenue of RMB1.351 billion, an increase of 14.62% year-on-year.

In terms of product development and application, the Company enhanced the batch application and market testing and tracking of products that met the National Emission Standard IV for Non-Road Engines and optimized the product performance on an ongoing basis in combination with the users' feedback and demands. At the same time, the Company advanced the development of products designed for its expansion into new fields, diversified products in different power ranges, and carried out orderly experiments for product application in the market. These efforts earned two of the Company's products, namely 3M78 and L24, a title of High-tech Products of Changzhou. Additionally, two new products, 4G29 and 4G36V16, passed the acceptance inspection for the appraisal of Jiangsu Province for new products and technologies.

In terms of market services, the Company further optimized the sales network and product mix of single-cylinder engines in the circulation market and consolidated its market application share in the industrial cluster. Moreover, all products in the required power ranges of the main engine plant customers were adjusted to fully meet the National Emission Standard IV, thus helping the Company consolidate the market share of its advantageous products and expand the application of new models. Meanwhile, efforts were redoubled to improve the services that met the National Emission Standard IV and optimize the service resources. Training on the products in compliance with the National Emission Standard IV was conducted on an ongoing basis, and policies on services during the busy season were adjusted. Doing so further consolidated the service resources. Furthermore, thanks to the increasingly stable foreign trade environment, foreign trade witnessed a significant increment in the traditional market.

In terms of quality management, the Company strictly controlled the quality of products in compliance with the National Emission Standard IV in order to continuously improve their quality stability and reliability. To this end, the Company carried out targeted quality improvement and enhanced the control of the whole process, hoping to produce increasingly stable and satisfactory products.

In terms of internal management, safety risk control and hazard inspection and remediation were organized to prevent and mitigate miscellaneous safety risks, facilitate the completion of the safe production activity plan, and, more importantly, boost the Company's capability of safe production. Additionally, a range of publicity activities in production and operation, corporate culture, and brand image publicity was organized to celebrate the 110th anniversary of the Company and enhance the development of corporate culture. This delivered excellent results.

During the Reporting Period, the Changzhou Wuxing branch company, together with other houses within the scope of expropriation of the passenger train factory area (phases I and II) project, was expropriated by the government. Hence, the Company signed the Agreement on the Expropriation of the Properties of the Wuxing Branch Company on State-owned Land in Changzhou City and the Compensation with Changzhou Zhonglou District Housing and Urban-Rural Development Bureau, and received the first compensation payment of RMB70 million on 28 June 2023.

II Core Competitiveness Analysis

1. Advantages in Brand

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

2. Advantages in Technology

The Company has a state-level technology center and post-doctoral research station, and a research center of small and medium-power internal combustion engine engineering and technology in Jiangsu Province. Currently, it is mainly engaged in production of small and medium-power single-cylinder and multi-cylinder diesel engine. It has a complete product range, a wide power level coverage, a high reputation and intellectual property rights for its main products. During the Reporting Period, the Company passed the performance re-appraisal by Jiangsu Provincial Engineering Centre; and two multi-cylinder diesel engines, 4G36V16 and 4G29, passed the new product appraisal. In the period, the Company filed a total of six patent applications, all of which have been accepted by the China National Intellectual Property Administration, and were granted 13 patents. So far, the Company has 163 patents, including 15 invention patents.

3. Advantages in Marketing

Changchai has built up a sales service network covering the whole country, with 24 sales service centers and 693 designated maintenance stations. In addition, in order to meet the National Emission Standard IV for Non-Road

Vehicles and provide better after-sales service for customers, a service monitoring platform with Changchai characteristics has been put in place. With a perfect diesel sales service network system, the Company is able to provide high quality, efficient and timely services for customers.

III Core Business Analysis

Overview

See contents under the heading “I Principal Activity of the Company in the Reporting Period”.

Year-on-year changes in key financial data:

Unit: RMB

	H1 2023	H1 2022	Change (%)	Main reason for change
Operating revenue	1,350,517,639.85	1,178,222,492.04	14.62%	
Cost of sales	1,168,898,203.83	1,051,395,232.42	11.18%	
Selling expense	62,131,032.17	51,759,201.38	20.04%	
Administrative expense	52,877,371.06	40,216,534.11	31.48%	During the Reporting Period, the wholly-owned subsidiary, Jiangsu Changchai Machinery Co., Ltd., has entered the production and operation stage, while it was still in the construction stage in the same period of last year.
Finance costs	-4,976,652.95	-13,000,719.98	——	Decreased exchange gains and interest income in the Reporting Period
Income tax expense	7,189,328.33	-6,206,048.88	——	During the Reporting Period,increase in the stock prices of Jiangsu Liance Electromechanical Technology Co., Ltd., Kailong High tech Co., Ltd., Guilin Xingchen Technology Co., Ltd., and Henan Lantian Gas Co., Ltd. held by wholly-owned subsidiary Housheng

				Investment , corresponding to the increase in deferred income tax expenses provisioned.
R&D investments	35,839,071.42	40,159,787.47	-10.76%	
Net cash generated from/used in operating activities	-104,796,816.75	-74,300,501.12	——	During the Reporting Period, most of the Company's multi-cylinder diesel engine customers were supporting companies of main engine, which are usually given longer payment days and the Company properly allowed customers' buying on credit for more markets to step up efforts to expand the market due to the product emission upgrading, resulting in relatively lower cash inflow.
Net cash generated from/used in investing activities	-45,360,077.56	-86,580,833.90	——	The Company acquired a 41.5% interest in Zhenjiang Siyang in the same period of last year, with no comparable investment in the current period.
Net cash generated from/used in financing activities	-8,886,489.92	27,896,685.26	——	Some bank acceptance notes with low credit ratings were discounted in the same period of last year, with no comparable investment in the current period.
Net increase in cash and cash equivalents	-159,043,384.23	-132,984,649.76	——	

Significant changes to the profit structure or sources of the Company in the Reporting Period:

□ Applicable √ Not applicable

Breakdown of operating revenue:

	H1 2023	H1 2022	Change (%)

	Operating revenue	As % of total operating revenue (%)	Operating revenue	As % of total operating revenue (%)	
Total	1,350,517,639.85	100%	1,178,222,492.04	100%	14.62%
By operating division					
Internal combustion engines	1,333,099,509.22	98.71%	1,161,021,786.32	98.54%	14.82%
Other	17,418,130.63	1.29%	17,200,705.72	1.46%	1.26%
By product category					
Diesel engines	1,246,906,709.16	92.33%	1,079,645,157.01	91.63%	15.49%
Gasoline engines	82,791,314.55	6.13%	73,850,875.09	6.27%	12.11%
Other	20,819,616.14	1.54%	24,726,459.94	2.10%	-15.80%
By operating segment					
Domestic	1,114,906,055.18	82.55%	1,019,205,712.35	86.50%	9.39%
Overseas	235,611,584.67	17.45%	159,016,779.69	13.50%	48.17%

Unit: RMB

Operating division, product category or operating segment 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	1,333,099,509.22	1,156,456,220.22	13.25%	14.82%	11.33%	2.72%
By product category						
Diesel engines	1,246,906,709.16	1,085,807,867.36	12.92%	15.49%	12.35%	2.44%
Gasoline engines	82,791,314.55	67,045,804.51	19.02%	12.11%	6.10%	4.58%
By operating segment						
Domestic	1,114,906,055.18	939,907,304.69	15.70%	9.39%	4.81%	3.69%

Overseas	235,611,584.67	228,990,899.14	2.81%	48.17%	48.14%	0.02%

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

□ Applicable √ Not applicable

IV Analysis of Non-Core Businesses

√ Applicable □ Not applicable

Unit: RMB

	Amount	As % of gross profit	Main reason/source	Recurrent or not
Return on investment	3,226,921.70	2.25%	Stock dividends and income from cash management	Yes
Gains/losses on changes in fair value	19,360,455.86	13.51%	Increased prices of the shares held by wholly-owned subsidiary Horizon Investment in Jiangsu Liance Electromechanical Technology Co., Ltd., Kailong High Technology Co., Ltd., Guilin Stars Science and Technology Co., Ltd., and Henan Lantian Gas Co., Ltd. during the Reporting Period	No
Asset impairment loss	-565,273.49	-0.39%	Inventory valuation loss	No
Non-operating income	495,538.97	0.35%	Trademark infringement damage income	No
Non-operating expense	1,297,348.13	0.91%	Mainly caused by compensation matters	No
Asset disposal income	105,395,693.25	73.55%	Expropriation of the constructions on the state-owned land of the Changzhou Wuxing branch company in the Reporting Period	No

V Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB

	30 June 2023		31 December 2022		Change in percent age (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary assets	851,514,113.92	15.32%	930,013,350.97	17.82%	-2.50%	
Accounts	934,790,431.84	16.82%	370,322,179.77	7.10%	9.72%	Most of the

receivable						Company's multi-cylinder diesel engine customers are supporting companies of main engine, which are usually given longer payment days and the Company properly allowed customers' buying on credit for more markets to step up efforts to expand the market due to the product emission upgrading
Inventories	557,524,141.36	10.03%	571,996,881.74	10.96%	-0.93%	
Investment property	40,942,541.87	0.74%	42,160,779.65	0.81%	-0.07%	
Fixed assets	683,448,533.29	12.29%	720,061,387.76	13.80%	-1.51%	
Construction in progress	30,905,577.10	0.56%	30,281,547.56	0.58%	-0.02%	
Short-term borrowings	110,447,699.49	1.99%	115,437,700.65	2.21%	-0.22%	
Contract liabilities	33,094,812.97	0.60%	32,843,692.83	0.63%	-0.03%	

2. Major Assets Overseas

□ 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 Reporting Period	Cumulative fair-value changes through equity	Impairment allowance made in the Reporting Period	Purchased in the Reporting Period	Sold in the Reporting Period	Other changes	Ending amount

Financial assets								
Held-for-trading financial assets (exclusive of derivative financial assets)	370,103,602.57	19,360,455.86			605,127,734.16	633,120,983.27		361,470,809.32
Investments in other equity instruments	955,560,240.08		844,650,390.08					1,042,219,240.08
Subtotal of financial assets	1,325,663,842.65	19,360,455.86	844,650,390.08		605,127,734.16	633,120,983.27		1,403,690,049.40
Others	412,809,587.93	705,680.77						413,515,268.70
Total of the above	1,738,473,430.58	20,066,136.63	844,650,390.08		605,127,734.16	633,120,983.27		1,817,205,318.10
Financial liabilities	0.00							0.00

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

Item	Ending carrying amount	Reason for restriction
Monetary assets	173,206,532.10	Security deposits associated with bank acceptance notes, environment, etc.
Buildings	1,422,559.69	Collateral for bank loan
Land use right	863,218.81	Collateral for bank loan

Plant and equipment	25,771,609.33	Collateral for bank loan
Payment obligations in relation to discounted notes that were undue	110,000,000.00	
Payment obligations in relation to transferred notes that were undue	103,721,703.95	
Total	414,985,623.88	

VI Investments Made

1. Total Investment Amount

□ 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	600166	Foton Motor	41,784,000.00	Fair value method	406,045,000.00	0.00	449,516,000.00	0.00	0.00	0.00	491,300,000.00	Investment in other	Self-funded

stock												equity instruments	
Domestic/foreign stock	600919	Bank of Jiangsu	42,786,000.00	Fair value method	170,586,000.00	0.00	129,204,000.00	0.00	0.00	0.00	171,990,000.00	Investment in other equity instruments	Self-funded
Domestic/foreign stock	300912	Kailong High Technology	20,001,268.00	Fair value method	13,592,411.00	9,417,096.00	0.00	0.00	0.00	9,417,096.00	23,009,507.00	Held-for-trading financial assets	Self-funded
Domestic/foreign stock	688113	Liance Technology	7,200,000.00	Fair value method	60,062,400.00	8,884,800.00	0.00	0.00	0.00	8,884,800.00	68,947,200.00	Held-for-trading financial assets	Self-funded
Domestic/foreign stock	605368	Lantian Gas	160,744.76	Fair value method	247,000.00	20,960.00	0.00	0.00	0.00	20,960.00	267,960.00	Held-for-trading financial assets	Self-funded
Domestic/foreign stock	832885	Stars Science and Technology	3,600,000.00	Fair value method	4,837,500.00	594,000.00	0.00	0.00	0.00	594,000.00	5,431,500.00	Held-for-trading financial assets	Self-funded
Total			115,532,012.76	--	655,370,311.00	18,916,856.00	578,720,000.00	0.00	0.00	18,916,856.00	760,946,167.00	--	--

(2) Investments in Derivative Financial Instruments

□ Applicable √ Not applicable

No such cases in the Reporting Period.

5. Use of Raised Funds

√ Applicable □ Not applicable

(1) Overall Use of Raised Funds

√ Applicable □ Not applicable

Unit: RMB'0,000

Year for fund-raising	Method of fund-raising	Total raised funds	Total raised funds that have been used in the current period	Total raised funds that have been used accumulatively	Total raised funds with altered purposes during the Reporting Period	Total accumulative raised funds with altered purposes	Proportion of total accumulative raised funds with altered purposes	Total raised funds that have not been used yet	Use and ownership change of unused raised funds	Raised funds that have been left unused for over two years
2021	Non-public offering	63,500	21,178.19	54,355.72	0	0	0.00%	8,985.98	Deposited in the special account for raised funds and put into cash management	8,985.98
Total	--	63,500	21,178.19	54,355.72	0	0	0.00%	8,985.98	--	8,985.98
Explanation of the overall use of raised funds										
On 17 December 2020, the Company received the Reply Concerning the Approval of the Non-public Offering of Shares of Changchai Co., Ltd. (CSRC Permit [2020] No. 3374) from the China Securities Regulatory Commission, which approved the non-public offering of up to 168,412,297 shares of the Company. On June 11, 2021, the subscribers of this non-public offering have fully remitted the subscription funds to the bank account designated by the sponsor institution, and the total amount of funds raised was RMB634,999,996.40. After deducting various issuance fees, the actual net amount raised this time is 620,665,733.97 yuan, including an additional registered capital of 144,318,181.00 yuan and an additional capital reserve of 476,347,552.97 yuan.										

On June 16, 2021, Notary Tianye Certified Public Accountants (Special General Partnership) conducted a capital verification of the above-mentioned raised funds and issued the "Capital Verification Report on the Non Public Development of Stocks of Changchai Co., Ltd." (Su Gong W [2021] B062). After deducting the recommendation and underwriting fees, the underwriter of the recommendation actually received 622,499,996.40 yuan of raised funds, which were deposited in three special accounts for raised funds opened by the company and Changchai Machinery, and signed a tripartite supervision agreement for raised funds with the recommendation institution and the account opening bank. There is no significant difference between the tripartite regulatory agreement and the model tripartite regulatory agreement of the Shenzhen Stock Exchange, and our company strictly follows and fulfills it when using the raised funds.As of 30 June 2023, RMB543.5572 million of raised funds has been used cumulatively, with the unused raised funds being RMB89.8598 million.

(2) Committed Projects of Raised Funds

√ Applicable □ Not applicable

Unit: RMB’0,000

Committed investment projects and investment of excessive raised funds	Whether projects have been altered (including partial alternation)	Total committed investment with raised funds	Adjusted total investment amount (1)	The investment amount during the Reporting Period	Accumulative investment amount as of the end of the Reporting Period (2)	Investment progress as of the end of the Reporting Period (3) = (2)/(1)	Date when the projects are ready for their intended use	Benefits recorded during the Reporting Period	Whether the estimated benefits are reached	Whether there are material changes in the project feasibility
Committed investment projects										
Relocation project of light engines and casting	No	54,766.71	54,766.71	20,919.43	53,337.75	97.39%	May 2022	-1,937.34	No	No
Innovation capacity building project of the technical center	No	8,733.29	7,299.86	258.76	1,017.97	13.95%	December 2023	0	Not applicable	No
Subtotal of committed investment projects	--	63,500.00	62,066.57	21,178.19	54,355.72	--	--	-1,937.34	--	--
Investment of excessive raised funds										
Not applicable										
Total	--	63,50	62,06	21,17	54,35	--	--	-1,937	--	--

<table>
<tr><td></td><td></td><td>0.00</td><td>6.57</td><td>8.19</td><td>5.72</td><td></td><td></td><td>.34</td><td></td><td></td></tr>
<tr><td>Cases and reasons for failing to reach the planned progress or predicted return (by specific projects)</td><td colspan="10">Light engine and casting relocation project: 1) Reasons for payment not meeting the planned schedule: As of June 30, 2023, the investment progress of the project's raised funds was 97.39%, and the remaining funds not invested were mainly the final payment for some equipment that had not been finally accepted. 2) The reason for the failure to achieve benefits during this reporting period is that the project consists of multiple production lines such as casting and single cylinder machine assembly. Currently, casting has been officially put into operation and the main customer is the parent company. However, due to the market situation, internal and external orders have decreased to a certain extent, leading to a slowdown in production capacity release; Moreover, all single cylinder machine assembly employees have not yet relocated to the project address and are still in the process of gradual relocation, so the expected benefits have not been achieved in this period.
Technical Center Innovation Capacity Building Project: Reasons for not achieving the planned progress: The company adhered to the principle of saving funds and improving asset utilization at the beginning of the independent project, borrowed some original equipment, and used technological innovation methods to complete some of the research and development process, saving some capital expenses; There is still some unpaid balance in the signed contract. The project is expected to be completed before the scheduled availability date.</td></tr>
<tr><td>Explanations of the material changes in the project feasibility</td><td colspan="10">Not applicable</td></tr>
<tr><td>Amount, use, and use progress of excessive raised funds</td><td colspan="10">Not applicable</td></tr>
<tr><td rowspan="3">Implementation of location changes in the investment projects with the raised funds</td><td colspan="10">Applicable</td></tr>
<tr><td colspan="10">Occurred in the prior year</td></tr>
<tr><td colspan="10">The Proposal on Adding Implementation Location to the Private Placement Raised Funds Investment Project of Innovation Capacity Building of the Technical Centre was approved at the 13th Meeting of the 9th Board of Directors and the 12th Meeting of the 9th Supervisory Committee of the Company on 22 August 2022. The Company decided to add the sites of certain branches of the Company as the parent and wholly-owned subsidiary Changchai Machinery as locations to place the R&D equipment and implement the R&D project. This change will not re-purpose the raised funds and will help carry forward the technical innovation project.</td></tr>
<tr><td>Implementation of method adjustments to the investment</td><td colspan="10">Not applicable</td></tr>
</table>

projects with the raised funds		
Early investment and placement concerning the investment projects with the raised funds	Applicable	
	Prior to the availability of the raised funds, in order to ensure the smooth implementation of the investment projects with raised funds, the Company used its own funds to invest in part of the investment projects with raised funds and paid part of the issuance expenses. As of 17 June 2021, the cumulative amount of the Company's self-financing funds pre-invested in the investment projects with raised funds was RMB181,803,327.94, the amount of issuance expenses advanced was RMB2,358,490.56, totaling RMB184,161,818.50, and the proposed replacement amount was RMB184,161,818.50. The capitals were verified by the Gongzheng Tianye Accounting Firm (Special General Partnership), and the Verification Report on the Pre-investment of Self-financing Funds into the Investment Project with Raised Funds and the Payment of Issuance Expenses by Self-financing Funds of Changchai Co., Ltd. (S.G.W [2021] E1347) was issued on 25 June 2021. On 28 June 2021, the Third Interim Meeting of the Board of Directors of the Company in 2021 deliberated and approved the Proposal on Replacing the Funds Pre-invested in the Project and Advanced Issuance Expenses with the Raised Funds, agreeing to use the raised funds from the non-public offering of shares to replace the self-financing funds totaling RMB184,161,818.50 that had been pre-invested in the project prior to the availability of the raised funds. In addition, Xingye Securities Co., Ltd. and Donghai Securities Co., Ltd. issued a verification opinion on the use of raised funds to replace self-financing funds that had been invested in advance in the projects with raised funds. For details, see the Announcement on the Use of Raised Funds to Replace Pre-invested Project Funds and Advanced Issue Expenses (Announcement No. 2021-036) published on Cninfo (http://www.cninfo.com.cn) on 30 June 2021.	
Temporary replenishment of working capital with the idle raised funds	Not applicable	
Surplus raised funds for project implementation and reasons for the surplus	Not applicable	
Use and ownership change of unused raised funds	Some are deposited in the special account for raised funds and some temporarily idle raised funds are used to purchase wealth management products	
Problems in the use of raised	On 13 July 2021, the Fourth Interim Meeting of the Board of Directors of the Company in 2021 deliberated and approved the Proposal on Changing the Implementation Entity of	

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

(3) Altered Projects of Raised Funds

□ Applicable √ Not applicable

No such cases in the Reporting Period.

VII Sale of Major Assets and Equity Investments

1. Sale of Major Assets

√ Applicable □ Not applicable

Transaction party	Asset sold	Date of sale	Transaction price (RMB '0,000)	Net profit contributed to the Company from the period-begin to the date of sale (RMB '0,000)	Effect on the Company	Ratio of the net profit contributed by the sale of the asset to the Company's total profit (%)	Pricing principle	Related-party transaction or not	Relationship between the transaction party and the Company (applicable for related-party transa	Ownership of the asset involved has been all	Creditor's rights and liabilities invol	Executed as scheduled or not; if not, give reasons and measures taken	Disclosure date	Index to disclosed information

									ctions)	transferred or not	ved have been all transferred or not			
Changzhou Zhonglou District Housing and Urban-Rural Development Bureau	The Company's properties and its annexes located in Xinxin Village Committee, Wuxing Township	14 June 2023	11,700	0	The Wuxing branch company is one of the Company's light engine production bases, which has ceased production as of the date of sale, and part of the equipment and production lines have been relocated to Jiangsu Changchai Machinery Co., Ltd. which is the implementation body of the light engine and casting relocation project of the non-public offering project. The expropriation will not have a significant impact on the Company's production and operation. The Company will account for the expropriation in	77.44%	The demolition and relocation compensation amount was determined by taking the evaluation result as reference, combining with the local demolition and relocation compensation	No	N/A	N/A	N/A	Yes, implemented as planned	See note 1	

					accordance with the Accounting Standards for Business Enterprises and other relevant regulations.		policy, and mutual consultation on adding relevant relocation compensation, incentives, etc.						

Note 1: See the following announcements disclosed on http://www.cninfo.com.cn:

1) Reminder on the Intention of the People's Government of Zhonglou District, Changzhou City to Expropriate Properties of the Wuxing Branch Company (Announcement No. 2023-016) disclosed on 19 April 2023;

2) Announcement on the Resolutions of the 17th Meeting of the Ninth Board of Directors (Announcement No. 2023-021), and Announcement on the Intention to Sign the Agreement on the Expropriation of the Properties of the Wuxing Branch Company on State-owned Land in Changzhou City and the Compensation (Announcement No. 2023-022), both disclosed on 26 May 2023;

3) Announcement on the Resolutions of the First Extraordinary General Meeting of Shareholders in 2023 (Announcement No. 2023-035) disclosed on 13 June 2023; and

4) Announcement on Progress on the Expropriation of Properties on State-owned Land of the Wuxing Branch Company and the Compensation (Announcement No. 2023-042) disclosed on 29 June 2023.

2. Sale of Major Equity Investments

□ Applicable √ Not applicable

VIII Principal Subsidiaries and Joint Stock Companies

√ Applicable □ Not applicable

Principal subsidiaries and joint stock companies with an over 10% effect on the Company's net profit:

Unit: RMB

Name	Relationship with the Company	Principal activity	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Changchai	Subsidi	Production	55,063,0	153,669,	78,777,8	122,681,	-1,256,37	-1,272,54

Benniu	ary	of diesel engine accessories	00.00	633.65	41.60	208.07	7.50	0.30
Changchai Wanzhou	Subsidiary	Diesel engine assembly	85,000,000.00	71,003,981.46	49,477,076.95	26,190,043.15	976,591.52	212,968.83
Horizon Investment	Subsidiary	External investment and consulting	40,000,000.00	113,700,314.85	95,581,384.34	0.00	19,383,284.61	14,650,282.95
Horizon Agricultural Equipment	Subsidiary	agricultural machinery product of rice transplanter etc.	10,000,000.00	6,824,928.69	-15,647,624.60	3,010,166.17	-593,158.00	-593,158.00
Changchai Robin	Subsidiary	Gasoline engines assembly	37,250,000.00	117,886,692.47	97,562,037.80	82,791,314.55	9,401,412.58	8,180,809.75
Changchai Machinery	Subsidiary	Internal combustion engine and related accessories	300,000,000.00	592,685,799.88	258,078,854.01	43,818,522.52	-19,380,229.04	-19,373,366.46
Xingsheng Real Estate Management	Subsidiary	Real estate management service	1,000,000.00	3,374,315.88	522,108.72	1,207,467.09	-132,801.40	-37,109.32
Zhenjiang Siyang	Subsidiary	Manufacturing and marketing of diesel engines for ships	2,000,000.00	115,324,977.87	97,155,113.08	38,098,312.48	8,214,000.25	6,969,592.70

Subsidiaries obtained or disposed of in the Reporting Period:

□ Applicable √ Not applicable

IX Structured Bodies Controlled by the Company

□ Applicable √ Not applicable

X Risks Facing the Company and Countermeasures

(1) Market risk

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

Countermeasures: First, the Company solidifies the traditional supporting fields, further expands the Company's advantages in the field of agricultural machinery, and continues to promote the mass production of the full range of models that meet the National Emission Standard IV for Non-road Vehicles to ensure the continuous supply level of supply chains and meet market demands.

Second, the Company expands applications in shipborne generator sets, high-speed rice transplanters, cold chain vehicles, excavators and other small construction machinery, conducts in-depth research and development in new areas and development and supporting of key products. The Company further optimises the performance of outboard engines, which have been put into production and introduced to the market in the first half of the year. These engines are for yachts, lifeboats, fishing boats, salvage boats, etc., which are well received.

Third, the Company creates the "internal combustion engine+" mode, actively promotes the application of advanced technologies such as the Internet, big data, artificial intelligence and new materials to product development, further improves the diesel engines' functions of intelligent control, real-time monitoring and big data collection and analysis, accelerates the R&D of intelligent terminals and hybrid power, promotes the products to develop towards the high end, and builds new competitive edges.

(2) Industrial risk

In recent years, the state advocates energy conservation and emission reduction. New energy power represented by pure electric, hybrid power and hydrogen fuel power has grabbed the market share of diesel engine to a certain extent. At present, new energy power is mainly used in vehicles. Its use in agricultural machinery is still facing problems such as high cost and complex operating environment. However, as breakthroughs have been made in new energy battery technology, the local application scenario of diesel engine may be replaced by new energy power.

Countermeasures: First, the Company strengthens exploration in the new energy sector, and actively promotes project construction and development.

Second, the Company makes proper efforts in product R&D, develops efficient and eco-friendly products, and expands new development directions and application areas. At present, the Company is pushing forward in an orderly manner the research and development of the hybrid-electric engine project, installing, debugging and further optimising the project equipment and prototype.

Finally, the Company actively looks for high-quality investment targets in the upstream and downstream of the industry, effectively integrates resources and enhances the quality of development. After the acquisition of Zhenjiang Siyang by the Company, the two sides have been steadily integrating and sharing resources in various areas such as production organisation, procurement system and emission upgrade declaration, which is beneficial to the Company's expansion of its product chain, improvement of its business structure, and promotion of its long-term development.

(3) Foreign trade risk

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

Countermeasures: First, the Company will pay close attention to the relevant dynamics, actively deal with the foreign trade market changes, as well as strengthen the maintenance and management of overseas key markets and customers, so as to increase the market share.

Second, it will intensify efforts in the development of emerging markets and new users, enhance market research, look for new marketing points, and endeavor to improve the sales of high-value-added products.

Third, it pays attention to the risk control of customer payments, improves internal process control, and focuses on timely prevention to solve any possible problems.

(4) Foreign exchange risk

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

Countermeasures: First, the Company will enhance risk control to ensure its capital security, constantly pay attention to the depreciation of currencies and shortage of USD in the market, and lower risk by changing payment methods change and insuring export credit insurance.

Second, the Company will promptly adjust product prices and payment terms to cope with fluctuations in exchange rates and material prices.

(5) Talent risk

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

Countermeasures: First, the Company has stepped up efforts to cultivate and appoint young leaders and recruited more professional talents.

Second, the Company has recruited advanced talents through multiple approaches, and constantly enhanced the development of skill experts, technical and management personnel, and workers and technicians so as to raise the contribution rate of human resources in all respects.

Third, the Company promotes the appraisal and incentive reform programme, improves the appraisal and incentive mechanism for executives, effectively mobilises their enthusiasm, and enhances the efficiency and quality at work.

Part IV Corporate Governance

I Annual and Extraordinary General Meeting Convened during the Reporting Period

1. General Meetings Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Date of the meeting	Date of disclosure	Index to disclosed information
The 2022 Annual General Meeting	Annual general meeting	32.52%	18 May 2023	19 May 2023	All proposals were approved. See Announcement No. 2023-020 on Resolutions of the 2022 Annual General Meeting.
The First Extraordinary General Meeting in 2023	Extraordinary general meeting	32.33%	12 June 2023	13 June 2023	All proposals were approved. See Announcement No. 2023-035 on Resolutions of the First Extraordinary General Meeting in 2023.

2. Extraordinary General Meetings Convened at the Request of Preference Shareholders with Resumed Voting Rights

□ Applicable √ Not applicable

II Change of Directors, Supervisors and Senior Management

√ Applicable □ Not applicable

Name	Title of office	Type of change	Date	Reason
Li Desen	Chairman of the Board	Elected	12 June 2023	Re-election
Zhang Xin	Vice Chairman of the Board	Elected	12 June 2023	Re-election
Xie Guozhong	Director	Elected	12 June 2023	Re-election
Tan Jie	Director	Elected	12 June 2023	Re-election
Jia Bin	Independent Director	Elected	12 June 2023	Re-election
Ni Mingliang	Chairman of the Supervisory	Elected	12 June 2023	Re-election

	Committee			
Shi Xingyu	Supervisor	Elected	12 June 2023	Re-election
Lin Wei	Supervisor	Elected	12 June 2023	Re-election
Xie Guozhong	General Manager	Appointed	12 June 2023	Appointed by the Board of Directors
Wang Jing	Deputy General Manager	Appointed	12 June 2023	Appointed by the Board of Directors
Wang Weifeng	Chief Engineer	Appointed	12 June 2023	Appointed by the Board of Directors
Shi Xinkun	Chairman of the Board	Left office upon the expiry of the term of office	12 June 2023	Left office upon the expiry of the term of office
Lin Tian	Director	Left office upon the expiry of the term of office	12 June 2023	Left office upon the expiry of the term of office
Xu Yi	Director and Deputy General Manager	Left office upon the expiry of the term of office	12 June 2023	Left office upon the expiry of the term of office
Xing Min	Independent Director	Left office upon the expiry of the term of office	12 June 2023	Left office upon the expiry of the term of office
Zhang Xin	General Manager	Left office upon the expiry of the term of office	12 June 2023	Left office upon the expiry of the term of office
Yin Lihou	Deputy General Manager	Left office upon the expiry of the term of office	12 June 2023	Left office upon the expiry of the term of office
Xie Guozhong	Deputy General Manager	Left office upon the expiry of the term of office	12 June 2023	Left office upon the expiry of the term of office
He Jianguang	Chairman of the Supervisory Committee	Left office upon the expiry of the term of office	12 June 2023	Left office upon the expiry of the term of office
Chen Lijia	Supervisor	Left office upon the expiry of the term of office	12 June 2023	Left office upon the expiry of the term of office
Ge Jiangli	Supervisor	Left office upon the expiry of the term of office	12 June 2023	Left office upon the expiry of the term of office

III Interim Dividend Plan

□ Applicable √ Not applicable

The Company has no interim dividend plan, either in the form of cash or stock.

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

□ Applicable √ Not applicable

No such cases in the Reporting Period.

Part V Environmental and Social Responsibility

I Major Environmental Issues

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

□ Yes √ No

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

Other environmental information with reference to a key polluter:

The company and its subsidiaries are not listed as key pollutant discharge units by the environmental protection department. The company and its subsidiaries conscientiously implement environmental protection laws and regulations such as the Environmental Protection Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China, the Environmental Noise Pollution Prevention and Control Law of the People's Republic of China, and the Solid Waste Pollution Prevention and Control Law of the People's Republic of China in their daily production and operation, and pay environmental protection taxes in accordance with the law, There were no penalties for environmental violations during the Reporting Period.

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

√ Applicable □Not applicable

The company adheres to a healthy, green, and harmonious development model, continuously promoting recyclable products and environmentally friendly materials to achieve the goal of reducing pollution and carbon emissions. During the reporting period, the comprehensive energy consumption of the company's output value was 0.014 tons of standard coal, compared to 0.02 tons of standard coal in the same period last year, a year-on-year decrease of 30%.

Reasons for not disclosing other environment-related information:

N/A

II Social Responsibility

In the Reporting Period, the Company adhered to the core values of "Customer First, Employee Oriented, Enhancing Shareholder Returns, and Creating Value for Society", and took "Providing Green Power for a Better Life" as its mission, and operated steadily around its operational policy. Also, the Company conscientiously fulfilled its responsibilities and obligations to shareholders, employees, consumers, suppliers and other parties, in an effort to achieve win-win outcomes for all parties, and to take an active part in the construction of a harmonious society.

In strict accordance with the requirements of the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies, the Listing Rules of Shenzhen Stock Exchange, other relevant laws and regulations and the Articles of Association, the Company standardized its operation, and formed an internal management and control policy system in which the Shareholders' General Meeting, the Board of Directors and the Supervisory Committee restrict each other and operate effectively. According to the internal control policy system, the Company defined the responsibilities and authorities for parties in charge of decision-making, execution and supervision, effectively divided responsibilities and formed a balance mechanism, and continuously improved the standardized operation level of the Company.

Protection of the rights and interests of investors: The Company has exercised its functions and powers in strict accordance with relevant laws and regulations to effectively protect the rights and interests of all shareholders. In the Reporting Period, the Company conducted an online results presentation of Annual Report 2022, earnestly organized the management of investors, communicated with shareholders effectively, accurately and completely, and treated all shareholders fairly. The Company complied with the dividend commitment and completed the payment of the 2022 final dividend of RMB7.0569 million during the Reporting Period. The Company's information disclosure is legal and compliant, and the content disclosed is true, accurate and complete to safeguard shareholders' right to know, and provide investors with a sufficient investment basis. The Company attaches great importance to the management of insider information. In the Reporting Period, there was no insider trading or damage to the interests of shareholders.

Protection of creditors' equity: The Company established a systematic internal control system that covers financial management, investment management, financing management, asset management, fund management, accounting management and current account management. Moreover, prudent financial management plan was implemented, accounting supervision was conducted in accordance with the law, and the Company's assets were effectively utilized to improve the Company's economic benefits and ensure the security of the Company's assets and funds effectively.

Protection of employees' rights and interests: The Company upholds the people-oriented concept in talent management. Specifically, the Company paid attention to the comprehensive ability improvement and personal career development of employees, and improved and developed employees' abilities by combining theory and practice. The Company has made considerate arrangements for employees, including festive perks, health check-ups, medical recuperation, benefits provided through the labor union service cards, assistance to employees in need, and other philanthropic initiatives. The Company actively improved the working environment of employees, and properly monitored employees' health to effectively guarantee the occupational safety and health of employees. The Company has strictly observed the Labor Law and the Labor Contract Law, protected the legitimate rights and interests of employees according to law, properly addressed reasonable needs of employees, and built harmonious and stable relations between employees and employer.

Protection of the rights and interests of customers and consumers: The Company has established good long-term partnerships with its customers, is committed to providing customers with quality, efficient and timely services, and has been recognized and honored as a high-quality supplier by many customers. Additionally, the Company has been awarded the honorable titles of Excellent Supplier of World Agriculture Machinery and Excellent Supplier of Dongfeng Agricultural Machinery for several consecutive years. During the Reporting Period, the Company won the prestigious title of the National Model Enterprise for Trustworthy Product and Service Quality. Additionally, it conducted multiple training sessions on products compliant with the National Emission Standard IV in the market and continuously enhanced the skills of its market service personnel and integrated social service resources to deliver services in line with the National Emission Standard IV.

Protection of suppliers’ rights and interests: The Company enhanced supplier management while observing the Contract on the Application and Procurement of Parts and the Quality Assurance Agreement for Suppliers, optimized the capacity and supply allocation for parts, intensified inventory and plan management, and paid suppliers for the goods promptly pursuant to the contracts. According to the assessment results and actual supply situation, the Company constantly has adjusted and optimized its supply system, and supported the technology growth and progress of suppliers, in an effort to create a virtuous cycle of supply relations.

In terms of safe production, to build a safe Changchai, the Company fully implemented policies and emergency response mechanisms for security protection and fire safety. Additionally, it launched the “Life above All, Eliminate All Hazards” special action on fire safety and pushed ahead with remediation measures by the timeline of the special action. In the process, four fire drills were organized.

In terms of cultural development, on its 110th anniversary, the Company fully showcased its new image in innovation, product R&D, equipment enhancement, quality improvement, and corporate culture development. Additionally, it launched multiple themed activities, such as the “Celebrate the 110th Anniversary, Display Our Presence” orienteering hiking for employees, to display the Company’s presence on all fronts from multiple perspectives, enhance the Company’s cohesion and motivation for growth, and boost the employees’ sense of belonging and obtainment. Moreover, during the period, the Company cooperated with the Economy 30 Minutes program of China Central Television (“CCTV”) to shoot a special report on strengthening the weak spots in domestic agricultural machinery. It also enhanced the publicity of Changchai’s brand image and new flagship products. Doing so continuously boosted Changchai’s “Centennial Changchai, Timeless Classic” positive image.

The Company actively promoted the R&D of high-quality products, accelerated product update, and promoted the application of products to serve the construction of agriculture, rural areas and farmers. The Company continued to implement energy conservation and emission reduction measures to improve energy efficiency, reduce consumption and protect the environment. The Company took solid steps for charity to give back to society. The Company always remembers its social responsibilities, and has made contributions to social development with practical actions.

Part VI Significant Events

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

√ Applicable □ Not applicable

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

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

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

□ Applicable √ Not applicable

No such cases in the Reporting Period.

III Irregularities in the Provision of Guarantees

□ Applicable √ Not applicable

No such cases in the Reporting Period.

IV Engagement and Disengagement of Independent Auditor

Are the interim financial statements audited?

□ Yes √ No

The interim financial statements are unaudited.

V Explanations Given by the Board of Directors and the Supervisory Committee Regarding the Independent Auditor's “Modified Opinion” on the Financial Statements of the Reporting Period

□ Applicable √ Not applicable

VI Explanations Given by the Board of Directors Regarding the Independent Auditor's “Modified Opinion” on the Financial Statements of Last Year

□ Applicable √ Not applicable

VII Insolvency and Reorganization

□ Applicable √ Not applicable

No such cases in the Reporting Period.

VIII Legal Matters

Significant lawsuits and arbitrations:

□ Applicable √ Not applicable

No such cases in the Reporting Period.

Other legal matters:

□ Applicable √ Not applicable

IX Punishments and Rectifications

□ Applicable √ Not applicable

X Credit Quality of the Company as well as its Controlling Shareholder and De Facto Controller

√ Applicable □ Not applicable

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

XI Major Related-Party Transactions

1. Continuing Related-Party Transactions

□ Applicable √ Not applicable

No such cases in the Reporting Period.

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

□ Applicable √ Not applicable

No such cases in the Reporting Period.

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

□ Applicable √ Not applicable

No such cases in the Reporting Period.

4. Amounts Due to and from Related Parties

□ Applicable √ Not applicable

No such cases in the Reporting Period.

5. Transactions with Related Finance Companies

□ Applicable √ Not applicable

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

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

□ Applicable √ Not applicable

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

7. Other Major Related-Party Transactions

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XII Major Contracts and Execution thereof

1. Entrustment, Contracting and Leases

(1) Entrustment

□ Applicable √ Not applicable

No such cases in the Reporting Period.

(2) Contracting

□ Applicable √ Not applicable

No such cases in the Reporting Period.

(3) Leases

□ Applicable √ Not applicable

No such cases in the Reporting Period.

2. Major Guarantees

□ Applicable √ Not applicable

No such cases in the Reporting Period.

3. Cash Entrusted for Wealth Management

√ Applicable □ Not applicable

Unit: RMB'0,000

Type	Funding source	Amount	Undue amount	Unrecovered overdue amount	Impairment allowance for unrecovered overdue amount
Bank financial products	Raised funds	10,000.00	5,000.00	0.00	0.00
Broker financial products	Self-funded	1,565.39	1,266.09	0.00	0.00

Bank financial products	Self-funded	33,500.00	20,070.00	0.00	0.00
Total		45,065.39	26,336.09	0.00	0.00

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

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

4. Other Major Contracts

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XIII Other Significant Events

√ Applicable □ Not applicable

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

On 25 May 2023, the Proposal on the Intention to Sign the Agreement on the Expropriation of the Properties of the Wuxing Branch Company on State-owned Land in Changzhou City and the Compensation was approved at the 17th Meeting of the Ninth Board of Directors. Later, the said matter was approved at the First Extraordinary General Meeting of Shareholders in 2023 dated 12 June 2023. As such, the Company was agreed to sign a contract with Changzhou Zhonglou District Housing and Urban-Rural Development Bureau on the expropriation of the Wuxing branch company's properties on state-owned land and the compensation, with the contractual total compensation amount being RMB117 million. On 14 June 2023, the Company signed the Agreement on the Expropriation of the Properties of the Wuxing Branch Company on State-owned Land in Changzhou City and the Compensation with Changzhou Zhonglou District Housing and Urban-Rural Development Bureau, and received the first compensation payment of RMB70 million on 28 June 2023.

XIV Significant Events of Subsidiaries

□ Applicable √ Not applicable

Part VII Share Changes and Shareholder Information

I Share Changes

1. Share Changes

Unit: share

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

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

listed foreign shares									
2.3 Oversea listed foreign shares	0	0.00%					0	0	0.00%
2.4 Other	0	0.00%					0	0	0.00%
3. Total shares	705,692,507	100.00%					0	705,692,507	100.00%

Reasons for the share changes:

□ Applicable √ Not applicable

Approval of the share changes:

□ Applicable √ Not applicable

Transfer of share ownership:

□ Applicable √ Not applicable

Progress on any share repurchase:

□ Applicable √ Not applicable

Progress on reducing the repurchased shares by means of centralized bidding:

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

2. Changes in Restricted Shares

□ Applicable √ Not applicable

II. Issuance and Listing of Securities

□ Applicable √ Not applicable

III Shareholders and Their Holdings

Unit: share

Number of ordinary	51,091	Number of preference shareholders	0

shareholders			with resumed voting rights (if any)					
5% or greater ordinary shareholders or the top 10 ordinary shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage	Ordinary shares held	Increase/decrease in the Reporting Period	Restricted ordinary shares held	Unrestricted ordinary shares held	Shares in pledge or frozen	
							Status	Shares
Changzhou Investment Group Co., Ltd	State-owned legal person	32.26%	227,663,417		56,818,181	170,845,236		
Chen Jian	Domestic natural person	0.65%	4,580,300			4,580,300		
KGI ASIA LIMITED	Foreign legal person	0.44%	3,101,695			3,101,695		
Huatai Securities Co., Ltd.	State-owned legal person	0.38%	2,667,721			2,667,721		
China Minsheng Bank-Goldstate Yuanqi Dynamic Asset Allocation Mixed Type Securities Investment Fund	Other	0.27%	1,880,000			1,880,000		
Li Suinan	Domestic natural person	0.23%	1,591,300			1,591,300		
Huang Guoliang	Domestic natural person	0.22%	1,528,891			1,528,891		
Xue Hong	Domestic natural person	0.21%	1,516,900			1,516,900		
Xu Qingguo	Domestic natural person	0.21%	1,500,300			1,500,300		
Bank of China Co., Ltd.-GFund Quantified Multifactor Equity Securities Investment Fund	Other	0.21%	1,456,200			1,456,200		
Strategic investor or general legal person becoming a top-10 ordinary shareholder in a rights issue (if any)		N/A						

Related or acting-in-concert parties among the shareholders above	It is unknown whether there is among the top 10 public shareholders and the top 10 unrestricted public shareholders any related parties or acting-in-concert parties as defined in the Administrative Measures for Information Regarding Shareholding Alteration.		
Explain if any of the shareholders above was involved in entrusting/being entrusted with voting rights or waiving voting rights	N/A		
Special account for share repurchases (if any) among the top 10 shareholders	N/A		
Top 10 unrestricted shareholders			
Name of shareholder	Unrestricted ordinary shares held	Shares by class	
		Class	Shares
Changzhou Investment Group Co., Ltd	170,845,236	RMB-denominated ordinary share	170,845,236
Chen Jian	4,580,300	RMB-denominated ordinary share	4,580,300
KGI ASIA LIMITED	3,101,695	Domestically listed foreign share	3,101,695
Huatai Securities Co., Ltd.	2,667,721	RMB-denominated ordinary share	2,667,721
China Minsheng Bank-Goldstate Yuanqi Dynamic Asset Allocation Mixed Type Securities Investment Fund	1,880,000	RMB-denominated ordinary share	1,880,000
Li Suinan	1,591,300	Domestically listed foreign share	1,591,300
Huang Guoliang	1,528,891	Domestically listed foreign share	1,528,891
Xue Hong	1,516,900	Domestically listed foreign share	1,516,900
Xu Qingguo	1,500,300	RMB-denominated ordinary share	1,500,300
Bank of China Co., Ltd.-GFund Quantified Multifactor Equity Securities Investment Fund	1,456,200	RMB-denominated ordinary share	1,456,200
Related or acting-in-concert parties among the top 10 unrestricted ordinary shareholders, as well as between the top 10 unrestricted ordinary	It is unknown whether there is among the top 10 public shareholders and the top 10 unrestricted public shareholders any related parties or acting-in-concert parties as defined in the Administrative Measures for Information Regarding Shareholding Alteration.		

shareholders and the top 10 ordinary shareholders	
Top 10 ordinary shareholders involved in securities margin trading (if any)	Shareholder Chen Jian held 2,917,800 shares in the Company through his margin account.

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

□ Yes √ No

No such cases in the Reporting Period.

IV Change in Shareholdings of Directors, Supervisors and Senior Management

□ Applicable √ Not applicable

No changes occurred to the shareholdings of the directors, supervisors and senior management in the Reporting Period. See the 2022 Annual Report for more details.

V Change of the Controlling Shareholder or the De Facto Controller

Change of the controlling shareholder in the Reporting Period

□ Applicable √ Not applicable

No such cases in the Reporting Period.

Change of the de facto controller in the Reporting Period

□ Applicable √ Not applicable

No such cases in the Reporting Period.

Part VIII Preference Shares

□ Applicable √ Not applicable

No preference shares in the Reporting Period.

Part IX Bonds

□ Applicable √ Not applicable

Part X Financial Statements

I Independent Auditor’s Report

Are these interim financial statements audited by an independent auditor?

□ Yes √ No

These interim financial statements have not been audited by an independent auditor.

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 2023

Unit: RMB

Item	30 June 2023	1 January 2023
Current assets:		
Monetary assets	851,514,113.92	930,013,350.97
Settlement reserve		
Interbank loans granted		
Held-for-trading financial assets	361,470,809.32	370,103,602.57
Derivative financial assets		
Notes receivable	303,323,811.21	297,125,872.54
Accounts receivable	934,790,431.84	370,322,179.77
Accounts receivable financing	73,649,132.14	242,813,392.79
Prepayments	13,987,786.33	6,330,202.69
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Other receivables	86,055,608.38	32,938,305.16
Including: Interest receivable		
Dividends receivable	323,730.00	
Financial assets purchased under		

resale agreements		
Inventories	557,524,141.36	571,996,881.74
Contract assets		
Assets held for sale		
Current portion of non-current assets		
Other current assets	6,821,658.96	49,279,022.49
Total current assets	3,189,137,493.46	2,870,922,810.72
Non-current assets:		
Loans and advances to customers		
Investments in debt obligations	40,015,268.70	39,309,587.93
Investments in other debt obligations		
Long-term receivables		
Long-term equity investments		
Investments in other equity instruments	1,042,219,240.08	955,560,240.08
Other non-current financial assets	373,500,000.00	373,500,000.00
Investment property	40,942,541.87	42,160,779.65
Fixed assets	683,448,533.29	720,061,387.76
Construction in progress	30,905,577.10	30,281,547.56
Productive living assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	149,758,450.45	157,392,217.54
Development costs		
Goodwill		
Long-term prepaid expense	3,145,658.61	3,279,970.32
Deferred income tax assets	4,617,363.32	26,220,575.93
Other non-current assets	1,393,241.19	670,735.93
Total non-current assets	2,369,945,874.61	2,348,437,042.70
Total assets	5,559,083,368.07	5,219,359,853.42
Current liabilities:		
Short-term borrowings	110,447,699.49	115,437,700.65

Borrowings from the central bank		
Interbank loans obtained		
Held-for-trading financial liabilities		
Derivative financial liabilities		
Notes payable	702,452,311.45	471,876,397.72
Accounts payable	647,261,475.07	747,010,098.88
Advances from customers	815,054.54	837,425.55
Contract liabilities	33,094,812.97	32,843,692.83
Financial assets sold under repurchase agreements		
Customer deposits and interbank deposits		
Payables for acting trading of securities		
Payables for underwriting of securities		
Employee benefits payable	13,799,549.93	49,351,022.47
Taxes payable	5,326,332.75	8,570,175.39
Other payables	162,180,812.51	160,046,882.93
Including: Interest payable		
Dividends payable	3,891,433.83	3,891,433.83
Handling charges and commissions payable		
Reinsurance payables		
Liabilities directly associated with assets held for sale		
Current portion of non-current liabilities		
Other current liabilities	108,306,935.42	78,645,741.16
Total current liabilities	1,783,684,984.13	1,664,619,137.58
Non-current liabilities:		
Insurance contract reserve		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		

Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Provisions		
Deferred income	34,500,761.21	36,205,625.94
Deferred income tax liabilities	178,842,024.98	161,360,251.33
Other non-current liabilities		
Total non-current liabilities	213,342,786.19	197,565,877.27
Total liabilities	1,997,027,770.32	1,862,185,014.85
Owners' equity:		
Share capital	705,692,507.00	705,692,507.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	640,133,963.01	640,133,963.01
Less: Treasury stock		
Other comprehensive income	729,001,854.07	655,341,704.07
Specific reserve	21,026,667.08	18,848,856.75
Surplus reserves	349,197,725.72	349,197,725.72
General reserve		
Retained earnings	1,040,376,308.94	915,495,909.35
Total equity attributable to owners of the Company as the parent	3,485,429,025.82	3,284,710,665.90
Non-controlling interests	76,626,571.93	72,464,172.67
Total owners' equity	3,562,055,597.75	3,357,174,838.57
Total liabilities and owners' equity	5,559,083,368.07	5,219,359,853.42

Legal representative: Xie Guozhong General Manager: Xie Guozhong

Head of the accounting department: Jiang He

2. Balance Sheet of the Company as the Parent

Unit: RMB

Item	30 June 2023	1 January 2023
Current assets:		
Monetary assets	691,752,491.28	792,744,709.77
Held-for-trading financial assets	250,354,111.11	280,354,111.11
Derivative financial assets		
Notes receivable	271,518,313.78	282,556,327.54
Accounts receivable	881,319,079.38	329,060,940.50
Accounts receivable financing	127,421,331.00	291,837,385.00
Prepayments	11,595,756.22	3,097,586.07
Other receivables	360,599,343.16	179,596,495.57
Including: Interest receivable		
Dividends receivable		
Inventories	365,868,555.83	397,626,837.43
Contract assets		
Assets held for sale		
Current portion of non-current assets		
Other current assets	3,899,274.38	15,594,949.05
Total current assets	2,964,328,256.14	2,572,469,342.04
Non-current assets:		
Investments in debt obligations	40,015,268.70	39,309,587.93
Investments in other debt obligations		
Long-term receivables		
Long-term equity investments	569,273,530.03	569,273,530.03
Investments in other equity instruments	1,042,219,240.08	955,560,240.08
Other non-current financial assets	373,500,000.00	373,500,000.00
Investment property	40,942,541.87	42,160,779.65
Fixed assets	227,448,700.45	249,558,305.21
Construction in progress	19,479,659.35	18,366,604.84

Productive living assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	58,585,924.15	64,783,364.89
Development costs		
Goodwill		
Long-term prepaid expense		
Deferred income tax assets	182,217.62	19,860,262.43
Other non-current assets		
Total non-current assets	2,371,647,082.25	2,332,372,675.06
Total assets	5,335,975,338.39	4,904,842,017.10
Current liabilities:		
Short-term borrowings	107,447,699.49	108,437,700.65
Held-for-trading financial liabilities		
Derivative financial liabilities		
Notes payable	749,494,510.31	518,918,596.58
Accounts payable	529,683,922.85	541,911,517.64
Advances from customers		837,425.55
Contract liabilities	25,822,486.68	24,129,579.35
Employee benefits payable	4,814,304.67	41,558,489.86
Taxes payable	2,131,290.34	3,119,171.69
Other payables	150,757,906.83	151,206,684.89
Including: Interest payable		
Dividends payable	3,243,179.97	3,243,179.97
Liabilities directly associated with assets held for sale		
Current portion of non-current liabilities		
Other current liabilities	107,037,385.15	67,810,395.33
Total current liabilities	1,677,189,506.32	1,457,929,561.54
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		

Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Provisions		
Deferred income	34,500,761.21	36,205,625.94
Deferred income tax liabilities	161,790,514.83	149,039,152.68
Other non-current liabilities		
Total non-current liabilities	196,291,276.04	185,244,778.62
Total liabilities	1,873,480,782.36	1,643,174,340.16
Owners' equity:		
Share capital	705,692,507.00	705,692,507.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	659,418,700.67	659,418,700.67
Less: Treasury stock		
Other comprehensive income	729,001,854.07	655,341,704.07
Specific reserve	21,026,667.08	18,848,856.75
Surplus reserves	349,197,725.72	349,197,725.72
Retained earnings	998,157,101.49	873,168,182.73
Total owners' equity	3,462,494,556.03	3,261,667,676.94
Total liabilities and owners' equity	5,335,975,338.39	4,904,842,017.10

Legal representative: Xie Guozhong General Manager: Xie Guozhong

Head of the accounting department: Jiang He

3. Consolidated Income Statement

Unit: RMB

Item	H1 2023	H1 2022
1. Revenue	1,350,517,639.85	1,178,222,492.04
Including: Operating revenue	1,350,517,639.85	1,178,222,492.04
Interest income		
Insurance premium income		
Handling charge and commission income		
2. Costs and expenses	1,322,596,281.11	1,175,890,460.94
Including: Cost of sales	1,168,898,203.83	1,051,395,232.42
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	7,827,255.58	5,360,425.54
Selling expense	62,131,032.17	51,759,201.38
Administrative expense	52,877,371.06	40,216,534.11
R&D expense	35,839,071.42	40,159,787.47
Finance costs	-4,976,652.95	-13,000,719.98
Including: Interest expense	3,343,884.90	3,276,786.93
Interest income	4,264,102.18	6,634,812.22
Add: Other income	3,299,056.52	1,602,830.77
Return on investment ("-" for loss)	3,226,921.70	11,744,282.88
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)	19,360,455.86	-30,488,388.88
Credit impairment loss ("-" for loss)	-14,547,351.17	-11,932,826.66
Asset impairment loss ("-" for loss)	-565,273.49	4,342,775.64
Asset disposal income ("-" for loss)	105,395,693.25	-361,395.36
3. Operating profit ("-" for loss)	144,090,861.41	-22,760,690.51
Add: Non-operating income	495,538.97	2,349,897.18
Less: Non-operating expense	1,297,348.13	392,257.24
4. Profit before tax ("-" for loss)	143,289,052.25	-20,803,050.57

Less: Income tax expense	7,189,328.33	-6,206,048.88
5. Net profit ("-" for net loss)	136,099,723.92	-14,597,001.69
5.1 By operating continuity		
5.1.1 Net profit from continuing operations ("-" for net loss)	136,099,723.92	-14,597,001.69
5.1.2 Net profit from discontinued operations ("-" for net loss)		
5.2 By ownership		
5.2.1 Net profit attributable to owners of the Company as the parent	131,937,324.66	-14,595,269.61
5.2.1 Net profit attributable to non-controlling interests	4,162,399.26	-1,732.08
6. Other comprehensive income, net of tax	73,660,150.00	-49,265,150.00
Attributable to owners of the Company as the parent	73,660,150.00	-49,265,150.00
6.1 Items that will not be reclassified to profit or loss	73,660,150.00	-49,265,150.00
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	73,660,150.00	-49,265,150.00
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	209,759,873.92	-63,862,151.69
Attributable to owners of the Company as the parent	205,597,474.66	-63,860,419.61
Attributable to non-controlling interests	4,162,399.26	-1,732.08
8. Earnings per share		
8.1 Basic earnings per share	0.1870	-0.0207

8.2 Diluted earnings per share	0.1870	-0.0207

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	H1 2023	H1 2022
1. Operating revenue	1,245,166,233.55	1,078,301,529.20
Less: Cost of sales	1,092,404,343.46	970,973,105.63
Taxes and surcharges	4,338,250.54	3,155,384.25
Selling expense	55,517,272.45	46,868,501.97
Administrative expense	37,544,625.71	30,805,739.43
R&D expense	31,151,256.18	38,111,512.10
Finance costs	-8,436,313.24	-12,522,766.90
Including: Interest expense	1,562,299.35	2,512,056.83
Interest income	7,952,110.19	6,463,613.32
Add: Other income	3,200,820.43	1,591,699.00
Return on investment (“-” for loss)	2,732,242.23	11,181,384.11
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)	354,111.11	677,397.27
Credit impairment loss (“-” for loss)	-11,755,063.73	-18,418,259.44
Asset impairment loss (“-” for loss)	-410,653.17	4,630,554.88
Asset disposal income (“-” for loss)	105,393,483.13	3,985,814.42
2. Operating profit (“-” for loss)	132,161,738.45	4,558,642.96
Add: Non-operating income		106,436.47
Less: Non-operating expense	363,382.47	551,906.60
3. Profit before tax (“-” for loss)	131,798,355.98	4,113,172.83
Less: Income tax expense	-247,487.85	0.00
4. Net profit (“-” for net loss)	132,045,843.83	4,113,172.83
4.1 Net profit from continuing operations (“-” for net loss)	132,045,843.83	4,113,172.83
4.2 Net profit from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of tax	73,660,150.00	-49,265,150.00
5.1 Items that will not be reclassified to profit or loss	73,660,150.00	-49,265,150.00
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	73,660,150.00	-49,265,150.00

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	205,705,993.83	-45,151,977.17
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	H1 2023	H1 2022
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	1,010,313,942.34	852,422,695.04
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	69,957,787.95	21,003,040.54
Cash generated from other operating activities	11,524,017.72	15,868,307.49
Subtotal of cash generated from operating activities	1,091,795,748.01	889,294,043.07
Payments for commodities and services	918,215,681.86	692,753,586.82
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	174,060,228.57	171,587,076.85
Taxes paid	23,195,064.69	22,071,086.33
Cash used in other operating activities	81,121,589.64	77,182,794.19
Subtotal of cash used in operating activities	1,196,592,564.76	963,594,544.19
Net cash generated from/used in operating activities	-104,796,816.75	-74,300,501.12
2. Cash flows from investing activities:		
Proceeds from disinvestment	623,016,751.99	60,336,793.52
Return on investment	4,508,124.22	11,678,930.55
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	57,844,735.80	176.99
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities		169,856.31
Subtotal of cash generated from investing activities	685,369,612.01	72,185,757.37
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	135,352,075.57	32,486,960.27

Payments for investments	595,377,614.00	126,279,631.00
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	730,729,689.57	158,766,591.27
Net cash generated from/used in investing activities	-45,360,077.56	-86,580,833.90
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		49,395,924.99
Subtotal of cash generated from financing activities		49,395,924.99
Repayment of borrowings		
Interest and dividends paid	8,886,489.92	18,895,164.72
Including: Dividends paid by subsidiaries to non-controlling interests		
Cash used in other financing activities		2,604,075.01
Subtotal of cash used in financing activities	8,886,489.92	21,499,239.73
Net cash generated from/used in financing activities	-8,886,489.92	27,896,685.26
4. Effect of foreign exchange rates changes on cash and cash equivalents		
5. Net increase in cash and cash equivalents	-159,043,384.23	-132,984,649.76
Add: Cash and cash equivalents, beginning of the period	810,350,966.05	573,623,529.10
6. Cash and cash equivalents, end of the period	651,307,581.82	440,638,879.34

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	H1 2023	H1 2022
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	882,438,846.47	786,613,668.93
Tax rebates	20,491,423.94	15,030,607.99
Cash generated from other operating activities	9,587,042.20	11,394,587.24
Subtotal of cash generated from operating activities	912,517,312.61	813,038,864.16
Payments for commodities and services	774,101,281.20	656,683,755.72
Cash paid to and for employees	139,789,044.66	142,487,390.71
Taxes paid	7,394,673.54	17,126,241.78
Cash used in other operating activities	247,440,184.71	65,961,229.60
Subtotal of cash used in operating activities	1,168,725,184.11	882,258,617.81
Net cash generated from/used in operating activities	-256,207,871.50	-69,219,753.65
2. Cash flows from investing activities:		
Proceeds from disinvestment	610,000,000.00	
Return on investment	4,337,174.74	11,181,384.11
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	57,813,485.80	
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities		
Subtotal of cash generated from investing activities	672,150,660.54	11,181,384.11
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	8,705,239.80	3,984,411.73
Payments for investments	580,000,000.00	53,520,800.00
Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities		
Subtotal of cash used in investing activities	588,705,239.80	57,505,211.73
Net cash generated from/used in investing activities	83,445,420.74	-46,323,827.62
3. Cash flows from financing activities:		
Capital contributions received		
Borrowings raised		
Cash generated from other financing activities		49,395,924.99
Subtotal of cash generated from financing activities		49,395,924.99
Repayment of borrowings		
Interest and dividends paid	8,773,914.91	18,348,005.18
Cash used in other financing activities		47,604,075.01
Subtotal of cash used in financing activities	8,773,914.91	65,952,080.19
Net cash generated from/used in financing activities	-8,773,914.91	-16,556,155.20
4. Effect of foreign exchange rates changes on cash and cash		

equivalents		
5. Net increase in cash and cash equivalents	-181,536,365.67	-132,099,736.47
Add: Cash and cash equivalents, beginning of the period	704,659,776.14	476,410,739.41
6. Cash and cash equivalents, end of the period	523,123,410.47	344,311,002.94

Legal representative: Xie Guozhong General Manager: Xie Guozhong

Head of the accounting department: Jiang He

7. Consolidated Statements of Changes in Owners' Equity

H1 2023

Unit: RMB

Item	H1 2023														
	Equity attributable to owners of the Company as the parent													Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings	Other	Subtotal		
		Preferred shares	Perpetual bonds	Other											
1. Balance as at the end of the period of prior year	705,692,507.00				640,133,963.01		655,341,704.07	18,848,856.75	349,197,725.72		915,495,909.35		3,284,710,665.90	72,464,172.67	3,357,174,838.57
Add: Adjustment for change in accounting policy															

Adjustment for correction of previous error															
Adjustment for business combination under common control															
Other adjustments															
2. Balance as at the beginning of the Reporting Period	705,692,507.00				640,133,963.01		655,341,704.07	18,848,856.75	349,197,725.72		915,495,909.35		3,284,710,665.90	72,464,172.67	3,357,174,838.57
3. Increase/ decrease in the period (“-” for decrease)							73,660,150.00	2,177,810.33			124,880,399.59		200,718,359.92	4,162,399.26	204,880,759.18
3.1 Total comprehensive income							73,660,150.00				131,937,324.66		205,597,474.66	4,162,399.26	209,759,873.92
3.2 Capital increased and reduced by owners															
3.2.1 Ordinary shares increased by owners															
3.2.2 Capital increased by holders of other equity instruments															
3.2.3 Share-based payments included in owners’ equity															
3.2.4 Other															
3.3 Profit distribution											-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 owners (or shareholders)											-7,056,925.07		-7,056,925.07		-7,056,925.07
3.3.4 Other															
3.4 Transfers within owners' equity															
3.4.1 Increase in capital (or share capital) from capital reserves															
3.4.2 Increase in capital (or share capital) from surplus reserves															
3.4.3 Loss offset by surplus reserves															
3.4.4 Changes in defined benefit schemes transferred to retained earnings															
3.4.5 Other comprehensive income transferred to retained earnings															
3.4.6 Other															
3.5 Specific reserve								2,177,810.33					2,177,810.33		2,177,810.33
3.5.1 Increase in the period								4,598,473.04					4,598,473.04		4,598,473.04
3.5.2 Used in the period								2,420,662.71					2,420,662.71		2,420,662.71
3.6 Other															
4. Balance as at the end of the Reporting Period	705,692,507.00				640,133,963.01		729,001,854.07	21,026,667.08	349,197,725.72		1,040,376,308.94		3,485,429,025.82	76,626,571.93	3,562,055,597.75

H1 2022

Unit: RMB

Item	H1 2022														
	Equity attributable to owners of the Company as the parent													Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings	Other	Subtotal		
		Preferred shares	Perpetual bonds	Other											
1. Balance as at the end of the period of prior year	705,692,507.00				640,676,218.40		506,011,499.55	18,812,950.04	334,144,488.46		872,212,354.88		3,077,550,018.33	19,424,230.98	3,096,974,249.31
Add: Adjustment for change in accounting policy															
Adjustment for correction of previous error															

Adjustment for business combination under common control															
Other adjustments															
2. Balance as at the beginning of the Reporting Period	705,692,507.00				640,676,218.40		506,011,499.55	18,812,950.04	334,144,488.46		872,212,354.88		3,077,550,018.33	19,424,230.98	3,096,974,249.31
3. Increase/ decrease in the period ("-" for decrease)					-542,255.39		-49,265,150.00				-32,943,274.79		-82,750,680.18	50,331,824.28	-32,418,855.90
3.1 Total comprehensive income							-49,265,150.00				-14,595,269.61		-63,860,419.61	-1,732.08	-63,862,151.69
3.2 Capital increased and reduced by owners					-542,255.39								-542,255.39	50,333,556.36	49,791,300.97
3.2.1 Ordinary shares increased by owners															
3.2.2 Capital increased by holders of other equity instruments															
3.2.3 Share-based payments included in owners' equity															
3.2.4 Other					-542,255.39								-542,255.39	50,333,556.36	49,791,300.97
3.3 Profit distribution											-18,348,005.18		-18,348,005.18		-18,348,005.18
3.3.1 Appropriation to surplus reserves															
3.3.2 Appropriation to general reserve															
3.3.3 Appropriation to owners (or shareholders)											-18,348,005.18		-18,348,005.18		-18,348,005.18

3.3.4 Other															
3.4 Transfers within owners' equity															
3.4.1 Increase in capital (or share capital) from capital reserves															
3.4.2 Increase in capital (or share capital) from surplus reserves															
3.4.3 Loss offset by surplus reserves															
3.4.4 Changes in defined benefit schemes transferred to retained earnings															
3.4.5 Other comprehensive income transferred to retained earnings															
3.4.6 Other															
3.5 Specific reserve															
3.5.1 Increase in the period															
3.5.2 Used in the period															
3.6 Other															
4. Balance as at the end of the Reporting Period	705,692,507.00				640,133,963.01		456,746,349.55	18,812,950.04	334,144,488.46		839,269,080.09		2,994,799,338.15	69,756,055.26	3,064,555,393.41

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

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

H1 2023

Unit: RMB

Item	H1 2023											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferred shares	Perpetual bonds	Other								
1. Balance as at the end of the period of prior year	705,692,507.00				659,418,700.67		655,341,704.07	18,848,856.75	349,197,725.72	873,168,182.73		3,261,667,676.94
Add: Adjustment for change in accounting policy												
Adjustment for correction of previous error												
Other adjustments												
2. Balance as at the beginning of the Reporting Period	705,692,507.00				659,418,700.67		655,341,704.07	18,848,856.75	349,197,725.72	873,168,182.73		3,261,667,676.94
3. Increase/ decrease in the period ("-" for decrease)							73,660,150.00	2,177,810.33		124,988,918.76		200,826,879.09

3.1 Total comprehensive income							73,660,150.00			132,045,843.83		205,705,993.83
3.2 Capital increased and reduced by owners												
3.2.1 Ordinary shares increased by owners												
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in owners' equity												
3.2.4 Other												
3.3 Profit distribution										-7,056,925.07		-7,056,925.07
3.3.1 Appropriation to surplus reserves												
3.3.2 Appropriation to owners (or shareholders)										-7,056,925.07		-7,056,925.07
3.3.3 Other												
3.4 Transfers within owners' equity												
3.4.1 Increase in capital (or share capital) from capital reserves												
3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Loss offset by surplus reserves												

3.4.4 Changes in defined benefit schemes transferred to retained earnings												
3.4.5 Other comprehensive income transferred to retained earnings												
3.4.6 Other												
3.5 Specific reserve								2,177,810.33				2,177,810.33
3.5.1 Increase in the period								4,598,473.04				4,598,473.04
3.5.2 Used in the period								2,420,662.71				2,420,662.71
3.6 Other												
4. Balance as at the end of the Reporting Period	705,692,507.00				659,418,700.67		729,001,854.07	21,026,667.08	349,197,725.72	998,157,101.49		3,462,494,556.03

H1 2022

Unit: RMB

Item	H1 2022											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferred shares	Perpetual bonds	Other								

1. Balance as at the end of the period of prior year	705,692,507.00				659,418,700.67		506,011,499.55	18,812,950.04	334,144,488.46	756,037,052.58		2,980,117,198.30
Add: Adjustment for change in accounting policy												
Adjustment for correction of previous error												
Other adjustments												
2. Balance as at the beginning of the Reporting Period	705,692,507.00				659,418,700.67		506,011,499.55	18,812,950.04	334,144,488.46	756,037,052.58		2,980,117,198.30
3. Increase/ decrease in the period ("-" for decrease)							-49,265,150.00			-14,234,832.35		-63,499,982.35
3.1 Total comprehensive income							-49,265,150.00			4,113,172.83		-45,151,977.17
3.2 Capital increased and reduced by owners												
3.2.1 Ordinary shares increased by owners												
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in owners' equity												
3.2.4 Other												
3.3 Profit distribution										-18,348,005.18		-18,348,005.18
3.3.1 Appropriation to surplus reserves												
3.3.2 Appropriation to owners (or shareholders)										-18,348,005.18		-18,348,005.18

3.3.3 Other												
3.4 Transfers within owners' equity												
3.4.1 Increase in capital (or share capital) from capital reserves												
3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Loss offset by surplus reserves												
3.4.4 Changes in defined benefit schemes transferred to retained earnings												
3.4.5 Other comprehensive income transferred to retained earnings												
3.4.6 Other												
3.5 Specific reserve												
3.5.1 Increase in the period												
3.5.2 Used in the period												
3.6 Other												
4. Balance as at the end of the Reporting Period	705,692,507.00				659,418,700.67		456,746,349.55	18,812,950.04	334,144,488.46	741,802,220.23		2,916,617,215.95

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

III. Company Profile

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

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

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

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

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

The unified social credit code of the enterprise business license of the Company is 91320400134792410W.

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

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

Period.

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

The financial report has been approved to be issued by the Board of Directors on 22 August 2023.

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

IV. Basis for Preparation of the Financial Report

1. Basis for Preparation

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

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

2. Continuation

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

V. Important Accounting Policies and Estimations

Notification of specific accounting policies and accounting estimations:

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

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

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

2. Fiscal Period

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

3. Operating Cycle

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

4. Currency Used in Bookkeeping

Renminbi is functional currency of the Company.

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

(1) Business combinations under the same control:

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

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

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

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

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

(2) Business combinations not under the same control

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

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

6. Methods for Preparing Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8. Recognition Standard for Cash and Cash Equivalents

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

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

(1) Foreign currency business

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

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

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

(2) Translation of foreign currency

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

10. Financial Instruments

(1) Classification of Financial Instruments
The Company classifies the financial assets when initially recognized into the following three categories based on the business model for financial assets management and characteristics of contractual cash flow of financial assets: financial assets measured at amortized cost, financial assets at fair value through other comprehensive income (debt instruments) and financial assets at fair value through profit or loss
Financial liabilities were classifies when initially recognized into financial liabilities at fair value through profit or loss and financial liabilities measured at amortized cost.
(2) Recognition Basis and Measurement Method for Financial Instruments
① Financial assets measured at amortized cost
Financial assets at amortized cost include notes receivable, accounts receivable, other receivables, long-term receivables, and investment in debt obligations which are initially measured at fair value and related transaction cost shall be recorded into the initial recognized amount. For accounts receivable excluding significant financing and accounts receivable that the Company decides not to consider financing components less than one year, the initial measurement shall be made at the contract transaction price. The interest calculated with actual rates for the holding period shall be recorded into the current profit or loss. When recovered or disposed, the difference between the price obtained and the carrying value of the financial assets shall be recorded into the current profit or loss.
② Financial assets at fair value through other comprehensive income (debt instruments)
Financial assets at fair value through other comprehensive income (debt instruments) include accounts receivable financing and investment in other debt obligations which are initially measured at fair value and related transaction cost shall be recorded into the initial recognized amount. The subsequent measurement of the financial assets shall be at fair value and changes of fair value except for interest calculated with actual rates, impairment losses or gains and exchange gains or losses shall be recorded into other comprehensive income. When derecognized, the accumulated gains or losses originally recorded into other comprehensive income shall be transferred into the current profit or loss.
③ Financial assets at fair value through other comprehensive income (equity instruments)
Financial assets at fair value through other comprehensive income (equity instruments) include investment in other equity instruments, etc. which are initially measured at fair value and related transaction cost shall be recorded into the initial recognized amount. The subsequent measurement of the financial assets shall be at fair value and changes of fair value shall be recorded into other comprehensive income. The dividends obtained shall be recorded into the current profit or loss. When derecognized, the accumulated gains or losses originally recorded into other comprehensive income shall be transferred into retained earnings.
④ Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include held-for-trading financial assets, derivative financial assets and other non-current financial assets which are initially measured at fair value and the related transaction cost shall be recorded into the current profit or loss. The subsequent measurement of the financial assets shall be at fair value and the changes of fair value shall be recorded into the current profit or loss.
⑤ Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include held-for-trading financial liabilities and derivative financial liabilities which are initially measured at fair value and the related transaction cost shall be recorded into the current profit or loss. The subsequent measurement of the financial liabilities shall be at fair value and the changes of fair value shall be recorded into the current profit or loss. When derecognized, the difference between

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

⑥ Financial liabilities at amortized cost

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

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

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

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

(4) Derecognition Basis of Financial Liabilities

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

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

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

(6) Impairment of financial instrument

① Impairment measurement and accounting handling of financial instrument

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

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

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

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

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

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

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

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

A. Accounts receivable

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

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

Basis for recognizing groups of other receivables is as follows:

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

11. Accounts Receivable

See "10. Financial Instruments".

12. Accounts Receivable Financing

See “10. Financial Instruments”.

13. Other Receivables

See “10. Financial Instruments”.

14. Inventory

(1) Category of Inventory
Inventory refers to the held-for-sale finished products or commodities, goods in process, materials consumed in the production process or the process providing the labor service etc. Inventory is mainly including the raw materials, low priced and easily worn articles, unfinished products, inventories and work in process–outsourced etc.
(2) Pricing method
Purchasing and storage of the various inventories should be valued according to the planed cost and the dispatch be calculated according to the weighted average method; carried forward the cost of the finished products according to the actual cost of the current period and the sales cost according to the weighted average method.
(3) Determination basis of the net realizable value of inventory and withdrawal method of the provision for falling price of inventory
At the balance sheet date, inventories are measured at the lower of the costs and net realizable value. When all the inventories are checked roundly, for those which were destroyed, outdated in all or in part, sold at a loss, etc, the Company shall estimate the irrecoverable part of its cost and withdrawal the inventory falling price reserve at the year-end. Where the cost of the single inventory item is higher than the net realizable value, the inventory falling price reserve shall be withdrawn and recorded into profits and losses of the current period. Of which: in the normal production and operating process, as for the commodities inventory directly for sales such as the finished products, commodities and the materials for sales, should recognize the net realizable value according to the amount of the estimated selling price of the inventory minuses the estimated selling expenses and the relevant taxes; as for the materials inventory needs to be processed in the normal production and operating process, should recognize its net realizable value according to the amount of the estimated selling price of the finished products minuses the cost predicts to be occur when the production completes and the estimated selling expenses as well as the relevant taxes; on the balance sheet date, for the same inventory with one part agreed by the contract price and other parts not by the contract price, should be respectively recognized the net realizable value. For items of inventories relating to a product line that are produced and marketed in the same geographical area, have the same or similar end users or purposes, and cannot be practicably evaluated separately from other items in that product line provision for decline in value is determined on an aggregate basis; for large quantity and low value items of inventories, provision for decline in value is made based on categories of inventories.
(4) The perpetual inventory system is maintained for stock system.
(5) Amortization method of low-value consumables and packages
One time amortization method is adopted for low-value consumables and packages.

15. Contract Assets

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

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

16. Contract Costs

(1) Costs from Acquiring Contract

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

(2) Costs from Executing Contract

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

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

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

17. Assets Held for Sale

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

(1) The components must be immediately sold only according to the usual terms of selling this kind of components under the current conditions;

(2) The Company had made solutions on disposing the components (or the non-current assets), for example, the Company should gain the approval from the shareholders according to the regulations and had acquired the approved from the Annual General Meeting or the relevant authority institutions;

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

18. Long-term Equity Investments

(1) Judgment standard of joint control and significant influences
Joint control, refers to the control jointly owned according to the relevant agreement on an arrangement by the Company and the relevant activities of the arrangement should be decided only after the participants which share the control right make consensus. Significant influence refers to the power of the Company which could anticipate in the finance and the operation polices of the investees, but could not control or jointly control the formulation of the policies with the other parties.
(2) Recognition for initial investment cost
The initial investment cost of the long-term equity investment shall be recognized by adopting the following ways in accordance with different methods of acquisition:
1) As for those forms under the same control of the enterprise combine, if the combine party takes the cash payment, non-cash assets transformation, liabilities assumption or equity securities issuance as the combination consideration, should take the shares of the book value by the ultimate control party in the consolidate financial statement of the owners' equities of the combiners acquired on the merger date as the initial investment cost. The difference between the initial investment cost and the book value of the paid combination consideration or the total amount of the issued shares of the long-term equity investment should be adjusted the capital reserve; If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. To include each direct relevant expense occurred when executing the enterprise merger into the current gains and losses; while the handling charges and commission occurs from the issuing the equity securities or the bonds for the enterprise merger should be included in the initial measurement amount of the shareholders' equities or the liabilities.
2) As for long-term equity investment acquired through the merger of enterprises not under the same control, its initial investment cost shall regard as the combination cost calculated by the fair value of the assets, equity instrument issued and liabilities incurred or undertaken on the purchase date adding the direct cost related with the acquisition. The identifiable assets of the combined party and the liabilities (including contingent liability) undertaken on the combining date shall be measured at the fair value without considering the amount of minority interest. The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. The acquirer shall record the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree into the consolidated income statement directly. The agent expense and other relevant management expenses such as the audit, legal service and evaluation consultation occurs from the enterprise merger, should be included in the current gains and losses when occur; while the handling charges and commission occurs from the issuing the equity securities or the bonds for the enterprise merger should be included in the initial measurement amount of the shareholders' equities or the liabilities.
3) Long-term equity investment obtained by other means
The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid.
The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued.
The initial cost of a long-term equity investment of an investor shall be the value stipulated in the investment contract or agreement, the unfair value stipulated in the contract or agreement shall be measured at fair value.
As for long-term investment obtained by the exchange of non-monetary assets, where it is commercial in nature,

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

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

(3) Subsequent measurement and recognition of profits and losses

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19. Investment Real Estate

Measurement mode of investment real estate:

Measurement of cost method

Depreciation or amortization method

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

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

20. Fixed Assets

(1) Recognition Conditions

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

(2) Depreciation Method

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

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

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

1) The leasing contract had agreed that (or made the reasonable judgment according to the relevant conditions on the lease starting date) when the lease term expires, the ownership of leasing the fixed assets could be transferred to the Company;

2) The Company owns the choosing right for purchasing and leasing the fixed assets, with the set purchase price which is estimated far lower than the fair value of the fixed assets by finance lease when executing the choosing right, so the Company could execute the choosing right reasonably on the lease starting date;

3) Even if the ownership of the fixed assets not be transferred, the lease period is of 75% or above of the useful life of the lease fixed assets;

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

5) The nature of the lease assets is special that only the Company could use it if not execute large transformation.

The fixed assets by finance lease should take the lower one between the fair value of the leasing assets and the current value of the minimum lease payment on the lease starting date as the entry value. As for the minimum lease payment which be regarded as the entry value of the long-term accounts payable, its difference should be regarded as the unrecognized financing expense. For the initial direct expenses occur in the lease negotiations and the signing process of the lease contracts that attribute to the handling expenses, counsel fees, travel expenses and stamp taxes of the lease items, should be included in the charter-in assets value. The unrecognized financing expenses should be amortized by adopting the actual interest rate during the period of the lease term.

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

21. Construction in Progress

(1) Valuation of the progress in construction

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

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

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

22. Borrowing Costs

(1) Recognition principle of capitalization of borrowing costs

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

(2) The period of capitalization of borrowing costs

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

(3) Measurement method of capitalization amount of borrowing costs

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

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

23. Intangible Assets

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

(1) Pricing method of intangible assets

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

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

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

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

(2) Amortization method and term of intangible assets

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

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

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

(2) Accounting Polices of Internal R & D Costs

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

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

24. Impairment of Long-term Assets

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

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

flow independently.
In impairment test, book value of the business reputation in financial report should be shared to beneficial asset group and asset group combination in collaboration of business merger. It is shown in the test that if recoverable amounts of shared business reputation asset group or asset group combination are lower than book value, it should determine the impairment loss. Impairment loss amount should firstly be deducted and shared to the book value of business reputation of asset group or asset group combination, then deduct book value of all assets according to proportions of other book value of above assets in asset group or asset group combination except business reputation.
After the asset impairment loss is determined, recoverable value amounts would not be returned in future.

25. Long-term Deferred Expenses

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

26. Contract Liabilities

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

27. Employee Benefits

(1) Accounting Treatment of Short-term Compensation

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

(2) Accounting Treatment of the Welfare after Demission

The Company classifies the welfare plans after demission into defined contribution plans and defined benefit plans. Welfare plans after demission refers to the agreement on the welfare after demission reaches between the Company and the employees, or the regulations or methods formulated by the Company for providing the welfare after demission for the employees. Of which, defined contribution plans refers to the welfare plans after demission that the Company no more undertake the further payment obligations after the payment of the fixed expenses for the independent funds; defined benefit plans, refers to the welfare plans after demission except for the defined contribution plans.
Defined contribution plans
During the accounting period that the Company providing the service for the employees, the Company should recognize the liabilities according to the deposited amount calculated by defined contribution plans, and should be included in the current gains and losses or the relevant assets cost.

(3) Accounting Treatment of the Demission Welfare

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

28. Lease Liabilities

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

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

29. Provisions

(1) Criteria of provisions

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

1) That obligation is a current obligation of the Company;

2) It is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation;

3) The amount of the obligation can be measured in a reliable way.

(2) Measurement of provisions

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

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

30. Revenue

Accounting policies for recognition and measurement of revenue:

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

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

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

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

Variable Consideration

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

Consideration Payable to the Client

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

Sales with the Quality Assurance

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

Main Responsibility Person/Agent

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

Specific methods

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

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

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

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

Interest Revenue

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

31. Government Grants

(1) Type

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

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

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

(2) Recognition of Government Subsidies

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

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

(3) Accounting Treatment

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

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

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

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

32. Deferred Income Tax Assets/Deferred Income Tax Liabilities

(1) Basis of recognizing the deferred income tax assets

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

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

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

(2) Basis of recognizing the deferred income tax liabilities

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

33. Lease

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

(1) The Company as the lessee

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

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

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

(2) The Company as the lessor

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

1) Operating lease

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

2) Financial lease

On the commencement date of the lease term, the Company recognizes the finance lease receivables on the basis of net investment in the lease (the sum of the unguaranteed residual value and the present value of the lease payments receivable not yet received on the commencement date of the lease term discounted at the interest rate implicit in lease) and derecognizes the leased asset of the finance lease. The Company calculates and recognizes interest income based on the interest rate implicit in lease in each period within the lease term. The received variable lease payments that are not covered in the measurement of the net investment in the lease are included in the profit or loss of the current period when actually incurred.

(3) Sale and leaseback

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

1) The Company as the lessee

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

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

2) The Company as the lessor

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

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

34. Other Significant Accounting Policies and Accounting Estimates

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

(1) Classification of financial assets

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

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

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

(2) Measurement of expected credit losses of accounts receivable

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

(3) Inventory falling price reserves

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

(4) Determination of fair value of unlisted equity investment

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

(5) Reserves for long-term assets impairment

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

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

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

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

(6) Depreciation and amortization

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

(7) Deferred income tax assets

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

(8) Income tax

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

35. Changes in Main Accounting Policies and Estimates

(1) Change of Accounting Policies

□ Applicable √ Not applicable

(2) Changes in Accounting Estimates

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

VI. Taxation

1. Main Taxes and Tax Rate

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

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

Name	Income tax rate

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

2. Tax Preference

On 30 November 2021, the Company obtained the Certificates for High-tech Enterprises again, and it still enjoys 15-percent preferential rate for corporate income tax during the Reporting Period; the Company's controlling subsidiary-Changchai Wanzhou Diesel Engine Co., Ltd., the controlling subsidiary company, shall pay the corporate income tax at tax rate 15% from 1 January 2011 to 31 December 2030 in accordance with the Notice of the Ministry of Finance, the General Administration of Customs of PRC and the National Administration of Taxation about the Preferential Tax Policies for the Western Development and Ministry of Finance Announcement No. 23 [2020] Announcement of the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policy for the Great Western Development. On 2 December 2020, the wholly-owned subsidiary Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. obtained the "High-tech Enterprise Certificate" and enjoyed a 15% preferential corporate income tax rate during the Reporting Period; The wholly-owned subsidiary Changzhou Xingsheng Real Estate Management Co., Ltd. is eligible small enterprise with low profits and shall pay the corporate income tax at tax rate 5% for small enterprises with low profits during the Reporting Period; the subsidiary Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. obtained the "High-tech Enterprise Certificate" and enjoyed a 15% preferential corporate income tax rate during the Reporting Period.

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

1. Monetary Assets

Unit: RMB

Item	Ending balance	Beginning balance
Cash on hand	230,083.56	251,965.06
Bank deposits	675,401,119.95	830,914,999.19
Other monetary assets	175,882,910.41	98,846,386.72

Total	851,514,113.92	930,013,350.97
Total amount of restriction in use by mortgage, pledge or freeze	173,206,532.10	95,662,384.92

At the period-end, the restricted monetary assets of the Company was RMB173,206,532.10, of which RMB168,629,080.81 was the cash deposit for bank acceptance bills, RMB2,993,220.00 was cash deposit for L/G, RMB871,348.35 was cash deposit for environment and RMB712,882.94 was cash deposit for L/C.

2. Trading Financial Assets

Unit: RMB

Item	Ending balance	Beginning balance
Financial assets at fair value through profit or loss	361,470,809.32	370,103,602.57
Of which:		
Stocks	111,116,698.21	78,739,311.00
Financial products	250,354,111.11	291,364,291.57
Of which:		
Total	361,470,809.32	370,103,602.57

3. Notes Receivable

(1) Notes Receivable Listed by Category

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance bill	303,323,811.21	297,125,872.54
Total	303,323,811.21	297,125,872.54

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

□ Applicable √ Not applicable

(2) There Were No Notes Receivable Pledged by the Company at the Period-end

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

Unit: RMB

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

Bank acceptance bill		213,721,703.95
Total		213,721,703.95

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

4. Accounts Receivable

(1) Accounts Receivable Classified by Category

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable for which bad debt provision separately accrued	51,757,257.99	4.71%	34,518,555.59	66.69%	17,238,702.40	51,757,257.99	9.91%	34,367,361.83	66.40%	17,389,896.16
Accounts receivable for which bad debt provision accrued by group	1,047,675,900.30	95.29%	130,124,170.86	12.42%	917,551,729.44	470,411,042.15	90.09%	117,478,758.54	24.97%	352,932,283.61
Of which:										
Accounts receivable for which bad debt provision accrued by credit risk features group	1,047,675,900.30	95.29%	130,124,170.86	12.42%	917,551,729.44	470,411,042.15	90.09%	117,478,758.54	24.97%	352,932,283.61
Total	1,099,433,158.29	100.00%	164,642,726.45	14.98%	934,790,431.84	522,168,300.14	100.00%	151,846,120.37	29.08%	370,322,179.77

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

Unit: RMB

Name	Ending balance			
	Carrying amount	Bad debt provision	Withdrawal proportion	Reason of withdrawal
Customer1	1,470,110.64	1,470,110.64	100.00%	Difficult to recover
Customer2	1,902,326.58	1,902,326.58	100.00%	Difficult to recover
Customer3	6,215,662.64	6,215,662.64	100.00%	Difficult to recover
Customer4	2,797,123.26	2,194,980.28	78.47%	Expected to difficultly recover
Customer5	3,633,081.23	2,122,165.73	58.41%	Expected to difficultly recover
Customer6	2,584,805.83	2,584,805.83	100.00%	Difficult to recover
Customer7	1,731,493.71	1,731,493.71	100.00%	Difficult to recover
Customer8	1,511,937.64	755,968.82	50.00%	Expected to difficultly recover
Customer9	3,329,074.84	720,031.71	21.63%	Expected to difficultly recover
Customer10	2,025,880.18	2,025,880.18	100.00%	Difficult to recover
Customer11	5,972,101.90	5,972,101.90	100.00%	Difficult to recover
Customer12	4,592,679.05	4,592,679.05	100.00%	Difficult to recover
Total	37,766,277.50	32,288,207.07	--	--

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

Unit: RMB

Aging	Ending balance		
	Carrying amount	Bad debt provision	Withdrawal proportion
Within 1 year	898,214,835.94	17,964,296.72	2.00%
1 to 2 years	28,644,358.99	1,432,217.95	5.00%
2 to 3 years	9,017,979.76	1,352,696.96	15.00%
3 to 4 years	2,403,195.36	720,958.61	30.00%
4 to 5 years	1,853,824.07	1,112,294.44	60.00%
Over 5 years	107,541,706.18	107,541,706.18	100.00%
Total	1,047,675,900.30	130,124,170.86	--

Notes of the basis of determining the group:

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

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

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

□ Applicable √ Not applicable

Disclosure by aging

Unit: RMB

Aging	Carrying amount
Within 1 year (including 1 year)	913,387,657.93
1 to 2 years	29,153,815.65
2 to 3 years	9,171,200.96
Over 3 years	147,720,483.75
3 to 4 years	4,491,084.45
4 to 5 years	3,803,573.63
Over 5 years	139,425,825.67
Total	1,099,433,158.29

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

Information of bad debt provision withdrawn:

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period			Ending balance
		Withdrawal	Reversal or recovery	Write-off	
Bad debt provision withdrawn separately	34,367,361.83	151,193.76			34,518,555.59
Bad debt provision withdrawn by group	117,478,758.54	12,645,412.32			130,124,170.86
Total	151,846,120.37	12,796,606.08			164,642,726.45

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

(3) There Were No Accounts Receivable with Actual Verification during the Reporting Period.

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

Unit: RMB

Name of the entity	Ending balance of accounts receivable	Proportion to total ending balance of accounts receivable	Ending balance of bad debt provision

Customer1	552,639,182.57	50.27%	12,458,137.94
Customer2	84,694,433.47	7.70%	1,693,888.67
Customer3	41,213,013.00	3.75%	824,260.26
Customer4	40,039,625.72	3.64%	800,792.51
Customer5	33,964,600.00	3.09%	679,292.00
Total	752,550,854.76	68.45%	

5. Accounts Receivable Financing

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance bills	73,649,132.14	242,813,392.79
Total	73,649,132.14	242,813,392.79

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

√ Applicable □ Not applicable

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

□ Applicable √ Not applicable

Other notes:

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

On 30 June 2023, there was no bank acceptance for which bad debt provision accrued separately in the Company. The Company measures the provision of bad debt provision on the basis of expected credit losses throughout the duration. The Company believes that the credit risk characteristics of the bank acceptances it holds are similar, and there was no bank acceptance for which bad debt provision accrued separately. In addition, there was no significant credit risk in the bank acceptance, and no significant loss would be caused by bank defaults.

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

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank acceptance bill	263,573,165.89	
Total	263,573,165.89	

6. Prepayments

(1) List by Aging Analysis

Unit: RMB

Aging	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	13,483,398.14	96.39%	5,941,708.21	93.86%
1 to 2 years	379,608.96	2.71%	289,373.60	4.57%
2 to 3 years	87,058.21	0.62%	71,654.18	1.13%
Over 3 years	37,721.02	0.27%	27,466.70	0.43%
Total	13,987,786.33		6,330,202.69	

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

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

At the period-end, the total top 5 of the ending balance of the prepayments collected according to the prepayment target was RMB10,960,900 accounting for 78.36% of the total ending balance of prepayments.

7. Other Receivables

Unit: RMB

Item	Ending balance	Beginning balance
Dividends receivable	323,730.00	
Other receivables	85,731,878.38	32,938,305.16
Total	86,055,608.38	32,938,305.16

(1) Dividends Receivable

1) Classification of Dividends Receivable

Unit: RMB

Item (investee)	Ending balance	Beginning balance
Jiangsu Liance Electromechanical Technology Co., Ltd.	276,480.00	
Guilin Stars Science and Technology Co., Ltd.	47,250.00	
Total	323,730.00	

(2) Other Receivables

1) Other Receivables Classified by Accounts Nature

Unit: RMB

Nature	Ending carrying value	Beginning carrying value
Collections on behalf of land acquisition	47,000,000.00	
Margin and cash pledge	1,761,816.87	2,028,096.87
Intercourse funds	56,724,157.74	48,701,034.90
Petty cash and borrowings by employees	734,875.76	742,075.76
Other	13,754,273.07	13,635,867.60
Total	119,975,123.44	65,107,075.13

2) Withdrawal of Bad Debt Provision

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss of the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2023	373,682.65	2,908,755.15	28,886,332.17	32,168,769.97
Balance of 1 January 2023 in the Current Period				
Withdrawal of the Current Period	1,750,745.09			1,750,745.09
Balance of 30 June 2023	2,124,427.74	2,908,755.15	28,886,332.17	33,919,515.06

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

□ Applicable √ Not applicable

Disclosure by aging

Unit: RMB

Aging	Ending balance
Within 1 year (including 1 year)	70,413,701.12
1 to 2 years	15,987,431.24

2 to 3 years	1,267,129.65
Over 3 years	32,306,861.43
3 to 4 years	501,252.53
4 to 5 years	403,661.17
Over 5 years	31,401,947.73
Total	119,975,123.44

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

Information of withdrawal of bad debt provision:

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period				Ending balance
		Withdrawal	Reversal or recovery	Write-off	Other	
Bad debt provision for which accrued separately	5,536,285.44					5,536,285.44
Bad debt provision for which accrued by group	26,632,484.53	1,750,745.09				28,383,229.62
Total	32,168,769.97	1,750,745.09				33,919,515.06

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

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 ending balance of other receivables%	Ending balance of bad debt provision
Changzhou Zhonglou District Housing and Urban Rural Development Bureau	Intercourse funds	47,000,000.00	Within 1 year	41.19%	940,000.00
Changzhou Compressor Factory	Intercourse funds	2,940,000.00	Over 5 years	2.58%	2,940,000.00
Changchai Group Imp. & Exp. Co., Ltd.	Intercourse funds	2,853,188.02	Over 5 years	2.50%	2,853,188.02

Changzhou New District Accounting Center	Intercourse funds	1,626,483.25	Over 5 years	1.43%	1,626,483.25
Changchai Group Settlement Center	Intercourse funds	1,140,722.16	Over 5 years	1.00%	1,140,722.16
Total		55,560,393.43		48.70%	9,500,393.43

8. Inventory

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

No

(1) Category of Inventory

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Falling price reserves	Carrying value	Carrying amount	Falling price reserves	Carrying value
Raw materials	148,767,935.41	6,026,733.56	142,741,201.85	163,954,131.27	5,982,286.51	157,971,844.76
Goods in process	104,634,477.66	10,497,724.74	94,136,752.92	110,883,778.58	10,725,860.43	100,157,918.15
Finished goods	330,258,089.18	22,773,098.72	307,484,990.46	322,959,181.08	22,755,460.80	300,203,720.28
Materials processed on commission	11,824,951.25		11,824,951.25	12,299,968.98		12,299,968.98
Low priced and easily worn articles	1,336,244.88		1,336,244.88	1,363,429.57		1,363,429.57
Total	596,821,698.38	39,297,557.02	557,524,141.36	611,460,489.48	39,463,607.74	571,996,881.74

(2) Falling Price Reserves and impairment provision for contract performance costs

Unit: RMB

Item	Beginning balance	Increase		Decrease		Ending balance
		Withdrawal	Other	Reversal or write-off	Other	
Raw materials	5,982,286.51	95,068.40		50,621.35		6,026,733.56
Goods in process	10,725,860.43			228,135.69		10,497,724.74
Finished goods	22,755,460.80	470,205.09		452,567.17		22,773,098.72

Total	39,463,607.74	565,273.49		731,324.21		39,297,557.02

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

9. Other Current Assets

Unit: RMB

Item	Ending balance	Beginning balance
The VAT tax credits	6,734,450.62	47,682,930.23
Prepaid corporate income tax		1,505,424.80
Prepaid expense	87,208.34	90,667.46
Total	6,821,658.96	49,279,022.49

10. Investments in Debt Obligations

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Falling price reserves	Carrying value	Carrying amount	Falling price reserves	Carrying value
Three-year fixed term deposit	40,015,268.70		40,015,268.70	39,309,587.93		39,309,587.93
Total	40,015,268.70		40,015,268.70	39,309,587.93		39,309,587.93

Significant investments in debt obligations

Unit: RMB

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

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

□ Applicable √ Not applicable

11. Long-term Equity Investment

Unit: RMB

Invest	Begin	Increase/decrease	Endin	Endin

ees	ning balance (carrying value)	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	g balance (carrying value)	g balance of depreciation reserves
II. Associated enterprises											
Beijing Tsinghua Industrial Investment Management Co., Ltd.	0.00									0.00	44,182.50
Subtotal	0.00									0.00	44,182.50
Total	0.00									0.00	44,182.50

12. Other Equity Instrument Investment

Unit: RMB

Item	Ending balance	Beginning balance
Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership)	378,929,240.08	378,929,240.08
Other equity instrument investment measured by fair value	663,290,000.00	576,631,000.00
Total	1,042,219,240.08	955,560,240.08

Non-trading equity instrument investment disclosed by category

Unit: RMB

Item	Dividend income recognized	Accumulative gains	Accumulative losses	Amount of other comprehensive income transferred to retained earnings	Reason for assigning to measure by fair value of which changes be included to other comprehensive income	Reason for other comprehensive income transferred to retained earnings
Foton Motor Co., Ltd.		449,516,000.00			Non-trading equity investment	
Bank of Jiangsu		129,204,000.00			Non-trading equity investment	
Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership)		278,929,240.08			Non-trading equity investment	

Other notes:

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

13. Other Non-current Financial Assets

Unit: RMB

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

14. Investment Property

(1) Investment Property Adopting the Cost Measurement Mode

√ Applicable □ Not applicable

Unit: RMB

Item	Houses and buildings	Total
I. Original carrying value		
1. Beginning balance	93,077,479.52	93,077,479.52
2. Increased amount of the period		
(1) Outsourcing		

(2) Transfer from inventories/fixed assets/construction in progress		
(3) Enterprise combination increase		
3. Decreased amount of the period		
(1) Disposal		
(2) Other transfer		
4. Ending balance	93,077,479.52	93,077,479.52
II. Accumulative depreciation and accumulative amortization		
1. Beginning balance	50,916,699.87	50,916,699.87
2. Increased amount of the period	1,218,237.78	1,218,237.78
(1) Withdrawal or amortization	1,218,237.78	1,218,237.78
3. Decreased amount of the period		
(1) Disposal		
(2) Other transfer		
4. Ending balance	52,134,937.65	52,134,937.65
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	40,942,541.87	40,942,541.87
2. Beginning carrying value	42,160,779.65	42,160,779.65

15. Fixed Assets

Unit: RMB

Item	Ending balance	Beginning balance
Fixed assets	683,448,533.29	720,061,387.76
Total	683,448,533.29	720,061,387.76

(1) List of Fixed Assets

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation equipment	Other equipment	Total
I. Original carrying value					
1. Beginning balance	710,604,039.88	1,118,697,686.65	19,132,190.47	57,025,921.99	1,905,459,838.99
2. Increased amount of the period		12,197,407.65		3,875,068.13	16,072,475.78
(1) Purchase		7,896,305.10		125,548.65	8,021,853.75
(2) Transfer from construction in progress		4,301,102.55		3,749,519.48	8,050,622.03
(3) Enterprise combination increase					
3. Decreased amount of the period	28,447,991.38	18,974,531.40			47,422,522.78
(1) Disposal or scrap	28,447,991.38	18,974,531.40			47,422,522.78
4. Ending balance	682,156,048.50	1,111,920,562.90	19,132,190.47	60,900,990.12	1,874,109,791.99
II. Accumulative depreciation					
1. Beginning balance	330,845,140.13	803,945,702.56	13,446,223.77	36,738,140.74	1,184,975,207.20
2. Increased amount of the period	9,520,203.78	32,324,865.35	564,507.28	2,514,239.64	44,923,816.05
(1) Withdrawal	9,520,203.78	32,324,865.35	564,507.28	2,514,239.64	44,923,816.05
3. Decreased amount of the period	21,071,383.95	18,589,624.63			39,661,008.58
(1) Disposal or scrap	21,071,383.95	18,589,624.63			39,661,008.58
4. Ending balance	319,293,959.96	817,680,943.28	14,010,731.05	39,252,380.38	1,190,238,014.67
III.Depreciation reserves					

1. Beginning balance		423,244.03			423,244.03
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period					
(1) Disposal or scrap					
4. Ending balance		423,244.03			423,244.03
IV. Carrying value					
1. Ending carrying value	362,862,088.54	293,816,375.59	5,121,459.42	21,648,609.74	683,448,533.29
2. Beginning carrying value	379,758,899.75	314,328,740.06	5,685,966.70	20,287,781.25	720,061,387.76

(2) List of Temporarily Idle Fixed Assets

Unit: RMB

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

16. Construction in Progress

Unit: RMB

Item	Ending balance	Beginning balance
Construction in progress	30,883,676.70	30,259,647.16
Engineering materials	21,900.40	21,900.40
Total	30,905,577.10	30,281,547.56

(1) List of Construction in Progress

Unit: RMB

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

Innovation capacity construction of technology center	6,573,635.34		6,573,635.34	5,443,764.33		5,443,764.33
Relocation project of light engine and casting	10,666,094.73		10,666,094.73	11,155,119.70		11,155,119.70
Equipment to be installed and payment for projects	13,643,946.63		13,643,946.63	13,660,763.13		13,660,763.13
Total	30,883,676.70		30,883,676.70	30,259,647.16		30,259,647.16

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

Unit: RMB

Item	Budget	Beginning balance	Increased amount	Transferred in fixed assets	Other decreased amount	Ending balance	Proportion of accumulated investment in constructions to budget	Job schedule	Accumulated amount of interest capitalization	Of which: Amount of capitalized interests for the Reporting Period	Capitalization rate of interests for the Reporting Period	Capital resources
Innovation capacity construction of technology	96,066,200.00	5,443,764.33	1,458,004.06	328,133.05		6,573,635.34	7.42%	Uncompleted				Self-raised and raised funds

center												
Relocation project of light engine and casting	474,706,000.00	11,155,119.70	5,879,876.03	6,596,305.10		10,438,690.63	80.35%	Uncompleted				Self-raised and raised funds
Total	570,772,200.00	16,598,884.03	7,337,880.09	6,924,438.15		17,012,325.97						

(3) Engineering Materials

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Engineering materials	21,900.40		21,900.40	21,900.40		21,900.40
Total	21,900.40		21,900.40	21,900.40		21,900.40

17. Intangible Assets

(1) List of Intangible Assets

Unit: RMB

Item	Land use right	Software	License fee	Trademark use right	Total
I. Original carrying value					
1. Beginning balance	214,187,775.71	17,847,202.14	5,538,000.00	1,650,973.47	239,223,951.32
2. Increased amount of the period					
(1) Purchase					
(2) Internal R&D					

(3) Business combination increase					
3. Decreased amount of the period	9,000,000.00				9,000,000.00
(1) Disposal	9,000,000.00				9,000,000.00
4. Ending balance	205,187,775.71	17,847,202.14	5,538,000.00	1,650,973.47	230,223,951.32
II. Accumulated amortization					
1. Beginning balance	63,832,525.74	14,396,059.28	3,246,750.17	356,398.60	81,831,733.79
2. Increased amount of the period	2,149,063.08	700,324.52	275,858.52	83,520.96	3,208,767.08
(1) Withdrawal	2,149,063.08	700,324.52	275,858.52	83,520.96	3,208,767.08
3. Decreased amount of the period	4,575,000.00				4,575,000.00
(1) Disposal	4,575,000.00				4,575,000.00
4. Ending balance	61,406,588.82	15,096,383.80	3,522,608.69	439,919.56	80,465,500.87
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	143,781,186.89	2,750,818.34	2,015,391.31	1,211,053.91	149,758,450.45
2. Beginning carrying value	150,355,249.97	3,451,142.87	2,291,249.83	1,294,574.87	157,392,217.54

18. Long-term Prepaid Expenses

Unit: RMB

Item	Beginning balance	Increase	Amortized amount	Decrease	Ending balance
Trademark	201,970.32	38,985.00	11,296.71		229,658.61

renewal fee					
Electricity Outside Line Access Project	3,078,000.00		162,000.00		2,916,000.00
Total	3,279,970.32	38,985.00	173,296.71		3,145,658.61

19. Deferred Income Tax Assets/Deferred Income Tax Liabilities

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

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Deductible loss	18,390,162.07	3,045,579.73	149,230,051.55	24,713,867.00
Bad debt provision	7,005,141.95	1,070,844.10	6,853,948.19	1,048,165.04
Inventory falling price reserves	2,916,352.63	437,452.89	2,633,715.26	395,057.29
Impairment of fixed assets	423,244.03	63,486.60	423,244.03	63,486.60
Total	28,734,900.68	4,617,363.32	159,140,959.03	26,220,575.93

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

Unit: RMB

Item	Ending balance		Beginning balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Assets evaluation appreciation for business combination not under the same control	5,677,718.36	851,657.75	5,677,718.36	851,657.75
Changes in fair value	1,156,017,272.47	177,990,367.23	1,039,472,114.80	160,508,593.58
Total	1,161,694,990.83	178,842,024.98	1,045,149,833.16	161,360,251.33

(3) List of Unrecognized Deferred Income Tax Assets

Unit: RMB

Item	Ending balance	Beginning balance

Deductible loss	22,257,409.96	22,257,409.96
Bad debt provision	191,557,099.56	177,160,942.15
Falling price reserves of inventories	37,395,165.97	36,829,892.48
Total	251,209,675.49	236,248,244.59

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

Unit: RMB

Years	Ending amount	Beginning amount	Note
2023	1,146,746.13	1,146,746.13	
2024	3,605,384.25	3,605,384.25	
2025	5,250,820.81	5,250,820.81	
2026	7,372,277.94	7,372,277.94	
2027	4,882,180.83	4,882,180.83	
Total	22,257,409.96	22,257,409.96	

20. Other Non-current Assets

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Advances payment of equipments	1,393,241.19		1,393,241.19	670,735.93		670,735.93
Total	1,393,241.19		1,393,241.19	670,735.93		670,735.93

21. Short-term Borrowings

(1) Category of Short-term Borrowings

Unit: RMB

Item	Ending balance	Beginning balance
Mortgage loans	3,000,000.00	7,000,000.00
Obligation to pay bills discounted before maturity	107,447,699.49	108,437,700.65
Total	110,447,699.49	115,437,700.65

(2) There Was No Short-term Borrowings Overdue but Unpaid.

22. Notes Payable

Unit: RMB

Category	Ending balance	Beginning balance
Bank acceptance bill	702,452,311.45	471,876,397.72
Total	702,452,311.45	471,876,397.72

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

23. Accounts Payable

(1) List of Accounts Payable

Unit: RMB

Item	Ending balance	Beginning balance
Payment for goods	647,261,475.07	747,010,098.88
Total	647,261,475.07	747,010,098.88

(2) Significant Accounts Payable Aging over One Year

Unit: RMB

Item	Ending balance	Unpaid/ Un-carry-over reason
Payment for goods	52,642,097.90	Supplier terminates cooperation, pending payment
Payment for equipment	6,202,576.90	Equipment warranty
Total	58,844,674.80	

24. Advances from Customers

Unit: RMB

Item	Ending balance	Beginning balance
House rent collected in advance	815,054.54	837,425.55
Total	815,054.54	837,425.55

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

25. Contract Liabilities

Unit: RMB

Item	Ending balance	Beginning balance

Contract liabilities	33,094,812.97	32,843,692.83
Total	33,094,812.97	32,843,692.83

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

26. Payroll Payable

(1) List of Payroll Payable

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
I. Short-term salary	49,151,022.47	152,421,301.25	187,972,773.79	13,599,549.93
II.Post-employment benefit-defined contribution plans		17,540,182.64	17,540,182.64	
III. Termination benefits	200,000.00			200,000.00
Total	49,351,022.47	169,961,483.89	205,512,956.43	13,799,549.93

(2) List of Short-term Salary

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
1. Salary, bonus, allowance, subsidy	40,883,518.77	128,018,061.42	162,906,190.95	5,995,389.24
2.Employee welfare	1,592.74	1,188,689.39	1,188,689.39	1,592.74
3. Social insurance		9,284,245.62	9,284,245.62	
Of which: Medical insurance premiums		7,545,525.15	7,545,525.15	
Work-related injury insurance		968,016.73	968,016.73	
Maternity insurance		770,703.74	770,703.74	
4. Housing fund		10,716,609.27	10,716,609.27	
5.Labor union budget and employee education budget	8,265,910.96	3,213,695.55	3,877,038.56	7,602,567.95
Total	49,151,022.47	152,421,301.25	187,972,773.79	13,599,549.93

(3) List of Defined Contribution Plans

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
1. Basic pension benefits		17,019,510.11	17,019,510.11	
2. Unemployment insurance		520,672.53	520,672.53	
Total		17,540,182.64	17,540,182.64	

27. Taxes Payable

Unit: RMB

Item	Ending balance	Beginning balance
VAT	1,651,730.27	2,240,512.82
Corporate income tax	490,046.14	1,272,876.86
Personal income tax	109,664.93	68,629.73
Urban maintenance and construction tax	115,621.12	1,151,395.75
Property tax	1,593,082.93	1,172,973.71
Land use tax	926,082.50	1,041,594.39
Stamp duty	280,664.27	286,018.61
Education Surcharge	49,551.90	229,345.14
Comprehensive fees	109,664.93	1,075,134.76
Environmental protection tax	223.76	31,693.62
Total	5,326,332.75	8,570,175.39

28. Other Payables

Unit: RMB

Item	Ending balance	Beginning balance
Dividends payable	3,891,433.83	3,891,433.83
Other payables	158,289,378.68	156,155,449.10
Total	162,180,812.51	160,046,882.93

(1) Dividends Payable

Unit: RMB

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

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

(2) Other Payables

1) Other Payables Listed by Nature of Account

Unit: RMB

Item	Ending balance	Beginning balance
Margin & cash pledged	4,678,536.54	4,293,474.88
Intercourse funds among units	8,163,215.36	7,831,477.01
Intercourse funds among individuals	385,683.04	397,761.04
Sales discount and three guarantees	128,905,093.55	126,787,544.75
Other	16,156,850.19	16,845,191.42
Total	158,289,378.68	156,155,449.10

2) Significant Other Payables Aging over One Year

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

29. Other Current Liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Sale service fee	412,356.65	806,555.29
Transportation storage fee	698,545.06	597,090.12
Electric charge	1,372,210.26	1,467,332.18
Tax to be transferred	2,513,659.65	2,821,340.54
Estimated share value added tax	1,910,806.37	1,909,715.09
Obligation to pay bills transferred before maturity	96,724,142.81	66,395,231.83

Other withholding expenses	4,675,214.62	4,648,476.11
Total	108,306,935.42	78,645,741.16

30. Deferred Income

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance	Reason for formation
Government grants	36,205,625.94		1,704,864.73	34,500,761.21	Government appropriation
Total	36,205,625.94		1,704,864.73	34,500,761.21	--

Item involving government grants:

Unit: RMB

Item	Beginning balance	Amount of new subsidy	Amount recorded into non-operating income in the Reporting Period	Amount recorded into other income in the Reporting Period	Amount offset cost in the Reporting Period	Other changes	Ending balance	Related to assets/related income
National major project special allocations- Flexible processing production line for cylinders of diesel engines	11,521,101.00			759,633.00			10,761,468.00	Related to assets
Remove compensation	17,847,790.36			332,986.81			17,514,803.55	Related to assets
Research and development and industrialization allocations of national III/IV standard high-powered efficient diesel engine for agricultural use	6,836,734.58			612,244.92			6,224,489.66	Related to assets

31. Share Capital

Unit: RMB

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

32. Capital Reserves

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Capital premium (premium on stock)	620,338,243.21			620,338,243.21
Other capital reserves	19,795,719.80			19,795,719.80
Total	640,133,963.01			640,133,963.01

33. Other Comprehensive Income

Unit: RMB

Item	Beginning balance	Reporting Period						Ending balance
		Income before taxation in the Current Period	Less: Recorded in other comprehensive income in prior period and transferred in profit or loss in the Current Period	Less: Recorded in other comprehensive income in prior period and transferred in retained earnings in the Current Period	Less: Income tax expense	Attributable to owners of the Company as the parent after tax	Attributable to non-controlling interests after tax	
I. Other comprehensive	655,341,704.07	86,659,000.00			12,998,850.00	73,660,150.00		729,001,85

income that will not be reclassified to profit or loss								4.07
Changes in fair value of other equity instrument investment	655,341,704.07	86,659,000.00			12,998,850.00	73,660,150.00		729,001,854.07
Total of other comprehensive income	655,341,704.07	86,659,000.00			12,998,850.00	73,660,150.00		729,001,854.07

34. Specific Reserve

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Safety production cost	18,848,856.75	4,598,473.04	2,420,662.71	21,026,667.08
Total	18,848,856.75	4,598,473.04	2,420,662.71	21,026,667.08

35. Surplus Reserves

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	336,040,867.82			336,040,867.82
Discretional surplus reserves	13,156,857.90			13,156,857.90
Total	349,197,725.72			349,197,725.72

36. Retained Earnings

Unit: RMB

Item	Reporting Period	Same period of last year
Beginning balance of retained earnings before adjustments	915,495,909.35	872,212,354.88
Beginning balance of retained earnings after adjustments	915,495,909.35	872,212,354.88
Add: Net profit attributable to owners of the Company as the parent	131,937,324.66	-14,592,094.77
Dividends of ordinary shares payable	7,056,925.07	18,348,005.18
Ending retained earnings	1,040,376,308.94	839,272,254.93

List of adjustment of beginning retained earnings:

(1) RMB0.00 beginning retained earnings was affected by retrospective adjustment conducted according to the Accounting Standards for Business Enterprises and relevant new regulations.

(2) RMB0.00 beginning retained earnings was affected by changes in accounting policies.

(3) RMB0.00 beginning retained earnings was affected by correction of significant accounting errors.

(4) RMB0.00 beginning retained earnings was affected by changes in combination scope arising from same control.

(5) RMB0.00 beginning retained earnings was affected totally by other adjustments.

37. Operating Revenue and Cost of Sales

Unit: RMB

Item	Reporting Period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	1,333,099,509.22	1,156,456,220.22	1,161,021,786.32	1,038,738,676.27
Other operations	17,418,130.63	12,441,983.61	17,200,705.72	12,656,556.15
Total	1,350,517,639.85	1,168,898,203.83	1,178,222,492.04	1,051,395,232.42

Relevant information of revenue:

Unit: RMB

Category of contracts	Segment 1
Product Types	
Of which:	
Single-cylinder diesel engines	607,361,121.44
Multi-cylinder diesel engines	584,029,144.61
Other products	82,791,314.55
Fittings	20,819,616.14
Classified by business area	
Of which:	
Sales in domestic market	1,097,487,924.55
Export sales	235,611,584.67
Total	1,333,099,509.22

Information related to performance obligations: none

38. Taxes and Surtaxes

Unit: RMB

Item	Reporting Period	Same period of last year
Urban maintenance and construction tax	1,006,348.45	812,411.02

Education surcharge	718,820.35	579,085.68
Property tax	3,169,527.35	1,817,465.17
Land use tax	2,197,586.41	1,586,101.00
Vehicle and vessel use tax	403.52	201,437.50
Stamp duty	628,716.88	207,601.82
Environment tax	100,381.82	102,066.70
Other	5,470.80	54,256.65
Total	7,827,255.58	5,360,425.54

39. Selling Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Employee benefits	17,034,869.46	16,943,256.62
Office expenses	3,936,262.82	3,724,135.21
Sales promotional expense		3,274,025.90
Three guarantees	35,094,246.66	20,297,149.84
Other	6,065,653.23	7,520,633.81
Total	62,131,032.17	51,759,201.38

40. Administrative Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Employee benefits	28,128,076.17	23,311,653.61
Office expenses	5,597,629.95	4,566,775.20
Depreciation and amortization	9,181,948.43	4,952,365.26
Safety expenses	1,768,064.08	
Repair charge	589,852.63	428,378.02
Inventory obsolescence and inventory shortage (overage)	-651,231.55	
Other	8,263,031.35	6,957,362.02
Total	52,877,371.06	40,216,534.11

41. Development Costs

Unit: RMB

Item	Reporting Period	Same period of last year
Direct input expense	20,419,421.63	24,257,520.75
Employee benefits	11,534,165.94	11,798,332.91
Depreciation and amortization	3,284,892.82	2,981,055.64
Other	600,591.03	1,122,878.17
Total	35,839,071.42	40,159,787.47

42. Finance Costs

Unit: RMB

Item	Reporting Period	Same period of last year
Interest expense	3,343,884.90	3,276,786.93
Less: Interest income	4,264,102.18	6,634,812.22
Net foreign exchange gains or losses	-4,784,425.33	-7,111,099.45
Other	727,989.66	-2,531,595.24
Total	-4,976,652.95	-13,000,719.98

43. Other Income

Unit: RMB

Sources	Reporting Period	Same period of last year
Government grants directly recorded into the current profit or loss	1,594,191.79	1,602,830.77
Government grants related to deferred income	1,704,864.73	

44. Investment Income

Unit: RMB

Item	Reporting Period	Same period of last year
Investment income from holding of trading financial assets	343,730.00	
Investment income from disposal of trading financial assets	2,430.18	364,131.30
Dividend income from holding of other equity instrument investment		9,360,000.00
Interest from holding of investments in debt obligations	705,680.77	
Income from refinancing operations	14,396.97	60,799.49

Investment income from financial products	4,471,297.06	4,297,768.75
Accounts receivable financing-discount interest of bank acceptance bills	-2,310,613.28	-2,338,416.66
Total	3,226,921.70	11,744,282.88

45. Gain on Changes in Fair Value

Unit: RMB

Sources	Reporting Period	Same period of last year
Held-for-trading financial assets	19,360,455.86	-30,488,388.88
Total	19,360,455.86	-30,488,388.88

46. Credit Impairment Loss

Unit: RMB

Item	Reporting Period	Same period of last year
Bad debt loss of other receivables	-1,750,745.09	236,946.29
Bad debt loss of accounts receivable	-12,796,606.08	-12,169,772.95
Total	-14,547,351.17	-11,932,826.66

47. Asset Impairment Loss

Unit: RMB

Item	Reporting Period	Same period of last year
Loss on inventory valuation and contract performance cost	-565,273.49	4,342,775.64
Total	-565,273.49	4,342,775.64

48. Asset Disposal Income

Unit: RMB

Sources	Reporting Period	Same period of last year
Disposal income of fixed assets	105,395,693.25	-361,395.36

49. Non-operating Income

Unit: RMB

Item	Reporting Period	Same period of last year	Amount recorded in the current non-recurring

			profit or loss
Negative goodwill from combination not under the same control		1,798,981.78	
Other	495,538.97	550,915.40	495,538.97
Total	495,538.97	2,349,897.18	495,538.97

50. Non-operating Expense

Unit: RMB

Item	Reporting Period	Same period of last year	Amount recorded in the current non-recurring profit or loss
Quality compensation	144,428.82		144,428.82
Compensation matters	731,752.92		731,752.92
Other	421,166.39	392,257.24	421,166.39
Total	1,297,348.13	392,257.24	1,297,348.13

51. Income Tax Expense

(1) List of Income Tax Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Current income tax expense	2,460,114.33	1,599,680.00
Deferred income tax expense	4,729,214.00	-7,805,728.88
Total	7,189,328.33	-6,206,048.88

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

Unit: RMB

Item	Reporting Period
Profit before taxation	143,289,052.25
Income tax expenses calculated based on statutory/applicable tax rates	21,493,357.84
The impact of deductible losses on deferred income tax assets recognized in the prior period of use	-21,668,287.27
Influence of applying different tax rates by subsidiaries	7,364,257.76
Income tax expense	7,189,328.33

52. Other Comprehensive Income

See Note 33 for details.

53. Cash Flow Statement

(1) Cash Generated from Other Operating Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Subsidy and appropriation	1,594,191.79	1,602,830.77
Other intercourses in cash	5,293,371.43	6,000,698.61
Interest income	4,264,102.18	7,872,212.72
Other	372,352.32	392,565.39
Total	11,524,017.72	15,868,307.49

(2) Cash Used in Other Operating Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Selling and administrative expense paid in cash	79,187,465.71	75,307,038.72
Handling charges	1,125,365.36	1,058,635.32
Other	658,923.36	749,863.50
Other transactions	149,835.21	67,256.65
Total	81,121,589.64	77,182,794.19

(3) Cash Generated from Other Investing Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Deposit of construction unit		169,856.31
Total		169,856.31

(4) Cash Generated from Other Financial Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Discount of undue bank acceptance bills with low credit rating		49,395,924.99

Total		49,395,924.99

(5) Cash Used in Other Financial Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Discount interest from bank acceptance bills		2,604,075.01
Total		2,604,075.01

54. Supplemental Information for Cash Flow Statement

(1) Supplemental Information for Cash Flow Statement

Unit: RMB

Supplemental information	Reporting Period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operating activities		
Net profit	136,099,723.92	-14,597,001.69
Add: Provision for impairment of assets	15,112,624.66	-8,871,223.50
Depreciation of fixed assets, of oil and gas assets, of productive living assets	44,923,816.05	40,934,595.60
Depreciation of right-of-use assets		
Amortization of intangible assets	3,208,767.08	3,076,523.63
Amortization of long-term deferred expenses	168,946.50	1,956.06
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains by “-”)	-105,395,693.25	361,395.36
Losses on the scrapping of fixed assets (gains by “-”)		
Losses on the changes in fair value (gains by “-”)	-19,360,455.86	30,488,388.88
Financial expenses (gains by “-”)	-4,976,652.95	-13,000,719.98
Investment losses (gains by “-”)	-3,226,921.70	-11,744,282.88
Decrease in deferred income tax assets (increase by “-”)	21,603,212.61	-11,774.06
Increase in deferred income tax liabilities (decrease by “-”)	-17,481,773.65	-15,920,828.48
Decrease in inventory (increase by “-”)	14,472,740.38	117,904,290.23
Decrease in accounts receivable from operating activities (increase by “-”)	-269,061,905.84	-241,738,053.67
Increase in payables from operating activities (decrease by “-”)	79,116,755.30	55,684,539.07

Other		-16,868,305.69
Net cash flows generated from operating activities	-104,796,816.75	-74,300,501.12
2. Investing and financing activities that do not involving cash receipts and payment:		
Debt transferred as capital		
Convertible corporate bond due within one year		
Fixed assets from financing lease		
3. Net increase in cash and cash equivalents		
Ending balance of cash	651,307,581.82	440,638,879.34
Less: Beginning balance of cash	810,350,966.05	573,623,529.10
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-159,043,384.23	-132,984,649.76

(2) Cash and Cash Equivalents

Unit: RMB

Item	Ending balance	Beginning balance
I. Cash	651,307,581.82	810,350,966.05
Including: Cash on hand	230,083.56	251,965.06
Bank deposit on demand	648,401,119.95	806,914,999.19
Other monetary assets on demand	2,676,378.31	3,184,001.80
III. Ending balance of cash and cash equivalents	651,307,581.82	810,350,966.05

55. Assets with Restricted Ownership or Right to Use

Unit: RMB

Item	Ending carrying value	Reason for restriction
Monetary assets	173,206,532.10	As cash deposit for bank acceptance bill and for environment
Houses and buildings	1,422,559.69	Mortgaged for borrowings from banks
Land use right	863,218.81	Mortgaged for borrowings from banks
Machinery equipment	25,771,609.33	Mortgaged for borrowings from banks
Obligation to pay bills discounted before maturity	110,000,000.00	
Obligation to pay bills transferred before maturity	103,721,703.95	

Total	414,985,623.88	

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			73,299,699.59
Of which: USD	10,103,155.25	7.2258	73,003,379.21
HKD	321,388.70	0.9220	296,320.38
Accounts receivable			78,604,894.44
Of which: USD	10,878,365.64	7.2258	78,604,894.44
Accounts payable			2,186.53
Of which: USD	302.60	7.2258	2,186.53
Contract liabilities			5,646,020.60
Of which: USD	781,369.62	7.2258	5,646,020.60

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

□ Applicable √ Not applicable

57. Government Grants

(1) Basic Information on Government Grants

Unit: RMB

Category	Amount	Listed items	Amount recorded in the current profit or loss
Subsidies for stabilizing and increasing job positions and retaining workers	162,791.79	Other income	162,791.79
Subsidies for industry-university-research cooperation	30,000.00	Other income	30,000.00
Incentive for municipal technology transfer in Changzhou	400,000.00	Other income	400,000.00
Special funds for innovative development in Changzhou	333,000.00	Other income	333,000.00
Incentives and subsidies for earlier phase-out and scrapping of high-emission old cars in Changzhou	19,500.00	Other income	19,500.00

Subsidies for export	628,900.00	Other income	628,900.00
Job skills subsidies	20,000.00	Other income	20,000.00
Demolition compensation (replacing Zou Village with Hehai Road)	13,344,397.90	Deferred income	133,666.74
Demolition compensation - main workshops in the base in Hehai Road	11,864,289.02	Deferred income	199,320.07
The national major special project - the flexible processing production line for diesel engine cylinder blocks	13,800,000.00	Deferred income	759,633.00
National III/IV Appropriation for the research and development and industrialization of standard high-horsepower high-efficiency agricultural diesel engine	10,000,000.00	Deferred income	612,244.92

(2) Return of Government Grants

□ Applicable √ Not applicable

VIII. Equity in Other Entities

1. Equity in Subsidiary

(1) Subsidiaries

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

Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.	Zhenjiang	Zhenjiang	Industry	41.50%		Combination not under the same control

Note: The Company holds 41.5% shares of Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. as the largest shareholder of it. Other shares are employee shares and non-employee shares, relatively dispersed. No other shareholder has a higher shareholding ratio that is close to that of the actual controller. The Board of Directors of Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. consists of seven members, of which five members including the Chairman of the Board are sent by the Company. Thus, the Company is the actual controller of Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd., which forms the merge conditions.

(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%	85,187.53		19,790,830.78
Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.	58.50%	4,077,211.73		56,835,741.15

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.	48,074,711.77	22,775,552.20	70,850,263.97	21,373,187.02		21,373,187.02	47,133,617.16	23,228,110.09	70,361,727.25	21,097,619.13		21,097,619.13

Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.	88,124,204.01	27,200,773.86	115,324,977.87	17,836,297.37	333,567.42	18,169,864.79	82,697,983.58	28,045,494.39	110,743,477.97	20,235,256.17	322,701.42	20,557,957.59

Unit: RMB

Name	Reporting Period				Same period of last year			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Changchai Wanzhou Diesel Engine Co., Ltd.	26,190,043.15	212,968.83	212,968.83	-8,525,646.36	17,154,269.32	-306,598.18	-306,598.18	-3,005,981.47
Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd.	38,098,312.48	6,969,592.70	6,969,592.70	7,732,566.01	4,813,008.16	206,678.96	206,678.96	6,994,726.52

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

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

In 2017, the Company set up Changzhou Xietong Private Equity Fund (Limited Partnership) together with Synergetic Innovation Fund Management Co., Ltd. through joint investment. On 18 October 2018 and 3 December 2020, new partners were respectively added. On 29 December 2022, the Company transferred the partnership shares. 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 No. 1 Venture Capital Partnership (Limited Partnership) and Zhong Wende. In accordance with the Partnership Agreement, the limited partner does not execute the partnership affairs. Thus, the Company does not control Changzhou Xietong Private Equity Fund (Limited Partnership) and did not include it into the scope of consolidated financial statements.

IX. The Risk Related to Financial Instruments

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

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

(I) Credit Risk

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

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

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

(II) Liquidity Risk

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

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

(III) Market Risk

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

1. Interest Rate Risk

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

2. Foreign Exchange Risk

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

X. 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	111,116,698.21	250,354,111.11		361,470,809.32
1. Financial assets at fair value through profit or loss	111,116,698.21	250,354,111.11		361,470,809.32
(1) Debt instrument investment				
(2) Equity instrument investment	111,116,698.21			111,116,698.21
(3) Derivative financial assets				
Wealth management investments		250,354,111.11		250,354,111.11
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	663,290,000.00		378,929,240.08	1,042,219,240.08
(IV) Investment property				

1. Land use right for lease				
2. Buildings leased out				
3. Land use right held and planned to be transferred once appreciating				
(V) Living assets				
1. Consumptive living assets				
2. Productive living assets				
Accounts receivable financing			73,649,132.14	73,649,132.14
Other non-current financial assets			373,500,000.00	373,500,000.00
Total assets consistently measured by fair value	774,406,698.21	250,354,111.11	826,078,372.22	1,850,839,181.54
(VI) Trading financial liabilities				
Of which: Issued trading bonds				
Derivative financial liabilities				
Other				
(VII) Financial liabilities designated to be measured at fair value and the changes recorded into the current profit or loss				
Total liabilities consistently measured by fair value				

II. Inconsistent fair value measurement	--	--	--	--
(1) Assets held for sale				
Total assets inconsistently measured by fair value				
Total liabilities inconsistently measured by fair value				

2. Market Price Recognition Basis for Consistent and Inconsistent Fair Value Measurement Items at Level 1

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

3. Valuation Technique Adopted and Nature and Amount Determination of Important Parameters for Consistent and Inconsistent Fair Value Measurement Items at Level 2

Wealth management and investment: The underlying assets of investment in wealth management products include bond assets, deposit assets, fund assets, etc. The portfolio of investment assets should be dynamically managed. The fair value of wealth management products should be adjusted according to the yield of similar products provided by the counterparty.

4. Valuation Technique Adopted and Nature and Amount Determination of Important Parameters for Consistent and Inconsistent Fair Value Measurement Items at Level 3

(1) Accounts receivable financing: Accounts receivable financing is a bank acceptance with high credit rating, short maturity and low risk. The par amount is close to the fair value and is used as the fair value.

(2) Among the other non-current financial assets: for the investments in equity instrument of Jiangsu Horizon New Energy Technology Co., Ltd., Jiangsu Horizon New Energy Technology Co., Ltd. entrusted an appraisal agency to evaluate the value of all its shareholders' equity due to the need for capital increase and share expansion in 2022, and confirmed the premium rate of capital increase based on the appreciation rate of the equity value. The company's new investors signed the investment agreements respectively 29 August 2022. Therefore, the fair value of the equity investment had been adjusted and confirmed accordingly based on the premium rate of the latest financing.

(3) Among other equity investment instruments, the total investment in Chengdu Changwan Diesel Engine Distribution Co., Ltd., Chongqing Wanzhou Changwan Diesel Engine Parts Co., Ltd., Changzhou Economic and Technological Development Company, Changzhou Tractor Company, Changzhou Economic Commission Industrial Capital Mutual Aid Association, Beijing Engineering Machinery Agricultural Machinery Company was

RMB 1.21 million, and the fair value was RMB 0.00 due to the difficulty in recovering the investment.

Since its establishment in October 2017, Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership) has increased the equity of partners at the end of the year due to the change in fair value of the equity held by it. In addition, the company's business environment, operating conditions, and financial status had not undergone major changes. Therefore, the company determined its fair value on the basis of the net book assets of the partnership at the end of the period.

5. Sensitiveness Analysis on Unobservable Parameters and Adjustment Information between Beginning and Ending Carrying Value of Consistent Fair Value Measurement Items at Level 3

Not applicable

6. Explain the Reason for Conversion and the Governing Policy when the Conversion Happens if Conversion Happens among Consistent Fair Value Measurement Items at Different Levels

Not applicable

7. Changes in the Valuation Technique in the Current Period and the Reason for Such Changes

Not applicable

8. Fair Value of Financial Assets and Liabilities Not Measured at Fair Value

The financial assets and liabilities measured at amortization cost mainly include notes receivable, accounts receivable, other receivables, short-term borrowings, accounts payable, other payables, etc. The difference between the carrying value and fair value for financial assets and liabilities not measured at fair value is small.

9. Other

During the Reporting Period, there was no conversion between Level 1 and Level 2, nor was there any transfer to or from Level 3 for the fair value measurement of the Company's financial assets and financial liabilities.

XI. 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%

Notes: Information on the Company as the parent

The parent company of the Company is Changzhou Investment Group Co., Ltd. According to the guiding principle of the *Notice of Provincial Government on Issuing the Implementation Plan for Transferring Part of State-owned Capital to Boost Social Security Fund in Jiangsu Province* (SZF [2020] No. 27), the *Notice on Transferring Part of State-owned Capital to Cities and Counties to Boost Social Security Fund* (SCGM [2020] No. 139) from the Department of Finance of Jiangsu Province and other five departments and the *Notice on Transferring Part of State-owned Capital at Urban (District) Level to Boost Social Security Fund* (CCGM [2020] No. 4) from Changzhou Finance Bureau and other four departments, the 10% state-owned equity of the Investment Group held by Changzhou Municipal People's Government is transferred to the Department of Finance of Jiangsu Province free of charge. After the share transfer, Changzhou People’s Government holds 90% state-owned equity of the Investment Group and the Department of Finance of Jiangsu Province holds 10% state-owned equity of the Investment Group. In accordance with Changzhou People’s Government Document (CZF [2006] No. 62), Changzhou Investment Group Co., Ltd. is an enterprise which Changzhou People’s Government authorizes Changzhou Government State-owned Assets Supervision and Administration Commission to perform duties of investors. Thus, Changzhou Investment Group Co., Ltd. is the controlling shareholder of the Company and Changzhou Government State-owned Assets Supervision and Administration Commission is still the actual controller of the Company. The final controller of the Company is Changzhou Government State-owned Assets Supervision and Administration Commission.

2. Subsidiaries of the Company

Refer to Note VIII for details.

3. Information on Other Related Parties

Name	Relationship with the Company
Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership)	Participated in establishing the industrial investment fund

Jiangsu Horizon New Energy Technology Co., Ltd.	Shareholding enterprise of the Company

XII. Commitments and Contingency

1. Significant Commitments

Significant commitments on balance sheet date
As of 30 June 2023, there was no significant commitment for the Company to disclose.

2. Contingency

(1) Significant Contingency on Balance Sheet Date

None

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

There was no significant contingency in the Company.

XIII. Events after Balance Sheet Date

1. Notes to Other Events after Balance Sheet Date

There was no other event after balance sheet date.

XIV. Other Significant Events

1. Segment Information

(1) Determination Basis and Accounting Policies of Reportable Segment

Due to the operation scope of the Company and subsidiaries were similar, the Company conducts common management, and did not divide business unit, so the Company only made single branch report.

2. Other Significant Transactions and Events with Influence on Investors' Decision-making

None

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

1. Accounts Receivable

(1) Accounts Receivable Classified by Category

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable for which bad debt provision separately accrued	27,364,067.34	2.72%	21,758,623.26	79.52%	5,605,444.08	27,364,067.34	6.22%	21,607,429.50	78.96%	5,756,637.84
Of which:										
Accounts receivable for which bad debt provision accrued by group	977,509,255.46	97.28%	101,795,620.16	10.41%	875,713,635.30	412,769,158.39	93.78%	89,464,855.73	21.67%	323,304,302.66
Of which:										
Accounts receivable for which bad debt provision accrued by credit risk features group	977,509,255.46	97.28%	101,795,620.16	10.41%	875,713,635.30	412,769,158.39	93.78%	89,464,855.73	21.67%	323,304,302.66
Total	1,004,873,322.80	100.00%	123,554,243.42	12.30%	881,319,079.38	440,133,225.73	100.00%	111,072,285.23	25.24%	329,060,940.50

Accounts receivable with significant single amount for which bad debt provision separately accrued at the end of the period:

Unit: RMB

Name	Ending balance			
	Carrying amount	Bad debt provision	Withdrawal proportion	Withdrawal reason
Customer1	1,470,110.64	1,470,110.64	100.00%	Difficult to recover
Customer2	1,902,326.58	1,902,326.58	100.00%	Difficult to recover
Customer3	6,215,662.64	6,215,662.64	100.00%	Difficult to recover

Customer4	2,797,123.26	2,194,980.28	78.47%	Expected to difficultly recover
Customer5	3,633,081.23	2,122,165.73	58.41%	Expected to difficultly recover
Customer6	2,584,805.83	2,584,805.83	100.00%	Difficult to recover
Customer7	1,731,493.71	1,731,493.71	100.00%	Difficult to recover
Customer8	1,511,937.64	755,968.82	50.00%	Expected to difficultly recover
Customer9	3,329,074.84	720,031.71	21.63%	Expected to difficultly recover
Total	25,175,616.37	19,697,545.94		

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

Unit: RMB

Name	Ending balance		
	Carrying amount	Bad debt provision	Withdrawal proportion
Within 1 year	859,890,514.81	17,197,810.30	2.00%
1 to 2 years	26,758,256.03	1,337,912.80	5.00%
2 to 3 years	7,082,680.52	1,062,402.08	15.00%
3 to 4 years	1,750,847.90	525,254.38	30.00%
4 to 5 years	886,788.94	532,073.36	60.00%
Over 5 years	81,140,167.20	81,140,167.24	100.00%
Total	977,509,255.46	101,795,620.16	

Notes to the basis for the determination of the groups:

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

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

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

□ Applicable √ Not applicable

Disclosure by aging

Unit: RMB

Aging	Carrying amount
Within 1 year (including 1 year)	863,346,963.30
1 to 2 years	27,300,968.69
2 to 3 years	7,082,680.52
Over 3 years	107,142,710.29
3 to 4 years	3,838,737.01

4 to 5 years	2,836,538.50
Over 5 years	100,467,434.78
Total	1,004,873,322.80

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

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period				Ending balance
		Withdrawal	Reversal or recovery	Write-off	Other	
Bad debt provision withdrawn separately	21,607,429.50	151,193.76				21,758,623.26
Bad debt provision withdrawn by group	89,464,855.73	12,330,764.43				101,795,620.16
Total	111,072,285.23	12,481,958.19				123,554,243.42

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

(3) There were no accounts receivable with actual verification during the Reporting Period.

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

Unit: RMB

Name of the entity	Ending balance of accounts receivable	Proportion to total ending balance of accounts receivable	Ending balance of bad debt provision
Customer1	552,639,182.57	55.00%	12,458,137.94
Customer2	84,694,433.47	8.43%	1,693,888.67
Customer3	41,213,013.00	4.10%	824,260.26
Customer4	40,039,625.72	3.98%	800,792.51
Customer5	33,964,600.00	3.38%	679,292.00
Total	752,550,854.76	74.89%	

2. Other Receivables

Unit: RMB

Item	Ending balance	Beginning balance

Other receivables	360,599,343.16	179,596,495.57
Total	360,599,343.16	179,596,495.57

(1) Other Receivable

1) Other Receivables Classified by Account Nature

Unit: RMB

Nature	Ending carrying amount	Beginning carrying amount
Collecting land collection and storage funds on behalf	47,000,000.00	
Cash deposit and Margin	1,300.00	1,300.00
Intercourse funds among units	347,191,045.14	214,624,107.53
Petty cash and borrowings by employees	642,563.68	671,817.84
Other	13,593,526.32	13,635,256.64
Total	408,428,435.14	228,932,482.01

2) Withdrawal of Bad Debt Provision

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss of the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2023	26,186.99	209,876.70	49,099,922.75	49,335,986.44
Balance of 1 January 2023 in the Current Period				
Withdrawal of the Current Period	986,089.16			986,089.16
Reversal of the Current Period			2,492,983.62	2,492,983.62
Balance of 30 June 2023	1,012,276.15	209,876.70	46,606,939.13	47,829,091.98

Changes of carrying amount with significant amount changed of loss provision in the Current Period

□ Applicable √ Not applicable

Disclosure by aging

Unit: RMB

Aging	Carrying amount
Within 1 year (including 1 year)	361,587,084.62
1 to 2 years	17,302,125.74
2 to 3 years	161,608.32
Over 3 years	29,377,616.46
3 to 4 years	440,952.49
4 to 5 years	389,176.36
Over 5 years	28,547,487.61
Total	408,428,435.14

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

Information of bad debt provision withdrawn:

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period				Ending balance
		Withdrawal	Reversal or recovery	Write-off	Other	
Bad debt provision withdrawn separately	25,757,409.37		2,492,983.62			23,264,425.75
Bad debt provision withdrawn by group	23,578,577.07	986,089.16				24,564,666.23
Total	49,335,986.44	986,089.16	2,492,983.62			47,829,091.98

4) Particulars of the Actual Verification of Other Receivables during the Reporting Period: None.

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

Jiangsu Changchai Machinery Manufacturing Co., Ltd.	Intercourse funds	270,624,584.71	1-2 years	65.82%	——
Changzhou Zhonglou District Housing and Urban Rural Development Bureau	Intercourse funds	47,000,000.00	Within 1 year	11.43%	940,000.00
Changzhou Changchai Horizon Agricultural Equipment Co., Ltd.	Intercourse funds	17,728,140.31	Within 1 year	4.31%	17,728,140.31
Changzhou Changniu Machinery Co., Ltd.	Intercourse funds	9,000,000.00	1-2 years	2.19%	——
Changzhou Compressors Factory	Intercourse funds	2,940,000.00	Over 5 years	0.72%	2,940,000.00
Total		347,292,725.02		84.47%	21,608,140.31

6) Derecognition of Other Receivables due to the Transfer of Financial Assets: none

7) The Amount of the Assets and Liabilities Formed due to the Transfer and the Continued Involvement of Other Receivables: none

3. Long-term Equity Investment

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Investment to subsidiaries	576,273,530.03	7,000,000.00	569,273,530.03	576,273,530.03	7,000,000.00	569,273,530.03
Investment to joint ventures and associated enterprises	44,182.50	44,182.50		44,182.50	44,182.50	
Total	576,317,712.53	7,044,182.50	569,273,530.03	576,317,712.53	7,044,182.50	569,273,530.03

(1) Investment to Subsidiaries

Unit: RMB

Investee	Beginning balance (carrying	Increase/decrease				Ending balance (carrying	Ending balance of depreciatio
		Additional	Reduced	Withdrawa	Other		

	value)	investment	investment	l of depreciation reserve		value)	n reserve
Changchai Wanzhou Diesel Engine Co., Ltd.	51,000,000.00					51,000,000.00	
Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.	96,466,500.00					96,466,500.00	
Changzhou Horizon Investment Co., Ltd.	40,000,000.00					40,000,000.00	
Changzhou Changchai Horizon Agricultural Equipment Co., Ltd.	0.00					0.00	7,000,000.00
Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.	47,286,230.03					47,286,230.03	
Jiangsu Changchai Machinery Co., Ltd.	300,000,000.00					300,000,000.00	
Changzhou Xingsheng Property Management Co., Ltd.	1,000,000.00					1,000,000.00	
Zhenjiang	33,520,800					33,520,800	

Siyang Diesel Engine Manufacturing Co., Ltd.	.00					.00	
Total	569,273,530.03					569,273,530.03	7,000,000.00

(2) Investment to Joint Ventures and Associated Enterprises

Unit: RMB

Investee	Beginning balance (carrying value)	Increase/decrease								Ending balance (carrying value)	Ending balance of depreciation reserve
		Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other		
II. Associated enterprises											
Beijing Tsinghua Xingye Industrial Investment Management Co., Ltd.	0.00									0.00	44,182.50
Subtotal	0.00									0.00	44,182.50
Total	0.00									0.00	44,182.50

4. Operating Revenue and Cost of Sales

Unit: RMB

Item	Reporting Period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	1,229,806,219.61	1,080,327,550.17	1,063,899,643.27	960,873,534.45
Other operations	15,360,013.94	12,076,793.29	14,401,885.93	10,099,571.18
Total	1,245,166,233.55	1,092,404,343.46	1,078,301,529.20	970,973,105.63

Information on revenue:

Unit: RMB

Category of contracts	Segment 1
Product Types	
Of which:	
Single-cylinder diesel engines	607,361,121.44
Multi-cylinder diesel engines	584,029,144.61
Other products	21,859,902.74
Fittings	16,556,050.82
Classified by business area	
Of which:	
Sales in domestic market	1,046,596,379.76
Export sales	183,209,839.85
Total	1,229,806,219.61

Information related to performance obligations: none

5. Investment Income

Unit: RMB

Item	Reporting Period	Same period of last year
Investment income from disposal of held-for-trading financial assets	4,322,777.77	4,099,001.28
Dividend income from holding of other equity instrument investment		9,360,000.00
Interest from holding of investments in debt obligations	705,680.77	
Income from refinancing operations	14,396.97	60,799.49
Accounts receivable financing-discount interest of bank acceptance bills	-2,310,613.28	-2,338,416.66
Total	2,732,242.23	11,181,384.11

XVI. Supplementary Materials

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

√ Applicable □ Not applicable

Unit: RMB

Item	Amount	Note
Gain or loss on disposal of non-current assets	105,395,693.25	Due to the expropriation of houses on the state-owned land of Changzhou Wuxing Branch during the Reporting Period
Government subsidies charged to current profit or loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per the government's uniform standards)	3,299,056.52	
Gain/loss from change of fair value of trading financial assets and liabilities, and investment gains from disposal of trading financial assets and liabilities, and derivative financial assets and liabilities, and available-for-sale financial assets, other than valid hedging related to the Company's common businesses	22,587,377.56	Increase in the fair value of the stocks of Jiangsu Liance Electromechanical Technology Co., Ltd., Kailong High Technology Co., Ltd., Guilin Stars Science and Technology Co., Ltd. and Henan Lantian Gas Co., Ltd. held by the Company's wholly-owned subsidiary Horizon Investment during the Reporting Period
Other non-operating income and expenses other than the above	-801,809.16	
Less: Income tax effects	4,621,569.20	
Non-controlling interests effects	-253,031.71	
Total	126,111,780.68	--

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

□ Applicable √ Not applicable

No such cases in the Reporting Period.

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

□ Applicable √ Not applicable

2. Return on Equity and Earnings Per Share

Profit as of Reporting Period	Weighted average ROE (%)	EPS (Yuan/share)	
		EPS-basic	EPS-diluted
Net profit attributable to ordinary shareholders of the Company	3.93%	0.1870	0.1870

Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss	0.17%	0.0083	0.0083

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

(1) Differences of Net Profit and Net Assets Disclosed in Financial Reports Prepared under International and Chinese Accounting Standards

□ Applicable ☑ Not applicable

(2) Differences of Net profit and Net assets Disclosed in Financial Reports Prepared under Overseas and Chinese Accounting Standards

□ Applicable ☑ Not applicable

The Board of Directors

Changchai Company, Limited

22 August 2023