



CHANGCHAI COMPANY, LIMITED

ANNUAL REPORT 2025

April 2026

Part I Important Notes, Table of Contents and Definitions

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

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

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

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

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

The Board has approved a final dividend plan as follows: based on the 705,692,507 shares, a cash dividend of RMB0.22 (tax inclusive) per 10 shares is to be distributed to the shareholders, with no bonus issue from either profit or capital reserves.

Table of Contents

| | |
|--|-----------|
| Part I Important Notes, Table of Contents and Definitions | 2 |
| Part II Corporate Information and Key Financial Information | 6 |
| Part III Management Discussion and Analysis | 11 |
| Part IV Corporate Governance | 39 |
| Part V Significant Events | 57 |
| Part VI Share Changes and Shareholder Information | 66 |
| Part VII Bonds | 74 |
| Part VIII Financial Statements | 75 |

Documents Available for Reference

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

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

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

Definitions

| Term | Definition |
|--|---|
| “Changchai”, the “Company” or “we” | Changchai Company, Limited and its consolidated subsidiaries, except where the context otherwise requires |
| Changchai Benniu | Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd. |
| Changchai Wanzhou | Changchai Wanzhou Diesel Engine Co., Ltd. |
| Horizon Investment | Changzhou Horizon Investment Co., Ltd. |
| Horizon Agricultural Equipment | Changzhou Changchai Horizon Agricultural Equipment Co., Ltd. |
| Changchai Robin | Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. |
| 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 2025 to 31 December 2025 |

Part II Corporate Information and Key Financial Information

I Corporate Information

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

II Contact Information

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

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

| | |
|---|---|
| Stock exchange website where this Report is disclosed | Shenzhen Stock Exchange: http://www.szse.cn |
| Media and website where this Report is disclosed | Media name: Securities Times, Ta Kung Pao (HK) http://www.cninfo.com.cn |

| | |
|-----------------------------------|----------------------------------|
| Place where this Report is lodged | Board Secretariat of the Company |
|-----------------------------------|----------------------------------|

IV Change to Company Registered Information

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

V Other Information

The independent audit firm hired by the Company:

| | |
|--------------------------------|--|
| Name | Zhongxinghua Certified Public Accountants (Special General Partnership) |
| Office address | 20th Floor, South Building, Building 1, Yard 20, Lize Road, Fengtai District, Beijing, China |
| Accountants writing signatures | Wang Jun, Li Pengcheng, Lu Xia |

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

Applicable Not applicable

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

Applicable Not applicable

VI Key Financial Information

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

Yes No

| | 2025 | 2024 | 2025-over-2024 change (%) | 2023 |
|--|------------------|------------------|------------------------------|------------------|
| Operating revenue (RMB) | 2,476,325,822.68 | 2,415,869,028.32 | 2.50% | 2,155,698,787.49 |
| Net profit attributable to the listed company's shareholders (RMB) | 50,820,986.84 | 18,489,896.00 | 174.86% | 108,495,607.05 |
| Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB) | 20,573,578.22 | 52,958,683.45 | -61.15% | -47,466,184.54 |

| | | | | |
|--|------------------|------------------|---|------------------|
| Net cash generated from/used in operating activities (RMB) | 289,562,549.07 | -154,292,968.70 | — | 137,189,827.35 |
| Basic earnings per share (RMB/share) | 0.0720 | 0.0262 | 174.81% | 0.1537 |
| Diluted earnings per share (RMB/share) | 0.0720 | 0.0262 | 174.81% | 0.1537 |
| Weighted average return on equity (%) | 1.49% | 0.55% | 0.94% | 3.19% |
| | 31 December 2025 | 31 December 2024 | Change of 31 December 2025 over 31 December 2024(%) | 31 December 2023 |
| Total assets (RMB) | 5,578,281,300.02 | 5,381,900,903.82 | 3.65% | 5,159,394,958.92 |
| Equity attributable to the listed company's shareholders (RMB) | 3,443,190,677.55 | 3,362,683,464.32 | 2.39% | 3,398,946,911.23 |

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

Yes No

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

Yes No

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

1. Net Profit and Equity under CAS and IFRS

Applicable Not applicable

No difference for the Reporting Period.

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

Applicable Not applicable

No difference for the Reporting Period.

VIII Key Financial Information by Quarter

Unit: RMB

| | Q1 | Q2 | Q3 | Q4 |
|--|----------------|----------------|----------------|----------------|
| Operating revenue | 897,763,657.72 | 663,422,968.11 | 501,193,579.88 | 413,945,616.97 |
| Net profit attributable to the listed company's shareholders | 43,720,636.95 | 29,702,177.74 | -28,933,980.40 | 6,332,152.55 |

| | | | | |
|--|----------------|----------------|-----------------|----------------|
| Net profit attributable to the listed company's shareholders before exceptional gains and losses | 40,468,902.21 | 15,828,598.38 | -40,744,294.49 | 5,020,372.12 |
| Net cash generated from/used in operating activities | -14,769,195.97 | -59,536,914.66 | -140,609,621.01 | 504,478,280.71 |

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

Yes No

IX Exceptional Gains and Losses

Applicable Not applicable

Unit: RMB

| Item | 2025 | 2024 | 2023 | Note |
|---|----------------|----------------|----------------|---|
| Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs) | 36,192,896.62 | 304,377.71 | 105,702,551.01 | |
| Government grants recognized in current profit or loss (exclusive of those that are closely related to the Company's normal business operations and given in accordance with defined criteria and in compliance with government policies, and have a continuing impact on the Company's profit or loss) | 15,437,236.88 | 3,477,338.38 | 3,009,573.87 | During the reporting period, the government subsidies recorded in the current profit and loss of our company amounted to RMB 19,536,041.34. After deducting the government subsidies related to assets transferred from deferred income of RMB 3,409,729.46 and the job stabilization subsidies of RMB 689,075.00, the government subsidies recorded in the current non-recurring profit and loss were RMB 15,437,236.88. |
| In addition to effective hedging activities related to the normal business operations of the same company, the profit and loss from changes in fair value arising from | -13,253,234.92 | -58,411,420.91 | 74,628,323.54 | During the reporting period, the stock prices of Jiangsu Liance Electromechanical Technology Co., Ltd. and Kailong High-Tech Co., Ltd., held by Horizon Investment, a wholly-owned subsidiary of the |

| | | | | |
|--|---------------|----------------|----------------|---|
| non-financial enterprises holding financial assets and financial liabilities, as well as the profit and loss arising from the disposal of financial assets and financial liabilities | | | | company, increased compared to the beginning of the period. Meanwhile, the fair value of the equity held by the company in Jiangsu Horizon New Energy Technology Co., Ltd. decreased compared to the beginning of the period. |
| Profit and loss from entrusting others to invest or manage assets | 789,983.38 | 1,122,559.94 | | |
| Reversal of impairment provision for accounts receivable separately tested for impairment | 567,167.68 | 7,735,818.14 | 21,618.24 | |
| Debt restructuring gains and losses | -42,868.87 | 267,434.70 | | |
| Other non-operating income and expenses other than those mentioned above | -1,163,570.19 | 1,952,095.73 | -254,543.89 | |
| Less: Income tax impact | 8,030,670.45 | -9,444,181.95 | 27,193,473.11 | |
| Impact amount of minority shareholders' equity (after tax) | 249,531.51 | 361,173.09 | -47,741.93 | |
| Total | 30,247,408.62 | -34,468,787.45 | 155,961,791.59 | -- |

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, generator sets and shipborne machinery and other fields closely related to people's livelihood.

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

2. Main Products of the Company

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

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

3. Major Business Models

(1) R&D model

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

process to ensure technology leadership and product suitability.

(2) Purchasing model

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

(3) Production model

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

(4) Sale model

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

4. The Company's position in the market

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

5. Key Performance Drivers

(1) National policy driver

In recent years, the country has introduced a series of policies to support the development of the agricultural machinery market, including subsidy policies for the purchase and scrapping of agricultural machinery, as well as support policies for the agricultural machinery circulation industry. The No. 1 central document of 2026 focuses on agricultural and rural modernization and comprehensive rural revitalization. With the core objectives of enhancing the comprehensive productive capacity of agriculture and stabilizing food security, it proposes three major upgrading directions for agricultural machinery: high-end intelligence, green and low-carbon, and hillside adaptability. By optimizing subsidies and expanding scenarios, it aims to release industrial dividends and promote the transformation of agricultural machinery equipment into new productive forces.

The "Work Plan for Stabilizing Growth in the Machinery Industry (2025-2026)" proposes to leverage policies such as subsidies for the purchase and application of agricultural machinery, as well as subsidies for the scrapping and renewal of agricultural machinery, to promote the "preferential subsidies for superior machines" and "inflow and outflow" of subsidized machinery, and to facilitate the application and promotion of advanced and applicable agricultural machinery equipment.

The "Guiding Opinions of the Ministry of Agriculture and Rural Affairs on Vigorously Developing Smart Agriculture" and the "National Smart Agriculture Action Plan (2024-2028)" emphasize the innovative research, development, promotion, and application of advanced and applicable smart agricultural machinery. This aims to facilitate the deep integration of technological innovation and industrial innovation, providing strong technological equipment support for the development of modern agriculture. The introduction and implementation of a series of policies benefiting and supporting farmers will contribute to the high-quality development of the agricultural machinery industry, ushering in a favorable policy environment for the sustainable development of high-end products.

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

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

(3) Stable and efficient R&D team

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

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

The Company, formerly known as Changzhou Diesel Engine Factory, is a national industrial enterprise with a history of a hundred years and one of the earliest professional internal combustion engine manufacturers in China. Our diesel and gasoline engines, as power sources of agricultural machinery and commercial vehicles, show excellent performance in power range, reliability, power per liter, 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.

II The industry situation in which the company operates during the reporting period

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

(1) Basic information on the industry

Internal combustion engines (ICEs) serve as a crucial pillar for safeguarding China's manufacturing industry, energy security, and national defense security. They are also a fundamental cornerstone for the sustained development of the national economy and the modernization of national defense. As thermal power devices that

currently lead in thermal efficiency, excel in power density, and have the widest range of application scenarios, ICEs occupy an irreplaceable core position in the power equipment system. In alignment with the strategic objectives of carbon peaking and carbon neutrality, as well as the overall requirements for high-quality development in the manufacturing industry, the ICE and agricultural machinery equipment industries are accelerating the implementation of innovation-driven development strategies. They are focusing on enhancing their independent innovation capabilities, continuously promoting the construction of common key technology platforms, and strengthening the resilience and safety levels of industrial and supply chains. Simultaneously, the industry is actively advancing intelligent manufacturing and green manufacturing, accelerating its transformation and upgrading towards high efficiency, intelligence, and cleanliness, and fully supporting the construction of a modern industrial system.

(2) Development pattern and trend of the industry

The "15th Five-Year Plan" period marks a crucial stage for China to achieve its carbon peaking goal, and the internal combustion engine (ICE) industry is entering a strategic window for transformation and reshaping. The "two new" policies of 2026 provide clear guidance for the promotion of green and intelligent products and the low-carbon upgrading of industries, making energy conservation and carbon reduction the core task for high-quality development in the sector. Driven by both policy guidance and market demand, the industry is accelerating its layout of a diversified fuel power technology system, with the application of low-carbon and zero-carbon fuels becoming an important direction. Hybrid power (including extended range) serves as a key path for the transition from internal combustion power to new energy, continuously playing an irreplaceable role in the commercial vehicle and non-road sectors. Through the concerted efforts of combustion optimization, emission control, and intelligent monitoring, ICEs are accelerating their upgrade towards high efficiency, intelligence, cleanliness, and low carbon. The deep integration of digital technology and manufacturing processes, coupled with continuously enhanced synergy across the industrial chain, is injecting new momentum into the industry's leap towards high-end development. Relying on technological breakthroughs and systematic innovations, the ICE industry will continue to consolidate its foundation as a driving force for national economic and defense security.

In recent years, the country has introduced a series of policies to support the development of the agricultural machinery market, including policies on agricultural machinery purchase subsidies, scrapping and renewal subsidies, and support for the agricultural machinery circulation industry. The No. 1 central document of 2026 focuses on agricultural and rural modernization and comprehensive rural revitalization. With the core objectives of enhancing comprehensive agricultural production capacity and stabilizing food security, it proposes three major upgrading directions for agricultural machinery: high-end intelligence, green and low-carbon, and hillside adaptability. By optimizing subsidies and expanding scenarios, it aims to release industrial dividends and promote the transformation of agricultural machinery equipment into new productive forces.

In 2025, influenced by factors such as low grain prices and frequent abnormal weather, China's agricultural machinery market as a whole performed below expectations. The industry underwent accelerated differentiation amidst adjustments, with the trend of structural transformation becoming increasingly evident. In terms of product structure, traditional mainstay products exhibited sluggish performance, but there was uneven performance in different segments. The tractor market saw a year-on-year decline in production, yet large tractors achieved growth, and high-end models such as power-shift tractors experienced leapfrog growth, breaking the dominant position of traditional mechanical-shift tractors. The harvesting machinery market declined overall, but its structure continued to be optimized, with an increase in the proportion of large-feed models, and tracked harvesters bucked the trend with their export advantages. The rice transplanter market showed differentiation, with high-speed riding models experiencing a decline in production due to subsidy adjustments, while hand-guided models achieved growth due to price advantages and adjusted agronomic needs. Micro-tillers, as a representative

category of mechanization in hilly and mountainous areas, performed impressively.

From the perspective of competition, the industry reshuffle is accelerating, and market concentration is continuously increasing. Leading enterprises, leveraging their technological, channel, and brand advantages, have steadily expanded their market share and occupied a dominant position in niche areas. Most small and medium-sized enterprises operate on a smaller scale and face increased survival pressures. Looking at the trend of upgrading, high-end and intelligent products have become the focus of enterprises' efforts. High-end tractors such as power shift and infinitely variable speed have entered large-scale applications; the integration of high-precision automatic drive systems with Beidou is accelerating; the industrialization of new energy agricultural machinery is accelerating, with breakthroughs in hybrid tractors and electric drive seeders. In terms of export performance, agricultural machinery exports have become an important driving force for industry development, with a rapid growth in total volume, with countries along the Belt and Road contributing the majority of the share. Looking at policy orientation, 2026, as the first year of the 15th Five-Year Plan, will see continued efforts in large-scale equipment renewal and subsidies for agricultural machinery purchase and application, with policies oriented towards "preferential subsidies for superior machinery" forcing enterprises to transform towards high-tech and high-value-added fields. With technological development, agricultural machinery is shifting towards high-end, intelligent, digital, and green directions, with significant growth potential in areas such as intelligent agricultural machinery equipment, machinery for hilly and mountainous areas and specialty economic crops, new energy agricultural machinery, agricultural robots and unmanned systems, and agricultural machinery after-market services. In the process of national strategic deployment and transformation and upgrading, the agricultural machinery market still has vast potential for development.

III Core Competitiveness Analysis

1. Advantages in Brand

Changchai is a century-old national industrial enterprise and one of China's earliest specialized manufacturers of internal combustion engines. The "Changchai" brand is recognized as a China Famous Trademark, and its diesel engines are China Brand Name Products. The company has obtained certifications including ISO 9001, IATF 16949 (Quality Management System), ISO 14001 (Environmental Management System), and IATF 16949 (Automotive Product Quality Management System), as well as obtain the AOE advanced certification from the Chinese Customs.

Changchai has been repeatedly listed among China's Top 100 Machinery Industry Enterprises and China's Industry Leading Enterprises. It has been honored with titles such as:

- National Contract-Honoring & Creditworthy Enterprise
- Leading Agricultural Machinery Components Enterprise in China
- AAA Credit-Rated Agricultural Machinery Enterprise
- Jiangsu Provincial Quality Management Excellence Award
- Changzhou Mayor's Quality Award
- "Fine Farming Cup" Award for Top 10 Most Satisfactory After-Sales Service Brands (multiple years)

During the reporting period, the company was further recognized as:

- National Product & Service Quality Integrity Demonstration Enterprise
- China Agricultural Machinery Annual TOP50+ Supporting Supplier Award
- Key Large-Scale Machinery Industry Enterprise
- Outstanding Brand in Jiangsu Agricultural Equipment Industry

- Jiangsu Contract-Honoring & Creditworthy Enterprise

Over the years, while achieving steady economic growth, Changchai has cultivated and developed the "Changchai" brand—a renowned national brand in China's small diesel engine industry with independent intellectual property rights and a strong reputation at home and abroad.

2. Technological Advantages

Changchai operates a National-Level Technical Center, a Postdoctoral Research Station, and the Jiangsu Provincial Small- and Medium-Power Internal Combustion Engine Engineering Research Center. The company specializes in manufacturing single- and multi-cylinder diesel engines in the small-to-medium power range, offering the most comprehensive product portfolio and broadest power coverage in China's small diesel engine sector, with independent IP rights for all core products.

During the reporting period, the company obtained the re-evaluation certificate for the National Enterprise Technology Center, was awarded the first prize for outstanding quality management team activity achievements in the 2025 National Machinery Industry, and its M15 diesel engine was honored with the Agricultural Machinery Supplier Technology Innovation Award of the Year. During the reporting period, the company was granted 32 patents. By the end of 2025, the company had a total of 209 valid patents authorized both domestically and internationally, including 42 domestic invention patents and 4 international invention patents.

3. Marketing & Service Advantages

Changchai adheres to a market-centered approach, continuously exploring new marketing strategies that adapt to market development. It implements a "five-in-one" management approach, encompassing "complete machine sales, spare parts supply, three-guarantee services, capital recovery, and information feedback". Changchai has established a nationwide sales and service network, with 24 sales service centers and 746 special maintenance stations. Its service outlets are spread throughout urban and rural areas, making it one of the more comprehensive and widely-covered sales and service networks in the national small and medium-sized diesel engine industry. Under the unified command of the company's headquarters, the "Changchai Customer Call Center", Changchai provides customers with high-quality pre-sale, in-sale, and after-sale services, adhering to the service principles of "proactive, fast, convenient, and accurate". Additionally, to meet the non-road National IV emission requirements and provide more precise after-sale services to customers, the company has specially developed a service monitoring platform with Changchai characteristics.

IV Core Business Analysis

1. Overview

In 2025, the global economic recovery was sluggish, geopolitical games intensified, and the external environment became more complex and severe. Domestically, the economy sought progress while maintaining stability, and the overall trend of recovery and improvement was further consolidated. However, issues such as contradictions in the supply-demand structure and insufficient effective demand remained prominent. The agricultural machinery industry was in a critical transition period characterized by both slowing growth and structural adjustment. Affected by factors such as low grain prices, frequent extreme weather, and declining operational profits for users, the traditional agricultural machinery market continued to face pressure, with market demand shifting from incremental expansion to stock renewal. Emerging fields such as smart agricultural machinery and new energy equipment experienced growth against the trend, with demand for high-end products increasing and the industrial structure continuously optimizing. The market evolved towards high-end, intelligent, and diversified development, and the agricultural machinery industry steadily moved towards a new stage of high-quality development amidst

adjustments. The company anchored its development strategy, closely adhered to its annual business objectives, and all employees worked together to deepen product research and development, market expansion, and quality improvement, building a solid core competitive advantage and promoting the sustained high-quality development of the enterprise. During the reporting period, the company sold 651,700 diesel engines, gasoline engines, and units of various types, achieving a total sales revenue of RMB 2.476 billion, an increase of 2.50% compared to the same period last year.

In terms of product research and development and supporting facilities, the company has continuously increased its R&D investment, obtained multiple new domestic and international patent authorizations, laying a solid foundation for technological upgrading. In the field of multi-cylinder engines, several key products have undergone optimization and iteration, and have been launched in batches, with significant breakthroughs in core component technology. Key products have been matched with and produced in batches by harvesting machinery OEM enterprises, successfully entering the mainstream market of high-horsepower power for harvesting machinery and achieving precise layout in new markets. At the same time, the company has steadily promoted the development of high-horsepower platforms and light engine series products, continuously enriching its product portfolio. Substantial progress has been made in hybrid technology, with the completion of the configuration design of an extended-range hybrid system for tractors of specific horsepower, achieving a key leap in the technological route.

In terms of sales and services, within the domestic market, the single-cylinder engine has consistently maintained a stable market share among original equipment manufacturers and industrial supporting areas. It actively explores emerging and niche markets, effectively hedges against downward market pressure, and drives sales to stabilize and rebound. The multi-cylinder engine has intensified the promotion of new products in advantageous fields, strengthened terminal market collaboration, and steadily expanded into niche markets such as construction machinery and generator sets. The development and breakthrough of unit product supporting have moved towards diversification, specialization, and segmentation. In terms of export sales, the scale of exports has significantly increased, with robust growth momentum in core and emerging markets, providing strong support for building a new development pattern where domestic and international dual cycles mutually reinforce each other. Simultaneously, the company continues to optimize its sales network, strictly regulates cross-regional sales management, and further enhances the quality and control level of sales channel operations.

In terms of quality management, the company takes system reconstruction as the core, clarifies the key objectives of system establishment, and takes multiple measures to improve the quality management system. It carries out special work to tackle key issues related to product quality, effectively optimizes product quality levels, and builds a unique quality management system. Simultaneously, it implements organizational structure innovation, achieves iterative upgrades of quality management methods, and deeply reshapes quality culture. In terms of supply chain construction, the company establishes an SQE supplier quality management project team to further standardize the inspection and evaluation mechanism for new suppliers, continuously improving the standardization and refinement level of supplier management. Under the premise of ensuring supply quality and stability, various effective measures are taken to reasonably reduce procurement costs and enhance the overall efficiency of the supply chain. The production system maintains efficient operation, continuously reduces production and operational costs through optimizing production processes and management models, improves labor productivity, and enhances the comprehensive competitiveness of enterprise production and operation.

In terms of internal management, the company adheres to high-quality party building to lead development, thoroughly studies and implements relevant spirits, promotes the comprehensive and in-depth development of strict party governance, strengthens discipline inspection and supervision, strictly enforces discipline rules, encourages party members and cadres to take on responsibilities, and fully leverages the exemplary role of party

members. In accordance with legal and regulatory requirements, the company has completed tasks such as the audit committee taking over the responsibilities of the board of supervisors and the establishment of employee directors, simultaneously revised and improved relevant systems, and continuously optimized the corporate governance environment. The company strengthens external investment control through refined management, promotes several subsidiaries to complete governance structure upgrades and internal control system improvements, and effectively enhances decision-making efficiency and compliance management level. In terms of talent team construction, the company vigorously selects and appoints young cadres, optimizes the assessment mechanism, guides cadres to focus on quality, cost, and efficiency improvement; creates a good atmosphere of emulation and competition through skill competitions, increases the cultivation of high-skilled talents, comprehensively improves employees' professional quality and job performance ability, and provides solid talent support for the company's high-quality development.

During the reporting period, the houses within the scope of the company's foundry and the surrounding land parcels' urban renewal project (Phase I) were expropriated by the government. This matter was approved at the first extraordinary shareholders' meeting in 2025 and is yet to be signed into an expropriation compensation agreement. The company's headquarters along the street were also expropriated by the government. The company signed a compensation agreement with the Housing and Urban-Rural Development Bureau of Zhonglou District, Changzhou. As of the end of the reporting period, the company has received all the compensation payments for the expropriation of the headquarters' shops along the street. In August 2025, the company acquired 3% of the equity held by six individual shareholders of Zhenjiang Siyang. Currently, the company holds a total of 52% of Zhenjiang Siyang's equity. As of the end of the reporting period, the wholly-owned subsidiary Changchai Luobin's merger and absorption of Horizon Nongzhuang, and the wholly-owned subsidiary Changniu Company's merger and absorption of its wholly-owned subsidiary Changben Company have been fully completed.

2. Revenue and Cost Analysis

(1) Breakdown of Operating Revenue

Unit: RMB

| | 2025 | | 2024 | | Change (%) |
|-----------------------------|-------------------|-------------------------------------|-------------------|-------------------------------------|------------|
| | Operating revenue | As % of total operating revenue (%) | Operating revenue | As % of total operating revenue (%) | |
| Total | 2,476,325,822.68 | 100% | 2,415,869,028.32 | 100% | 2.50% |
| By operating division | | | | | |
| Internal combustion engines | 2,425,736,833.58 | 97.96% | 2,371,931,691.41 | 98.18% | 2.27% |
| Other | 50,588,989.10 | 2.04% | 43,937,336.91 | 1.82% | 15.14% |
| By product category | | | | | |
| Diesel engines | 2,284,464,160.03 | 92.25% | 2,243,543,689.25 | 92.87% | 1.82% |
| Gasoline engines | 136,656,821.30 | 5.52% | 122,859,838.38 | 5.09% | 11.23% |
| Other | 55,204,841.35 | 2.23% | 49,465,500.69 | 2.05% | 11.60% |

| By operating segment | | | | | |
|----------------------|------------------|--------|------------------|--------|---------|
| Domestic | 2,026,517,354.88 | 81.84% | 2,059,623,002.73 | 85.25% | -1.61% |
| Overseas | 449,808,467.80 | 18.16% | 356,246,025.59 | 14.75% | 26.26% |
| By marketing model | | | | | |
| Distribution | 1,202,751,523.31 | 48.57% | 961,865,962.18 | 39.81% | 25.04% |
| Direct sales | 1,273,574,299.37 | 51.43% | 1,454,003,066.14 | 60.19% | -12.41% |

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

Applicable Not applicable

Unit: RMB

| | Operating revenue | Cost of sales | Gross profit margin | YoY change in operating revenue (%) | YoY change in cost of sales (%) | YoY change in gross profit margin (%) |
|-----------------------------|-------------------|------------------|---------------------|-------------------------------------|---------------------------------|---------------------------------------|
| By operating division | | | | | | |
| Internal combustion engines | 2,425,736,833.58 | 2,131,368,875.08 | 12.14% | 2.27% | 2.27% | 0.00% |
| By product category | | | | | | |
| Diesel engines | 2,284,464,160.03 | 2,012,368,448.84 | 11.91% | 1.82% | 3.87% | -1.74% |
| Gasoline engines | 136,656,821.30 | 116,944,349.67 | 14.42% | 11.23% | 8.08% | 2.49% |
| By operating segment | | | | | | |
| Domestic | 2,026,517,354.88 | 1,770,854,257.65 | 12.62% | -1.61% | -0.53% | -0.94% |
| Overseas | 449,808,467.80 | 409,141,517.81 | 9.04% | 26.26% | 20.68% | 4.20% |
| By marketing model | | | | | | |
| Distribution | 1,202,751,523.31 | 1,046,514,649.02 | 12.99% | 25.04% | 24.99% | 0.04% |
| Direct sales | 1,273,574,299.37 | 1,133,481,126.44 | 11.00% | -12.41% | -11.58% | -0.83% |

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

Applicable Not applicable

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

Yes No

| Operating division | Item | Unit | 2025 | 2024 | Change (%) |
|--------------------|------------|------|---------|---------|------------|
| Diesel engines | Unit sales | Unit | 519,057 | 477,592 | 8.68% |
| | Output | Unit | 514,235 | 473,719 | 8.55% |

| | | | | | |
|--|-----------|------|--------|--------|--------|
| | Inventory | Unit | 91,069 | 95,891 | -5.03% |
|--|-----------|------|--------|--------|--------|

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

Applicable Not applicable

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

Applicable Not applicable

(5) Breakdown of Cost of Sales

Unit: RMB

| Product category | Item | 2025 | | 2024 | | Change (%) |
|------------------|---------------|------------------|---------------------------------|------------------|---------------------------------|------------|
| | | Cost of sales | As % of total cost of sales (%) | Cost of sales | As % of total cost of sales (%) | |
| Diesel engines | Raw materials | 1,661,076,461.27 | 78.01% | 1,594,081,880.39 | 77.93% | 4.20% |
| | Labor cost | 236,268,258.66 | 11.10% | 230,255,452.63 | 11.26% | 2.61% |
| | Depreciation | 58,454,666.96 | 2.75% | 58,977,062.10 | 2.88% | -0.89% |
| | Energy | 30,849,454.12 | 1.45% | 25,209,330.48 | 1.23% | 22.37% |

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

Yes No

During the reporting period, Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. (hereinafter referred to as "Changchai Robin"), a wholly-owned subsidiary, inherited all assets, liabilities, businesses, and all other rights and obligations of Changzhou Changchai Horizon Agricultural Equipment Co., Ltd. (hereinafter referred to as "Horizon Agricultural Equipment") through a comprehensive merger. In February 2025, the company received the Registration Notice (Deng Zi [2025] No. 02270081) issued by the Government Service Management Office of Changzhou High-tech Industrial Development Zone (Xinbei District), indicating that Horizon Agricultural Equipment had cancelled its independent legal person status, marking the completion of the merger between the two wholly-owned subsidiaries.

The wholly-owned subsidiary Changzhou Changniu Machinery Co., Ltd. (hereinafter referred to as "Changniu Company") has merged all assets, liabilities, businesses, and all other rights and obligations of its wholly-owned subsidiary Changzhou Changchai Benniu Diesel Engine Parts Co., Ltd. (hereinafter referred to as "Changben Company") through a consolidation and merger process. Changniu Company has inherited the registered capital, equity structure, and governance structure of Changben Company. In September 2025, the company received the "Registration Notice" (Deng Zi [2025] No. 09080200) and "Registration Notice" (Deng Zi [2025] No. 09080101) issued by the Government Service Management Office of Changzhou High-tech Industrial Development Zone (Xinbei District). The deregistration procedures for Changben Company and the change procedures for Changniu Company have been completed, marking the completion of the consolidation and merger of the wholly-owned subsidiary by the wholly-owned subsidiary.

As of the end of the reporting period, the consolidation scope of the Company included the parent company and seven subsidiaries.

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

Applicable Not applicable

(8) Major Customers and Suppliers

Major customers:

| | |
|---|------------------|
| Total sales to top five customers (RMB) | 1,099,384,631.33 |
| Total sales to top five customers as % of total sales of the Reporting Period (%) | 44.40% |
| Total sales to related parties among top five customers as % of total sales of the Reporting Period (%) | 0.00% |

Information about top five customers:

| No. | Customer | Sales revenue contributed for the Reporting Period (RMB) | As % of total sales revenue (%) |
|-------|------------|--|---------------------------------|
| 1 | Customer 1 | 633,351,973.74 | 25.58% |
| 2 | Customer 2 | 211,837,504.85 | 8.55% |
| 3 | Customer 3 | 92,506,755.47 | 3.74% |
| 4 | Customer 4 | 82,921,750.95 | 3.35% |
| 5 | Customer 5 | 78,766,646.32 | 3.18% |
| Total | -- | 1,099,384,631.33 | 44.40% |

Other information about major customers:

Applicable Not applicable

Major suppliers:

| | |
|---|----------------|
| Total purchases from top five suppliers (RMB) | 333,781,726.97 |
| Total purchases from top five suppliers as % of total purchases of the Reporting Period (%) | 18.31% |
| Total purchases from related parties among top five suppliers as % of total purchases of the Reporting Period (%) | 0.00% |

Information about top five suppliers:

| No. | Supplier | Purchase in the Reporting Period (RMB) | As % of total purchases (%) |
|-----|------------|--|-----------------------------|
| 1 | Supplier 1 | 93,351,901.50 | 5.12% |
| 2 | Supplier 2 | 78,913,276.61 | 4.33% |

| | | | |
|-------|------------|----------------|--------|
| 3 | Supplier 3 | 57,819,949.02 | 3.17% |
| 4 | Supplier 4 | 53,040,631.38 | 2.91% |
| 5 | Supplier 5 | 50,655,968.46 | 2.78% |
| Total | -- | 333,781,726.97 | 18.31% |

Other information about major suppliers:

Applicable Not applicable

During the reporting period, the proportion of the company's trade business revenue in its operating revenue exceeded 10%:

Applicable Not applicable

3. Expense

Unit: RMB

| | 2025 | 2024 | Change (%) | Reason for any significant change |
|------------------------|----------------|----------------|------------|--|
| Selling expense | 52,818,923.00 | 60,617,254.43 | -12.86% | |
| Administrative expense | 108,081,816.30 | 115,466,341.90 | -6.40% | |
| Finance costs | -4,959,323.92 | -23,423,038.69 | — | This growth mainly resulted from increased interest income and exchange gains. |
| R&D expenses | 83,676,763.37 | 83,401,477.60 | 0.33% | |

4. R&D Investments

Applicable Not applicable

| Major R&D project | Purpose | Progress | Specific objectives | Expected impact on the Company |
|--|--|-------------|--|--|
| Research and development of hybrid powertrain system | Develop an efficient, low-emission, and intelligent diesel engine hybrid powertrain system | In progress | Energy conservation and emission reduction to meet China stage VI/Euro VI emission standards, optimize power performance and driving comfort, and achieve system integration, lightweight, intelligence, and connectivity. | After the implementation of the project, the product meets the China Stage VI/Euro VI emission standards, which will help promote the technological upgrading of the company's industry and boasts broad and promising market application prospects. |
| Development project of multi-cylinder | Develop diesel engines with higher | In progress | Enhance product power performance and system stability, optimize fuel economy, | After the implementation of the project, the company's technical level will be further |

| | | | | |
|--|---|-------------|---|--|
| r series diesel engine | performance, energy saving, and emission reduction | | reduce emissions for environmental protection, and meet emission standards. | enhanced, its product portfolio will be enriched, and it will be able to meet emission standards and market demands. |
| Development project of multi-cylinder diesel engine with post-treatment system | Develop high-performance post-treatment systems and create environmentally friendly, high-performance diesel engines | In progress | Enhance the product's power performance, reliability, and fuel efficiency, meet the non-road China stage IV emission standards, and extend the product's service life. | After the implementation of the project, the product meets the requirements of the China Stage IV emission standard for non-road vehicles, which helps the company expand its product application market and enhance its brand competitiveness. At the same time, it actively responds to the national environmental protection strategy and achieves sustainable development. |
| High power air-cooled diesel engine development project | Develop diesel engines with higher performance, energy saving, and emission reduction to meet market demands and emission standards | In progress | Enhance product performance, achieve efficient power output and energy conservation and emission reduction, meet the requirements of the China Stage IV emission standard for non-road vehicles, and adapt to complex usage environments. | After the implementation of the project, the product meets emission requirements and market demands, presenting a promising market outlook in the future. |
| Development project of diesel engine for generator sets | Develop efficient, environmentally friendly, and energy-saving diesel engines | In progress | Through optimized design and technological innovation, we enhance product reliability and optimize diesel engine performance to meet the requirements of the China stage IV emission standard for non-road vehicles | After the implementation of the project, the product meets the non-road China stage IV emission standard, which aids the company in expanding into related fields. The product holds broad market prospects. |
| Development project of multi-cylinder light diesel engine | Develop diesel engines with higher performance to meet market demand | In progress | Optimize product performance, enhance various product indicators, and achieve domestic advanced levels to meet the non-road China stage IV emission requirements. | After the implementation of the project, the product meets the requirements of the China Stage IV emission standard for non-road vehicles, boasting broad and promising market application prospects, |

| | | | | |
|--|--|-------------|--|---|
| | | | | further enhancing the market competitiveness of the company's products. |
| Key technology and product development project for high-performance zero-carbon emission hydrogen internal combustion engine | Develop hydrogen internal combustion engines to achieve clean and efficient power generation | In progress | Through key technologies, complete system integration and performance optimization to achieve internationally advanced product indicators. | After the implementation of the project, the product has certain market adaptability and promotion potential, with strong competitiveness and broad market prospects. |
| 4H11V16 Diesel Engine Development Project | Develop diesel engines with higher performance and that meet emission standards | In progress | Optimize the performance of diesel engines to meet the requirements of the China stage IV emission standard for non-road vehicles. | After the implementation of the project, the upgraded diesel engine meets the requirements of the China Stage IV emission standard for non-road vehicles, and the product has broad and promising market application prospects. |
| 4H13V16 Diesel Engine Development Project | Develop diesel engines with higher performance and that meet emission standards | In progress | Optimize diesel engine performance and promote the implementation of energy conservation and emission reduction. | After the implementation of the project, the product meets the requirements of the China Stage IV emission standard for non-road vehicles, promoting the further maturity and development of the company's non-road product technology. The product has broad and promising market application prospects. |
| 4G36V16A Diesel Engine Development Project | Optimize and upgrade diesel engine performance to meet market demands | In progress | Improve product performance, reach the advanced level of similar foreign products, and meet emission requirements. | After the implementation of the project, the product meets market demand and complies with the China Stage IV emission standard for non-road vehicles, presenting a promising market outlook |

| | | | | |
|---|--|-------------|--|---|
| | | | | in the future. |
| 4G33TC Diesel Engine Matching Tractor Development Project | Develop diesel engines with higher performance, energy saving, and emission reduction | In progress | Optimize diesel engine performance to achieve the goals of high efficiency output, energy conservation, and emission reduction. | After the implementation of the project, it will meet the requirements of the China Stage IV emission standard for non-road vehicles and meet market demands. |
| L22 China Stage IV Diesel Engine Development Project | Meet emission requirements and satisfy market demands | In progress | Improve product performance, reach the advanced level of similar domestic products, and meet emission requirements. | After the implementation of the project, the product meets the non-road China stage IV emission standards and holds broad market prospects. |
| L24 Common Rail China Stage IV Diesel Engine Optimization Project | Develop diesel engines with higher performance, energy saving, and emission reduction | In progress | Improve diesel engine performance, conserve energy, and reduce emissions, ensuring that the performance and reliability of the diesel engine reach the leading level of similar domestic products and meet the non-road China Stage IV emission standards. | After the implementation of the project, the product meets the non-road China Stage IV emission standards and satisfies market demand, indicating a promising market outlook for the product. |
| 3M82 Diesel Engine Development Project | Develop higher-performance diesel engines satisfying emission standards | In progress | Improve product performance to reach the advanced level of similar foreign products and meet the non-road China Stage IV emission standards. | After the implementation of the project, the product meets the non-road China Stage IV emission standards, presenting a broad market prospect. |
| 390 Turbocharged Diesel Engine Development | Develop higher-performance diesel engines satisfying emission standards | Completed | Execute major design optimizations to reach international advanced levels across all performance metrics, satisfying Non-Road China Stage IV standards. | After the implementation of the project, the product meets emission requirements, has a clear target market positioning, and boasts broad market prospects. |
| 4L88 China Stage IV Diesel Engine Development | Develop high-efficiency, environmentally-friendly diesel engines meeting emission requirements | Completed | Achieve compliance with Non-Road China Stage IV regulations. | Post-project products will maintain existing OEM application compatibility while expanding market opportunities. |
| Mining Pickup Truck | Develop a mining pickup | Completed | Improve product performance, meet the non-road China Stage | After the implementation of the project, the company's |

| | | | | |
|---|---|-----------|---|---|
| Engine Development | engine with higher performance and meeting emission requirements | | IV emission regulations and related requirements, and ensure that all indicators reach the domestic leading level. | product range will be further expanded, and the products will meet emission requirements, presenting broad market prospects. |
| 178FA Air-Cooled China Stage IV Diesel Engine Development | Develop high-efficiency, energy-saving diesel engines compliant with emission standards | Completed | Implement groundbreaking structural and performance optimizations to reach international benchmarks and Non-Road China Stage IV compliance. | Completed projects will yield solutions for small agricultural machinery that align with energy conservation policies, offering significant market potential. |
| L12 Water-Cooled China Stage IV Diesel Engine Development | Develop high-efficiency, eco-friendly and energy-efficient single-cylinder diesel engines | Completed | Enhance product reliability and energy efficiency while meeting Stage IV emission regulations. | Implementation will expand product applications, enrich technical reserves, and meet both regulatory and market demands. |

Details about R&D investments:

| | 2025 | 2024 | Change (%) |
|---|-------|-------|------------|
| Number of R&D personnel | 217 | 214 | 1.40% |
| R&D personnel as % of total employees | 9.14% | 8.84% | 0.30% |
| Educational background of R&D personnel | | | |
| Bachelor's degree | 99 | 91 | 8.79% |
| Master's degree | 9 | 9 | 0.00% |
| Age structure of R&D personnel | | | |
| Below 30 | 17 | 17 | 0.00% |
| 30~40 | 78 | 81 | -3.70% |

Details about R&D investments:

| | 2025 | 2024 | Change (%) |
|---|---------------|---------------|------------|
| R&D investments (RMB) | 83,676,763.37 | 83,401,477.60 | 0.33% |
| R&D investments as % of operating revenue | 3.38% | 3.45% | -0.07% |
| Capitalized R&D investments (RMB) | 0.00 | 0.00 | — |
| Capitalized R&D investments as % of total R&D investments | 0.00% | 0.00% | — |

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

5. Cash Flows

Unit: RMB

| Item | 2025 | 2024 | Change (%) |
|--|------------------|------------------|------------|
| Subtotal of cash generated from operating activities | 2,685,578,089.51 | 2,325,383,619.26 | 15.49% |
| Subtotal of cash used in operating activities | 2,396,015,540.44 | 2,479,676,587.96 | -3.37% |
| Net cash generated from/used in operating activities | 289,562,549.07 | -154,292,968.70 | —— |
| Subtotal of cash generated from investing activities | 1,257,662,835.71 | 1,206,915,907.12 | 4.20% |
| Subtotal of cash used in investing activities | 1,264,029,638.05 | 1,198,878,172.96 | 5.43% |
| Net cash generated from/used in investing activities | -6,366,802.34 | 8,037,734.16 | —— |
| Subtotal of cash generated from financing activities | 88,595,514.02 | 94,412,090.20 | -6.16% |
| Subtotal of cash used in financing activities | 10,116,925.07 | 33,168,340.22 | -69.50% |
| Net cash generated from/used in financing activities | 78,478,588.95 | 61,243,749.98 | 28.14% |
| Net increase in cash and cash equivalents | 355,386,036.60 | -78,947,638.62 | —— |

Explanation of why any of the data above varies significantly:

Applicable Not applicable

The significant year-on-year change in net cash flow from operating activities was primarily due to the company's increased collection of payment for goods during the reporting period, coupled with reduced inventory pressure and lower procurement costs, as well as measures taken to reduce costs and cut expenses;

The significant year-on-year change in net cash flow from investing activities was primarily due to the receipt of land compensation from the Wuxing branch and the Sanjing branch in the previous period;

The significant year-on-year change in net cash flow from financing activities was primarily due to the decrease in cash dividends distributed by the company during the reporting period.

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

Applicable Not applicable

The significant difference between the net cash flow generated from the company's operating activities during the reporting period and the net profit for the current year is primarily due to the impact of changes in the fair value of the financial assets held by the company during the reporting period on current earnings, the reduction in inventory, and the decrease in procurement funds paid to suppliers.

V Analysis of Non-Core Businesses

√Applicable Not applicable

Unit: RMB

| | Amount | As % of gross profit | Source | Recurrent or not |
|---------------------------------------|----------------|----------------------|---|------------------|
| Return on investment | 9,829,843.17 | 14.84% | The increase was primarily attributable to dividends received from equity holdings and investment income generated from cash management activities. | Yes |
| Gains/losses on changes in fair value | -19,942,996.94 | -30.11% | During the reporting period, the stock prices of Jiangsu Liance Electromechanical Technology Co., Ltd. and Kailong High-Tech Co., Ltd., which are held by Horizon Investment, a wholly-owned subsidiary of the company, have increased compared to the beginning of the period. Meanwhile, the fair value of the equity held by the company in Jiangsu Horizon New Energy Technology Co., Ltd. has decreased compared to the beginning of the period. | No |
| Asset impairment loss | -23,624,390.85 | -35.67% | It was mainly due to the increase in provision for inventory depreciation. | No |
| Non-operating income | 211,724.94 | 0.32% | It was mainly due to the receipt of trademark infringement compensation. | No |
| Non-operating expense | 1,375,295.13 | 2.08% | The main reason is the payment of late payment fines by the subsidiary, Jiangsu Changchai Machinery Co., Ltd. | No |
| Asset disposal income | 36,192,896.62 | 54.64% | It is mainly due to the expropriation of shops along the street in the headquarters area. | No |

VI Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB

| | 31 December 2025 | | 1 January 2025 | | Change in percentage (%) | Reason for any significant change |
|---------------------------|------------------|----------------------|------------------|----------------------|--------------------------|--|
| | Amount | As % of total assets | Amount | As % of total assets | | |
| Cash and Cash Equivalents | 1,338,231,792.64 | 23.99% | 1,063,700,492.59 | 19.76% | 4.23% | The increase was primarily due to the acceleration of payment collection during the reporting period, coupled with the discounting of some collected bank acceptance |

| | | | | | | |
|--------------------------|----------------|--------|----------------|--------|--------|---|
| | | | | | | bills. |
| Accounts receivable | 451,748,532.34 | 8.10% | 444,254,240.02 | 8.25% | -0.15% | |
| Inventories | 757,083,436.15 | 13.57% | 819,201,998.42 | 15.22% | -1.65% | It was mainly due to the increase in product sales during the reporting period, which consumed the diesel engine inventory reserved at the beginning of the period. |
| Investment property | 35,644,130.99 | 0.64% | 37,740,844.55 | 0.70% | -0.06% | |
| Fixed assets | 550,316,120.80 | 9.87% | 615,414,505.40 | 11.43% | -1.56% | It was mainly due to the sale of machinery and equipment related to the acquisition and storage of land for casting during the reporting period. |
| Construction in progress | 2,801,650.98 | 0.05% | 3,376,866.69 | 0.06% | -0.01% | |
| Short-term borrowings | 88,926,344.09 | 1.59% | 94,471,787.41 | 1.76% | -0.17% | |
| Contract liabilities | 40,040,496.36 | 0.72% | 31,640,879.59 | 0.59% | 0.13% | |

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

Applicable Not applicable

2. Assets and Liabilities at Fair Value

Applicable Not applicable

Unit: RMB

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

| | | | | Period | | | | |
|--|----------------------|--------------------|--------------------|--------|----------------------|----------------------|------|----------------------|
| Financial assets | | | | | | | | |
| 1. Held-for-trading financial assets (derivative financial assets exclusive) | 303,667,45 9.65 | 21,405,61 0.48 | 0.00 | 0.00 | 1,248,243,6 06.00 | 1,201,131,9 86.15 | 0.00 | 372,184,68 9.98 |
| 4. Investment in other equity instruments | 941,120,05 8.72 | 0.00 | 796,791,2 95.81 | 0.00 | 0.00 | 0.00 | 0.00 | 981,361,29 5.81 |
| Subtotal of financial assets | 1,244,787,5 18.37 | 21,405,61 0.48 | 796,791,2 95.81 | 0.00 | 1,248,243,6 06.00 | 1,201,131,9 86.15 | 0.00 | 1,353,545,9 85.79 |
| Other | 377,869,21 7.49 | -40,750,4 60.46 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 337,118,75 7.03 |
| Total of above | 1,622,656,7 35.86 | -19,344,8 49.98 | 796,791,2 95.81 | 0.00 | 1,248,243,6 06.00 | 1,201,131,9 86.15 | 0.00 | 1,690,664,7 42.82 |
| Financial liabilities | 0.00 | | | | | | | 0.00 |

Contents of other change: N/A

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

Yes No

3. Restricted Asset Rights as at the Period-End

Unit: RMB

| Item | At the period-end | Reason for restriction |
|------------------|-------------------|--|
| Monetary assets | 90,163,871.20 | Bank acceptance bill guarantee deposits, Letter of guarantee deposits, Performance bond deposits, Term deposits and accrued interest |
| Notes receivable | 77,099,600.00 | Payment obligations for undiscounted but discounted bills |
| Notes receivable | 59,152,351.53 | Payment obligations for undiscounted but transferred bills |

VII Investments Made

1. Total Investment Amount

Applicable Not applicable

| Investments made in Reporting Period (RMB) | Investments made in same period of last year (RMB) | +/-% |
|--|--|------|
| | | |

| | | |
|--------------|----------------|---------|
| 6,970,000.00 | 291,835,919.91 | -97.61% |
|--------------|----------------|---------|

2. Major Equity Investments Made in the Reporting Period

Applicable Not applicable

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

Applicable Not applicable

4. Financial Investments

(1) Securities Investments

Applicable Not applicable

Unit: RMB

| Variety of security | Code of security | Name of security | Initial investment cost | Accounting measurement method | Beginning carrying amount | Gain/loss on fair value changes in the Reporting Period | Accumulated fair value changes recorded in equity | Purchased in the Reporting Period | Sold in the Reporting Period | Gain/loss in the Reporting Period | Ending carrying amount | Accounting title | Funding source |
|------------------------|------------------|-------------------------|-------------------------|-------------------------------|---------------------------|---|---|-----------------------------------|------------------------------|-----------------------------------|------------------------|--|----------------|
| Domestic/foreign stock | 600166 | Foton Motor | 41,784,000.00 | Fair value method | 362,695,000.00 | 0.00 | 380,156,000.00 | 0.00 | 0.00 | 0 | 421,940,000.00 | Investment in other equity instruments | Self-funded |
| Domestic/foreign stock | 600919 | Bank of Jiangsu | 42,786,000.00 | Fair value method | 229,788,000.00 | 0.00 | 200,574,000.00 | 0.00 | 0.00 | 5,016,960.00 | 243,360,000.00 | Investment in other equity instruments | Self-funded |
| Domestic/foreign stock | 300912 | Kailong High Technology | 20,001,268.00 | Fair value method | 11,570,150.00 | 5,030,500.00 | 0.00 | 0.00 | 0.00 | 5,030,500.00 | 16,600,650.00 | Held-for-trading financial | Self-funded |

| | | | | | | | | | | | | | |
|-----------------------------------|----------------|----------------------------------|------------------------|-----------------------------|------------------------|-----------------------|------------------------|------|----------|-----------------------|------------------------|---|---------------------|
| | | gy | | | | | | | | | | al assets | |
| Domes tic/fore ign stock | 68 81 13 | Lian ce Tech nolo gy | 7,200, 000.0 0 | Fair value meth od | 40,70 8,800. 00 | 16,21 4,400 .00 | 0.00 | 0.00 | 0.0 0 | 15,91 4,363 .77 | 56,92 3,200. 00 | Held-f or-trad ing financi al assets | Self- fund ed |
| Domes tic/fore ign stock | 60 53 68 | Lant ian Gas | 160,7 44.76 | Fair value meth od | 320,0 40.00 | -103, 880.0 0 | 0.00 | 0.00 | 0.0 0 | -78,9 00.38 | 216,1 60.00 | Held-f or-trad ing financi al assets | Self- fund ed |
| Total | | | 111,9 32,01 2.76 | -- | 645,0 81,99 0.00 | 21,14 1,020 .00 | 580,7 30,00 0.00 | 0.00 | 0.0 0 | 25,88 2,923 .39 | 739,0 40,01 0.00 | -- | -- |

(2) Investments in Derivative Financial Instruments

Applicable Not applicable

No such cases in the Reporting Period.

VIII Sale of Major Assets and Equity Interests

1. Sale of Major Assets

Applicable Not applicable

No such cases in the Reporting Period.

2. Sale of Major Equity Interests

Applicable Not applicable

IX Major Subsidiaries

Applicable Not applicable

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

Unit: RMB

| Name | Relatio nship | Principal activity | Registere d capital | Total assets | Net assets | Operatin g revenue | Operating profit | Net profit |
|------|------------------|-----------------------|------------------------|-----------------|---------------|-----------------------|---------------------|---------------|
|------|------------------|-----------------------|------------------------|-----------------|---------------|-----------------------|---------------------|---------------|

| | with the Compa ny | | | | | | | |
|--|----------------------------|---|--------------------|--------------------|--------------------|--------------------|-------------------|-------------------|
| Changchai Benniu | Subsidi ary | Production of diesel engine accessories | 55,063,0 00.00 | 151,924, 404.55 | 67,546,6 60.15 | 212,686, 024.48 | 369,472.5 5 | 365,267. 61 |
| Changchai Wanzhou | Subsidi ary | Diesel engine assembly | 85,000,0 00.00 | 77,764,2 57.38 | 53,572,1 52.81 | 51,637,8 56.67 | 2,251,989 .61 | 1,870,38 9.53 |
| Horizon Investment | Subsidi ary | External investment and consulting | 40,000,0 00.00 | 98,135,7 66.86 | 85,214,11 1.71 | 0.00 | 21,011,94 1.90 | 15,914,1 85.78 |
| Changchai Robin | Subsidi ary | Gasoline engines assembly | 37,250,0 00.00 | 122,984, 273.37 | 98,278,2 25.13 | 136,656, 821.30 | 7,577,854 .27 | 7,117,29 0.82 |
| Changchai Machinery | Subsidi ary | Internal combustion engine and related accessories | 300,000, 000.00 | 811,429, 069.10 | 531,128, 139.35 | 963,061, 299.21 | 20,335,41 7.55 | 18,534,7 45.46 |
| Xingsheng Real Estate Manageme nt | Subsidi ary | Real estate manageme nt service | 1,000,00 0.00 | 3,776,90 6.22 | 2,134,23 1.64 | 2,324,56 8.97 | 189,608.3 2 | 166,232. 34 |
| Zhenjiang Siyang | Subsidi ary | Manufactur ing and marketing of diesel engines for ships | 2,000,00 0.00 | 145,493, 715.72 | 124,502, 534.21 | 77,022,4 32.90 | 15,115,88 2.33 | 12,864,3 27.55 |

Subsidiaries obtained or disposed of in the Reporting Period:

Applicable Not applicable

Other information about principal subsidiaries and joint stock companies:

1. In August 2025, the company acquired 3% of the equity held by six individual shareholders of Zhenjiang Siyang. As of the end of the reporting period, the company held a total of 52% of Zhenjiang Siyang's equity, making it the largest shareholder.

2. The wholly-owned subsidiary Changchai Luobin has inherited all assets, liabilities, businesses, and other rights and obligations of the wholly-owned subsidiary Horizon Nongzhuang through a merger by absorption. As of February 2025, Horizon Nongzhuang has been deregistered as an independent legal entity, marking the completion of the merger between the two wholly-owned subsidiaries.

3. The wholly-owned subsidiary, Changben Company, has merged with Changniu Company, a wholly-owned grandchild company, through an overall merger and absorption process. Changniu Company has acquired all assets, liabilities, businesses, and all other rights and obligations of Changben Company, inheriting its registered capital, equity structure, and governance structure. As of September 2025, Changben Company has cancelled its independent legal person status, and Changniu Company has completed the business registration changes, marking the completion of the merger.

X Structured Bodies Controlled by the Company

Applicable Not applicable

XI Prospects

1. Development strategy of the Company

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

The country's series of policies and deployments to comprehensively promote rural revitalization and accelerate the construction of a strong agricultural nation have continued to gain momentum, bringing significant positive impacts on the high-quality development of the industry. The company will seize the policy opportunities presented by the country's strong support for agricultural production and the development of the agricultural machinery and equipment industry. It will adhere to innovation-driven leadership, talent aggregation as support, quality improvement as the foundation, brand building as the focus, and capital operation as the driving force. It will accelerate the iterative upgrading and technological innovation of traditional power products, actively plan for the research and development of intelligent and new energy products, continuously expand into new fields and markets, and fully promote the optimization and diversified development of the industrial structure. We will steadfastly advance:

(1) Accelerating Technological Upgrades and Market Expansion for Existing Products

First, the Company will prioritize the optimization and enhancement of its core products.

1) By aligning with market demand and leveraging the Company's competitive products and technologies, we will stabilize supply share with major OEM partners for single-cylinder engines, increase market penetration in key industrial clusters, tap into high-potential sales regions, and consolidate our industry leadership position. For multi-cylinder engines, we will accelerate product optimization and upgrades, expedite R&D and commercialization of policy-compliant new products, enhance profitability of existing products, expand product line offerings, strengthen supporting services in core market segments, and increase market share in specialized applications.

2) To meet overseas market demands, we will innovatively upgrade existing product technologies and develop export-oriented models with enhanced reliability and superior performance. Leveraging OEM partners' global distribution channels, we will expand our international market presence. Through optimized resource allocation and synergies, we aim to improve overall export efficiency, enhance market service quality, and actively increase customer satisfaction.

Second, we will focus on value chain extension by developing premium product offerings.

1) The Company will continue to optimize its power unit products and distribution network, pursuing premium and specialized development in niche markets to move up the value chain. This includes expanding applications in

specialized vehicles, UAV crop protection, stationary power, and telecommunications markets. Our independently developed integrated UAV charging system has been launched with positive market feedback.

2) Aligned with the industry trends of electrification, connectivity, and intelligently in agricultural machinery, the Company is integrating advanced technologies including Internet of Things (IoT), big data analytics, artificial intelligence, and new materials into product development. These innovations enhance intelligent control systems, real-time monitoring capabilities, and big data collection/analysis functions in diesel engines, thereby increasing product value-added features and better meeting end-user requirements.

Third, we will extend its market reach toward end-user applications. The Company's core products consist of small-to-medium power diesel engines and general-purpose gasoline engines, primarily serving off-road applications including agricultural machinery, crop protection equipment, construction machinery, and marine engines. We are intensifying R&D efforts and market penetration in generator sets, outboard motors, cold chain systems, fishing vessels, and telecommunication tower applications.

(2) Driving Industrial Transformation Through New Energy Integration

With technological advancements and the upgrading of market demand structure, the agricultural machinery industry is accelerating its transformation towards high-end, intelligent, large-scale, and specialized products. Green, low-carbon, and digital intelligence have become the core tracks for the industry's high-quality development. The company has always been market-oriented, anchoring its strategic direction towards intelligence and new energy. Relying on its core strengths in the field of light power, the company continues to improve its technological innovation system, intensify technological research and development efforts, and increase R&D resource investment to advance its technological route and product layout. The company has been expanding its new energy product matrix, steadily advancing the research, development, and trial production of hybrid power projects, as well as supporting integration in multiple downstream fields. During the reporting period, the company completed the configuration design of an extended-range hybrid system for tractors with 120-140 horsepower. Meanwhile, Horizon Investment, a wholly-owned subsidiary of the company, participated as a limited partner in the establishment of Changzhou Changtou Xinhui No.1 Equity Investment Fund (Limited Partnership) and Yuanzhi Changtou Xingyu (Changzhou) Equity Investment Partnership (Limited Partnership), focusing on new industries such as advanced manufacturing, new energy vehicles, and upstream and downstream new energy sectors.

2. 2026 Operational Plan

We will strengthen our foundation both internally and externally, accelerate research and development to expand new products, enhance quality to build a strong core, implement lean management to reduce costs and increase efficiency, continuously innovate to boost vitality, and scientifically plan to empower development. By 2026, we anticipate achieving sales revenue of 2.6 billion yuan, of which 70 million US dollars will be earned through exports.

The aforementioned business plan does not represent the listed company's profit forecast for 2026. Whether it can be achieved depends on various factors such as changes in market conditions and the level of effort put forth by the management team, and there is significant uncertainty. Investors are advised to pay special attention.

3. Potential Risks and the Company's Countermeasures

(1) Market Risks

Affected by factors such as low grain prices, frequent extreme weather, and declining user operating profits, the traditional product market continues to face pressure, while new market segments and fields maintain their growth momentum. Currently, the agricultural machinery industry is facing a pattern of coexistence of downward pressure and structural changes. With the deepening of agricultural modernization, the market is evolving towards

high-end, intelligent, and diversified directions, ushering in a new stage of higher-quality development for the agricultural machinery market. Most enterprises are continuously strengthening product research and development and optimization to meet market demands, increasing market maintenance and expansion efforts, and promoting comprehensive upgrading of industry competition.

Countermeasures: First, deeply cultivate the domestic market, consolidate leading position, and ensure the industry leadership. Second, optimize overseas layout, seize international opportunities, and achieve incremental breakthroughs. Third, accelerate industrial upgrading, transform towards new and intelligent directions, and drive leapfrog development. Fourth, strengthen production management, implement precise and meticulous strategies, and lay a solid foundation for development. Fifth, improve mechanism construction, adhere to strict management and care, and activate entrepreneurial momentum

(2) Industry Risks

Influenced by the development of new energy application technology and related policies, enterprises are accelerating their research, application, and market support in the field of new energy power. This has had a certain impact on the market share of diesel engine-related supporting fields, and the traditional stock market has been squeezed. Furthermore, as original equipment manufacturers (OEMs) accelerate their self-research in electric powertrains and some high-end agricultural machinery markets adopt hybrid power solutions, internal combustion engine (ICE) companies that rely solely on traditional mechanical pumps or simple electronic control technology will struggle to meet OEMs' demands for integrated and intelligent powertrains, risking being marginalized in the supply chain.

Countermeasures: Firstly, develop products that comply with national energy conservation and emission reduction policies, plan ahead for products and technologies that meet higher emission standards, optimize and upgrade the product line according to market demand, strengthen the application of intelligent technology and new materials, lay out intelligent eco-businesses, enhance product added value and competitiveness, and consolidate market advantages. Secondly, accelerate the research and development of new energy power, and continuously promote the research and development of hybrid power products and supporting work. Thirdly, accelerate the completion of verification for high-horsepower platforms, improve the serialization of light engine platforms, and launch them into the market in batches. Fourthly, adhere to the coordinated development of product management and capital operation, pay attention to emerging industries, and use the capital market to accelerate the speed of external expansion.

(3) International Trade Risks

In recent years, the global landscape has become increasingly complex, with frequent geopolitical conflicts and international trade disputes. These developments have severely impacted regional politics and security, global economic recovery, food and energy security, and ecological environments, leading to varying degrees of influence on foreign trade policies worldwide. Significant changes in the political stability or trade policies of overseas markets could substantially affect our export sales.

Countermeasures: First, by complementing and sharing internal and external resources, information, and products, we aim to enhance our independent expansion capabilities and improve overall foreign trade efficiency. Second, innovate and modify the products based on overseas market demands, promoting more high-performance and new-field products to overseas markets. Third, consolidate core advantages in traditional main markets, expand market share in key markets, and cultivate growth momentum in emerging potential markets. Fourth, intensify training for overseas service personnel, enhance service capability building, and delegate overseas website construction, accelerating the construction of an overseas market service network. Fifth, closely monitor exchange rate fluctuations, select appropriate currencies for pricing and settlement, and promptly take measures such as

adjusting product prices and payment terms to reduce risks.

(4) Raw Material Price Volatility Risk

The market prices of raw materials are influenced by multiple factors such as the macroeconomic environment, industry capacity, and changes in market demand, resulting in frequent price fluctuations. Fluctuations in the prices of major raw materials such as steel and pig iron can exert certain pressure on the company's production costs, thereby affecting the company's operating profits accordingly.

Countermeasures: First, strengthen internal management through measures such as technological improvement and cost management enhancement, optimize workflows, and improve production and operation efficiency. Second, continue to implement supply guarantee projects and focus on building a stable, efficient, and reliable supply system. Third, timely track market dynamics, strengthen inventory management, and mitigate the adverse impact of raw material price fluctuations on the company.

(5) Talent Risk

Talent is the core strategic resource for the high-quality development of enterprises. The sustainable and healthy development of enterprises cannot be separated from the solid support of a high-quality talent team. Companies need various talents to empower management, improve operational quality and efficiency, and accelerate the pace of transformation and upgrading. If the salary system, talent incentive and restraint mechanisms are not sound enough, it is easy to lead to insufficient cultivation of high-end management leaders and core technical backbones, weak reserve of backup talent teams, and thus restrict the continuous improvement of the enterprise's scientific research innovation ability and core competitiveness.

Countermeasures: First, closely align with the company's development strategy and actual management practices, continuously improve talent introduction channels, enhance the talent training system, optimize the talent team structure, and comprehensively enhance the comprehensive quality of employees. Second, focus on the needs of business development, continuously strengthen employees' job performance capabilities and professional levels through systematic and professional training. Third, improve the talent incentive mechanism and performance evaluation system, vigorously promote the construction of a younger and more professional cadre team, and comprehensively enhance the contribution of human resources to enterprise development. Fourth, strengthen the construction of the employee representative conference system and the service and security of the labor union, actively build harmonious labor relations, and continuously enhance employees' sense of belonging, happiness, and cohesion..

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

√ Applicable □ Not applicable

| Date of visit | Place of visit | Way of visit | Type of visitor | Visitor | Contents and materials provided | Index to main inquiry information |
|---------------|----------------|-----------------|-----------------|--------------------------|--|---|
| 29 April 2025 | Online meeting | Online exchange | Other | Investors and the public | The company's operating performance, profitability, development and construction, equity investment, and other related | www.cninfo.com.cn, 000570 Su Chang C hai A, Investor Relations Management Information, 20240423 |

| | | | | | | |
|--|--|--|--|--|------------|--|
| | | | | | situations | |
|--|--|--|--|--|------------|--|

XIII Implementation of Market Value Management System and Valuation Enhancement Plan

Indicate whether the Company has disclosed the Market Value Management System

Yes No

Indicate whether the Company has disclosed the Valuation Enhancement Plan

Yes No

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

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

Yes No

Part IV Corporate Governance

I General Information of Corporate Governance

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

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

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

Yes No

No such cases in the Reporting Period.

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

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

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

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

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

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

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

III Horizontal Competition

Applicable Not applicable

IV Directors, Supervisors and Senior Management

1. General Information

| Name | Gender | Age | Office title | Incumbent/Former | Start of tenure | End of tenure | Beginning shareholding (share) | +/- (share) | Ending shareholding (share) |
|---------------|--------|-----|------------------------|------------------|------------------|---------------|--------------------------------|-------------|-----------------------------|
| Shen Zhe | Male | 39 | Chairman of the Board | Incumbent | 6 August 2025 | Ongoing | 0 | 0 | 0 |
| Xie Guozhong | Male | 56 | Director | Incumbent | 12 June 2023 | Ongoing | 0 | 0 | 0 |
| | | | General Manager | | | | | | |
| Tan Jie | Female | 46 | Director | Incumbent | 12 June 2023 | Ongoing | 0 | 0 | 0 |
| Jiang He | Male | 53 | Director | Incumbent | 16 April 2020 | Ongoing | 0 | 0 | 0 |
| | | | Chief Accountant | | | | | | |
| Yang Feng | Male | 53 | Director | Incumbent | 16 April 2020 | Ongoing | 0 | 0 | 0 |
| Wang Mancang | Male | 62 | Independent director | Incumbent | 16 April 2020 | Ongoing | 0 | 0 | 0 |
| Zhang Yan | Female | 55 | Independent director | Incumbent | 16 April 2020 | Ongoing | 0 | 0 | 0 |
| Jia Bin | Male | 47 | Independent director | Incumbent | 16 April 2020 | Ongoing | 0 | 0 | 0 |
| Cai Weixuan | Female | 39 | Employee director | Incumbent | 22 December 2025 | Ongoing | 0 | 0 | 0 |
| Sun Jianzhong | Male | 53 | Vice-general Manager | Incumbent | 16 April 2020 | Ongoing | 0 | 0 | 0 |
| He Jianjian | Male | 46 | Vice-general Manager | Incumbent | 13 December 2021 | Ongoing | 0 | 0 | 0 |
| | | | Secretary of the Board | | 18 October 2016 | | | | |
| Wang Jing | Male | 38 | Vice-general Manager | Incumbent | 12 June 2023 | Ongoing | 0 | 0 | 0 |

| | | | | | | | | | |
|--------------|------|----|----------------------------|-------------|--------------|------------------|---|---|---|
| Wang Weifeng | Male | 54 | Chief Engineer | Incumbent | 12 June 2023 | Ongoing | 0 | 0 | 0 |
| Li Desen | Male | 44 | Chairman of the Board | Resignation | 12 June 2023 | 1 January 2025 | 0 | 0 | 0 |
| Zhang Xin | Male | 59 | Vice Chairman of the Board | Resignation | 12 June 2023 | 22 December 2025 | 0 | 0 | 0 |
| Total | -- | -- | -- | -- | -- | -- | 0 | 0 | 0 |

Disclosures on Departures of Directors, Supervisors, and Dismissals of Senior Management During the Reporting Period

Yes No

Changes in the Company's Directors, Supervisors and Senior Management

Applicable Not applicable

| Name | Office title | Type | Date | Reason |
|-------------|----------------------------|-------------|------------------|---------------|
| Cai Weixuan | Employee Director | Elected | 22 December 2025 | Work Transfer |
| Li Desen | Chairman of the Board | Resignation | 1 January 2025 | Work Transfer |
| Zhang Xin | Vice Chairman of the Board | Resignation | 22 December 2025 | Work Transfer |

2. Biographical Information

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

Shen Zhe: Previously served as Deputy General Manager of Liyang City Construction and Development Co., Ltd., Deputy Director of Liyang Municipal State-owned Assets Supervision and Administration Office (on temporary assignment), General Manager of Jiangsu-Anhui Cooperation Demonstration Zone Construction and Development Group Co., Ltd., General Manager of Liyang Pingling Construction Investment Group Co., Ltd., and Chairman of Changzhou Talent Science and Technology Innovation Group Co., Ltd. And the Vice President of Changzhou Investment Group Co., Ltd. and Chairman of the company.

Xie Guozhong: Previously served as General Manager, Assistant General Manager, and Deputy General Manager of the company's sales company, and currently serves as Deputy Secretary of the Party Committee, Director, and General Manager of the company, as well as Chairman of Zhenjiang Siyang and Director of Changchai Machinery.

Tan Jie: Previously served as Deputy Director of the Accounting Department and Deputy Director of the Personnel and Education Department of Changzhou Municipal Finance Bureau, Deputy Secretary-General of Changzhou Certified Public Accountants Association and Secretary of the Youth League Committee, Director of the Comprehensive Department, Director of the Agriculture Department, Director of the Agriculture and Rural Affairs Department, and Director of the Administrative and Political-Legal Department of Changzhou Municipal Finance Bureau, and Assistant President of Changzhou Investment Group Co., Ltd. Currently serves as Member of the Party Committee, Director, and Vice President of Changzhou Investment Group Co., Ltd., and Director of the Company.

Jiang He: Previously served as Accountant, Assistant Minister, and Deputy Minister of the Finance Department of the Company. Currently serves as Director, Chief Accountant, and Minister of the Finance Department of the

Company.

Yang Feng: Previously served as Business Manager of the Shanghai Investment Banking Department of China Economic Development Trust & Investment Corp., Business Director of the Investment Banking Department of Orient Securities Co., Ltd., General Manager of the Investment Banking Department and Operation Management Headquarters and Assistant to the Chairman of AJ Securities, Executive General Manager of the Corporate Development Financing Department and Investment Banking Department of CITIC Securities Co., Ltd., and Managing Director of Daiwa Securities China Co., Ltd. Currently serves as Executive Director of De Xin Investment Management (Hong Kong) Co., Ltd., Independent Director of Shanghai Kindly Enterprise Development Group Co., Ltd., and Director of the Company.

Wang Mancang: Previously served as Teacher and Lecturer in the Department of Management, Lecturer and Professor in the Department of Finance at Northwest University School of Economics and Management. Currently serves as Director of the Department of Finance at Northwest University School of Economics and Management, Director of the Public Economics Research Institute, Counselor of Xi'an Municipal Government, Expert of the "Finance and Fiscal Group" of the Government Decision-making Advisory Committee, and Independent Director of the Company.

Zhang Yan: Previously served as Chief Accountant of Changzhou Zhengda Certified Public Accountants Co., Ltd. and Executive Deputy Chief Accountant of Jiangsu Gongzheng Certified Public Accountants Co., Ltd., Associate Professor at Jiangsu University of Technology School of Management. Currently serves as Director of Changzhou Communications Holding Group Co., Ltd., Director of Changzhou Transportation Industry Group Co., Ltd., Independent Director of DinoPark Cultural Tourism Group Co., Ltd., Independent Non-executive Director of Seazen Enjoy Services Group Limited, Independent Director of Jiangsu Tianmu Lake Tourism Co., Ltd., and Independent Director of the Company.

Jia Bin: Previously served as Deputy Director of the First Research Office of Tianjin Internal Combustion Engine Research Institute, Assistant Secretary-General and Deputy Secretary-General of China Internal Combustion Engine Industry Association, and Secretary-General of Small Gasoline Engine Branch of China Internal Combustion Engine Industry Association. Currently serves as Director of the First Research Office of Tianjin Internal Combustion Engine Research Institute (Tianjin Motorcycle Technology Center), Secretary-General of China Internal Combustion Engine Industry Association, Independent Director of Lutian Machinery Co., Ltd., Director of Tianjin Tianbo Keda Technology Co., Ltd., and Independent Director of the Company.

Ni Mingliang: Previously served as Clerk and Vice Chairman of the Labor Union of the Company. Currently serves as Deputy Secretary of the Party Committee, Chairman of the Board of Supervisors, Chairman of the Labor Union of the Company, Chairman of the Board of Directors of the Property Management Company, and Director of Horizon Investment.

Cai Weixuan: Served successively as an organizational officer, editor, middle-level assistant, deputy director of the Political Department of our company, head of the Youth Committee, deputy secretary of the Youth Committee, and secretary of the Youth Committee. Currently serves as a staff director of Changchai Co., Ltd., director of the Political Department, and deputy director of the office.

Sun Jianzhong: Previously served as Director of the Technology Center and Assistant General Manager of the Company. Currently serves as Deputy General Manager of the Company and General Manager of Changchai Machinery.

He Jianjiang: Previously served as Clerk, Assistant Minister and Deputy Minister of the Investment and Development Department, and Securities Affairs Representative of the Company. Currently serves as Deputy General Manager, Board Secretary and Minister of the Investment and Development Department of the Company,

Chairman and General Manager of Horizon Investment, Director of Horizon Agricultural Equipment.

Wang Jing: Previously served as Foreign Trade Salesperson of the Overseas Business Division, Technician, Deputy Workshop Director, Assistant Factory Director, Deputy Factory Director and Secretary of the Single-Cylinder Party General Branch of the Single-Cylinder Engine Factory, and Assistant General Manager of the Company. Currently serves as Deputy General Manager of the Company and Chairman of Changchai Benniu.

Wang Weifeng: Previously served as Designer of the Development Department, Designer of the Technology Center and Deputy Chief Engineer of the Company. Currently serves as Chief Engineer of the Company.

The situation where the controlling shareholder and actual controller concurrently serve as the chairman and general manager of a listed company

Applicable Not applicable

Offices held concurrently in shareholding entities:

Applicable Not applicable

| Name | Shareholding entity | Office held in the shareholding entity | Start of tenure | End of tenure | Remuneration or allowance from the shareholding entity |
|----------|--------------------------------------|---|-----------------|---------------|--|
| Shen Zhe | Changzhou Investment Group Co., Ltd. | Vice President | April 2024 | Ongoing | Yes |
| Tan Jie | | Member of the Party Committee, Director, Vice President | April 2023 | Ongoing | Yes |
| Notes | Nil | | | | |

Offices held concurrently in other entities:

Applicable Not applicable

| Name | Other entity | Office held in the entity | Start of tenure | End of tenure | Remuneration or allowance from the entity |
|--------------|--|---------------------------|------------------|---------------|---|
| He Jianjiang | Jiangsu Horizon New Energy Technology Co., Ltd. | Director | 28 July 2023 | Ongoing | No |
| Yang Feng | De Xin Investment Management Co., Limited | Executive Director | 1 June 2022 | Ongoing | No |
| | Shanghai Kindly Enterprise Development Group Co., Ltd. | Independent Director | 17 April 2023 | Ongoing | |
| Wang | Department of Finance of the School of | Head of | 1 September 2006 | Ongoing | Yes |

| | | | | | |
|-----------|---|---------------------------------------|-------------------|-----------------|-----|
| Mancan g | Economics and Management of Northwest University | Department, Professor | | | |
| | Public Economics Research Institute | Director | | Ongoing | |
| | Xi'an Municipal Government | Counselor | | Ongoing | |
| | Financial and Fiscal Affairs Panel of the Government Decision-making Advisory Committee | Expert | | Ongoing | |
| | Focuslight Technologies Inc. | Independent Director | 2 May 2019 | 13 June 2025 | Yes |
| | Xi'an Wonder Energy Chemical Co., Ltd. | Independent Director | 24 June 2020 | 4 December 2025 | Yes |
| Jia Bin | Tianjin Internal Combustion Engine Research Institute | Director of the First Research Office | March 2009 | December 2025 | Yes |
| | China Internal Combustion Engine Industry Association | Secretary-General | December 2024 | Ongoing | No |
| | Lutian Machinery Co., Ltd. | Independent Director | 31 December 2019 | Ongoing | Yes |
| | Tianjin Tianbo Keda Technology Co., Ltd. | Director | 18 August 2020 | Ongoing | No |
| | Chongqing Zongshen Power Machinery Co., Ltd. | Independent Director | 10 September 2025 | Ongoing | Yes |
| Zhang Yan | Jiangsu University of Technology | Associate professor | August 2008 | October 2025 | Yes |
| | Jiangsu Tianmu Lake Tourism Co., Ltd. | Independent Director | 8 February 2021 | Ongoing | Yes |
| | S-Enjoy Service Group Co., Limited | Independent non-executive Director | 20 October 2018 | Ongoing | Yes |
| | DinoPark Cultural Tourism Group Co., Ltd. | Independent Director | September 2024 | Ongoing | Yes |
| | Changzhou Communications Holding Group Co., Ltd. | Director | April 2024 | May 2025 | Yes |
| | Changzhou Transportation Industrial Group Co., Ltd. | Director | April 2022 | May 2025 | Yes |
| Notes | Nil | | | | |

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

Applicable Not applicable

3. Remuneration of Directors, Supervisors and Senior Management

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

In 2025, the monthly salaries of directors, supervisors, and senior management personnel who received remuneration from the Company were disbursed in accordance with the Company's regulations on salary management and grade standards. Year-end incentive compensation was paid based on the Company's performance and assessment results. Current directors Shen Zhe and Tan Jie receive their remuneration from shareholder entities.

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

Unit: RMB'0,000

| Name | Gender | Age | Office title | Incumbent/Former | Total before-tax remuneration from the Company | Any remuneration from related party |
|---------------|--------|-----|------------------------|------------------|--|-------------------------------------|
| Shen Zhe | Male | 39 | Chairman of the Board | Incumbent | 0 | Yes |
| Xie Guozhong | Male | 57 | Director | Incumbent | 87.12 | No |
| | | | General Manager | | | |
| Tan Jie | Female | 46 | Director | Incumbent | 0 | Yes |
| Jiang He | Male | 53 | Director | Incumbent | 76.06 | No |
| | | | Chief Accountant | | | |
| Yang Feng | Male | 53 | Director | Incumbent | 10 | No |
| Wang Mancang | Male | 62 | Independent director | Incumbent | 10 | No |
| Zhang Yan | Female | 55 | Independent director | Incumbent | 10 | No |
| Jia Bin | Male | 47 | Independent director | Incumbent | 10 | No |
| Cai Weixuan | Female | 39 | Employee Director | Incumbent | 23.27 | No |
| Sun Jianzhong | Male | 53 | Vice-general Manager | Incumbent | 77.62 | No |
| He Jianjiang | Male | 46 | Vice-general Manager | Incumbent | 76.06 | No |
| | | | Secretary of the Board | | | |
| Wang Jing | Male | 38 | Vice-general Manager | Incumbent | 76.84 | No |
| Wang Weifeng | Male | 54 | Chief Engineer | Incumbent | 76.45 | No |

| | | | | | | |
|-----------|------|----|----------------------------|-------------|--------|----|
| Zhang Xin | Male | 59 | Vice Chairman of the Board | Resignation | 87.12 | No |
| Total | -- | -- | -- | -- | 620.54 | -- |

| | |
|--|---|
| The assessment basis for the actual compensation received by all directors and senior management at the end of the reporting period | The remuneration of directors and senior management personnel is assessed in accordance with the "Remuneration Management System for Directors and Senior Management Personnel". |
| Assessment completion status of actual salaries received by all directors and senior management personnel at the end of the reporting period | In 2025, the assessment of the independent director allowance received by independent directors was not applicable; employee directors received corresponding compensation in accordance with the company's performance assessment regulations; the board's compensation and assessment committee organized annual performance and duty assessment for senior management personnel, and approved and paid their actual compensation based on the assessment results, which had been reviewed by the board of directors. |
| Deferred payment arrangement for the actual remuneration received by all directors and senior management at the end of the reporting period | According to the "Remuneration Management System for Directors and Senior Management", 10% of the annual remuneration of senior management is reserved as term incentive income, which will be assessed and paid upon the end of their term. |
| The situation regarding the cessation of payment and recourse for the actual salaries received by all directors and senior management at the end of the reporting period | Not applicable |

Other circumstances

Applicable Not applicable

V Performance of Duty by Directors in the Reporting Period

1.Attendance of Directors at Board Meetings and General Meetings

| Attendance of directors at board meetings and general meetings | | | | | | | |
|--|--|---------------------------------|---|---|--|---|---------------------------|
| Director | Total number of board meetings the director was eligible to attend | Board meetings attended on site | Board meetings attended by way of telecommunication | Board meetings attended through a proxy | Board meetings the director failed to attend | The director failed to attend two consecutive board meetings (yes/no) | General meetings attended |
| Shen Zhe | 6 | 2 | 4 | 0 | 0 | No | 2 |
| Xie Guozhong | 12 | 4 | 7 | 1 | 0 | No | 3 |
| Tan Jie | 12 | 5 | 7 | 0 | 0 | No | 4 |
| Jiang He | 12 | 5 | 7 | 0 | 0 | No | 4 |

| | | | | | | | |
|--------------|----|---|----|---|---|----|---|
| Yang Feng | 12 | 2 | 10 | 0 | 0 | No | 4 |
| Wang Mancang | 12 | 3 | 9 | 0 | 0 | No | 4 |
| Zhang Yan | 12 | 4 | 8 | 0 | 0 | No | 4 |
| Jia Bin | 12 | 1 | 11 | 0 | 0 | No | 4 |
| Cai Weixuan | 1 | 1 | 0 | 0 | 0 | No | 0 |
| Zhang Xin | 11 | 4 | 7 | 0 | 0 | No | 4 |

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

2. Objections Raised by Directors on Matters of the Company

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

Yes No

No such cases in the Reporting Period.

3. Other Information about the Performance of Duty by Directors

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

Yes No

Suggestions from directors adopted or not adopted by the Company:

All directors of the Company in line with the law, rules, normative documents and obligations given by the Company of the Company Law, Article of Associations, Rules of Procedure of the Board and Independent Directors System, comprehensively focused on the development and operation of the Company, actively attended the general meeting of shareholder and meeting of board of directors. Independent directors given independent opinions for the significant events of the Company, and effectively maintained the profits of the Company and all the shareholders. The Company actively listened to the suggestions from directors upon the significant events and adopted them. For more details, please refer to the Report on the Work of the Board of Directors for 2025 disclosed by the Company on <http://www.cninfo.com.cn> dated 14 April 2026.

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

| Name of committee | Members | Number of meetings convened | Date of meeting | Contents | Important comments and suggestions | Other performance of duties | Specific circumstances of the objection (if any) |
|-------------------|----------------------------|-----------------------------|-----------------|---|------------------------------------|-----------------------------|--|
| Audit Committee | Zhang Yan, Wang Mancang | 6 | 21 January 2025 | The meeting deliberated and approved the "2024 Annual Report Audit Plan". | Nil | Nil | Nil |

| | | | | | | | |
|--|-----------|--|--------------|--|---|--|--|
| | , Tan Jie | | 1 April 2025 | The meeting deliberated and approved the "2024 Annual Report Audit Communication Items" and the "Audit Department's 2024 Annual Work Summary and 2025 Annual Work Plan". | Nil | | |
| | | | 9 April 2025 | The meeting deliberated and approved the "2024 Annual Report", "Proposal on the Accrual of Credit Impairment Provisions and Asset Impairment Provisions for 2024", "2024 Internal Control Self-Evaluation Report", "Proposal on the Renewal of Appointment of Financial Audit Institutions, Internal Control Audit Institutions, and Their Audit Fees for 2025", and "2024 Evaluation Report on the Performance of Accounting Firms and Report of the Audit Committee of the Board of Directors on | It is agreed to submit the "2024 Annual Report", "Proposal on the Accrual of Credit Impairment Reserves and Asset Impairment Reserves for 2024", "2024 Internal Control Self-Evaluation Report", and "Proposal on the Renewal of Appointment of Financial Audit Institutions, Internal Control Audit Institutions, and Their Audit Fees for 2025" to the Board of Directors for review. | | |

| | | | | | | |
|--|--|--|-----------------|---|--|--|
| | | | | the Performance of Its Supervisory Duties over Accounting Firms". | | |
| | | | 25 April 2025 | The meeting reviewed the "Work Summary of the Audit Department for the First Quarter of 2025" and deliberated and approved the "First Quarter Report of 2025". | Agree to submit the "First Quarterly Report of 2025" to the Board of Directors for review. | |
| | | | 15 August 2025 | The meeting reviewed the "Half-Yearly Work Report of the Audit Department for 2025" and deliberated and approved the "Half-Yearly Report for 2025" and the "Proposal on the Accrual of Credit Impairment Reserves and Asset Impairment Reserves for the Half-Year of 2025". | Agree to submit the "2025 Semi-Annual Report" and the "Proposal on the Accrual of Credit Impairment Reserves and Asset Impairment Reserves for the First Half of 2025" to the Board of Directors for review. | |
| | | | 24 October 2025 | The meeting reviewed the "Work Report of the Audit Department for the Third Quarter of 2025" and deliberated and approved the "Third Quarter Report | Agree to submit the "Third Quarterly Report of 2025" to the Board of Directors for review. | |

| | | | | | | |
|--------------------------------------|------------------------------|---|-----------------|---|--|--|
| | | | | of 2025". | | |
| Remuneration and Appraisal Committee | Wang Mancang , Jia Bin | 1 | 22 January 2025 | The meeting deliberated and approved the "Assessment Results of Senior Management Personnel of the Company in 2024" and the "Assessment Plan for Senior Management Personnel of the Company in 2025". | Agreed to submit all proposals to the Board of Directors for review. | |

VII Performance of Duty by the Supervisory Committee

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

Yes No

The Supervisory Committee raised no objections in the Reporting Period.

VIII Employees

1. Number, Functions and Educational Backgrounds of Employees

| | |
|--|------------------|
| Number of in-service employees of the Company as the parent at the period-end | 1,817 |
| Number of in-service employees of major subsidiaries at the period-end | 558 |
| Total number of in-service employees at the period-end | 2,375 |
| Total number of paid employees in the Reporting Period | 2,375 |
| Number of retirees to whom the Company as the parent or its major subsidiaries need to pay retirement pensions | 0 |
| Functions | |
| Function | Employees |
| Production | 1,547 |
| Sales | 186 |

| | |
|--|-----------|
| Technical | 308 |
| Financial | 41 |
| Administrative | 254 |
| Other | 39 |
| Total | 2,375 |
| Educational backgrounds | |
| Educational background | Employees |
| Junior high school graduates and below | 914 |
| High school graduates | 617 |
| College graduates and technical secondary school graduates | 504 |
| Bachelors | 318 |
| Masters and above | 22 |
| Total | 2,375 |

2. Employee Remuneration Policy

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

3. Employee Training Plans

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

4. Labor Outsourcing

Applicable Not applicable

IX Company profit distribution and conversion of capital reserve into share capital

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

Applicable Not applicable

In Articles of Association, which had confirmed the specific profits distribution and cleared out the conditions, standards and proportion of the cash bonus, stipulated the decision-making progress of the formulation and

alternation of the profits distribution policies and the chapters as well as the regulations fully ensure the opportunities for the medium and small shareholders to exert the functions and to provide advice as well as appeals. The cash bonus of recent 3 years of the Company met with the regulations of the Articles of Association and during the decision-making process of the profit's distribution proposal, fully respected the advice from the medium and small shareholders. The profits distribution pre-plan and the turning capital reserve into share capital preplan of the Company were both met with the relevant regulations of the Articles of Association and so on.

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

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

Applicable Not applicable

Final dividend plan for the Reporting Period:

Applicable Not applicable

| Bonus shares for every 10 shares (share) | 0 |
|--|------------------|
| Dividend for every 10 shares (RMB) (tax inclusive) | 0.22 |
| Total shares as the basis for the profit distribution proposal (share) | 705,692,507 |
| Cash dividends (RMB) (tax inclusive) | 15,525,235.15 |
| Cash dividends in other forms (such as share repurchase) (RMB) | 0 |
| Total cash dividends (including those in other forms) (RMB) | 15,525,235.15 |
| Distributable profit (RMB) | 1,017,201,184.37 |
| Total cash dividends (including those in other forms) as % of total profit distribution | 100% |
| Cash dividend policy | |
| Other | |
| Particulars about the dividend plan | |
| The profit distribution plan approved by the Board of Directors is as follows: Based on the Company's total share capital as of December 31, 2025, a cash dividend of RMB 0.22 per 10 shares (tax inclusive) will be distributed to all shareholders, with no bonus shares issued and no capital reserve converted into share capital. | |

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

Applicable Not applicable

No such cases in the Reporting Period.

XI Formulation and Implementation of Internal Control System during the Reporting Period**1. Internal Control Formulation and Implementation**

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

2. Material Internal Control Weaknesses Identified for the Reporting Period

Yes No

XII Management of Subsidiaries by the Company during the Reporting Period

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

XIII Self-Evaluation Report or Independent Auditor's Report on Internal Control**1. Internal Control Self-Evaluation Report**

| | |
|---|---------------|
| Disclosure date of the internal control self-evaluation report | 14 April 2026 |
| Index to the disclosed internal control self-evaluation report | 2026-008 |
| Evaluated entities' combined assets as % of consolidated total assets | 100.00% |
| Evaluated entities' combined operating revenue as % of consolidated operating revenue | 100.00% |

| Identification standards for internal control weaknesses | | |
|--|--|---|
| Type | Financial reporting | Non-financial reporting |
| Nature standard | <p>The Company classifies internal control deficiencies based on their impact severity into material weaknesses, significant deficiencies, and general deficiencies:</p> <p>(1) Material Weakness: One or more control deficiencies that could result in a severe deviation from control objectives;</p> <p>(2) Significant Deficiency: One or more control deficiencies with lesser severity and economic consequences than a material weakness but still likely to cause deviation from control objectives;</p> <p>(3) General Deficiency: Deficiencies not classified as material weaknesses or significant deficiencies.</p> <p>Qualitative Criteria: A deficiency shall be identified as a material weakness if it exhibits any of the following characteristics:</p> <p>1) Involves fraud by directors, supervisors, or senior management; Requires restatement of previously issued financial statements;</p> <p>2) Correct the published financial statements</p> <p>3) External auditors identify a material misstatement in current financial statements that internal controls failed to detect;</p> <p>4) The Audit Committee and internal audit function are ineffective in overseeing internal controls.</p> | <p>A deficiency shall be identified as a material weakness if it exhibits any of the following characteristics:</p> <p>(1) Serious violations of national laws, administrative regulations, and regulatory documents;</p> <p>(2) Failure to follow collective decision-making procedures for "three major and one big" matters;</p> <p>(3) Lack of systematic controls or complete failure of control systems for critical business operations related to corporate production and management;</p> <p>(4) Failure of internal controls over information disclosure, resulting in public censure by regulatory authorities;</p> <p>(5) Material weaknesses identified in internal control assessments that remain unaddressed.</p> |
| Quantitative standard | <p>Quantitative Criteria: Based on the 2025 consolidated financial statements data, the quantitative thresholds for determining the</p> | <p>Quantitative Criteria: With reference to the quantitative standards for internal control deficiencies in financial</p> |

| | | |
|--|--|--|
| | <p>materiality of misstatements (including omissions) in the Company's consolidated financial statements are as follows:</p> <p>Material Weakness: Misstatement \geq 5% of annual profit;</p> <p>Significant Deficiency: 2.5% of annual profit \leq Misstatement $<$ 5% of annual profit;</p> <p>General Deficiency: Misstatement $<$ 2.5% of annual profit.</p> | <p>reporting, the quantitative thresholds for determining the significance of non-financial reporting internal control deficiencies in the listed company are as follows:</p> <p>Material Weakness: Potential direct loss \geq 0.1% of net assets;</p> <p>Significant Deficiency: 0.05% of net assets \leq potential direct loss $<$ 0.1% of net assets;</p> <p>General Deficiency: Potential direct loss $<$ 0.05% of net assets.</p> |
| Number of material weaknesses in internal control over financial reporting | | 0 |
| Number of material weaknesses in internal control not related to financial reporting | | 0 |
| Number of serious weaknesses in internal control over financial reporting | | 0 |
| Number of serious weaknesses in internal control not related to financial reporting | | 0 |

2. Independent Auditor's Report on Internal Control

Applicable Not applicable

| Opinion paragraph in the independent auditor's report on internal control | |
|--|--|
| We have believed that Changchai Company, Limited maintained effective internal control of the financial report in significant aspects according to the Basic Norms of Internal Control and relevant regulations on 31 December 2025. | |
| Independent auditor's report on internal control disclosed or not | Disclosed |
| Disclosure date | 14 April 2026 |
| Index to such report disclosed | Zhongxinghua Internal Control Audit Report No. (2026) 00000075 |
| Type of the auditor's opinion | Unmodified unqualified opinion |
| Material weaknesses in internal control not related to financial reporting | None |

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

Yes No

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

Yes No

Indicate by tick mark whether non-standard audit opinions on internal control were issued during the reporting period or the previous year

Yes No

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

Nil

XV 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

| The number of enterprises included in the list of enterprises required to disclose environmental information in accordance with the law (in number) | | 4 |
|---|--|--|
| No. | Name | Query index for legally disclosed environmental information reports |
| 1 | Changchai Company, Limited | Jiangsu Provincial Ecological Environment Department - Enterprise Environmental Information Disclosure System (Jiangsu) http://ywxt.sthjt.jiangsu.gov.cn:18181/spsarchive-webapp/web/viewRunner.html?viewId=http://ywxt.sthjt.jiangsu.gov.cn:18181/spsarchive-webapp/web/ps/views/yfpl/views/yfplHomeNew/index.js |
| 2 | Changchai Co., Ltd. Changjiang Branch | |
| 3 | Jiangsu Changchai Machinery Co., Ltd. | |
| 4 | Changzhou Changniu Machinery Co., Ltd. | |

XVI Social Responsibility

For specific details, please refer to the "2025 Annual Social Responsibility Report of Changchai Co., Ltd." disclosed by the company on April 14, 2026 on <http://www.cninfo.com.cn>.

XVII Efforts in Poverty Alleviation and Rural Revitalization

Nil

Part V Significant Events

I Fulfillment of Commitments

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

√ Applicable □ Not applicable

| Commitment | Promisor | Type of commitment | Details of commitment | Date of commitment making | Term of commitment | Fulfillment |
|--|--------------------------------------|--------------------|---|---------------------------|------------------------------------|-------------|
| Commitments Made During Initial Public Offering or Refinancing | Changzhou Investment Group Co., Ltd. | Other | <p>1. Commit to not overstep authority in interfering with the Company's operational and management activities, and not to appropriate the Company's interests;</p> <p>2. Commit to not providing benefits to other entities or individuals free of charge or under unfair conditions, nor taking any other actions that may harm the Company's interests;</p> <p>3. From the date of this commitment until the completion of the Company's current private placement, if the China Securities Regulatory Commission (CSRC) issues new regulatory requirements regarding measures to mitigate dilution of returns and related commitments, and if the above commitments do not satisfy such CSRC requirements, the undersigned further commits to supplementing this undertaking in accordance with the CSRC's latest regulations;</p> <p>4. Commit to earnestly fulfilling the Company's measures to mitigate dilution of returns and any related commitments made herein. If the undersigned violates these commitments and causes losses to the Company or its investors, it shall bear corresponding compensation liabilities in accordance with the law.</p> | April 11, 2020 | April 11, 2020 - December 31, 9999 | Ongoing |

| | | | | | | |
|--|----------------------------|---------------------|--|--------------|-------------|-----------|
| Other commitments made to minority shareholders | Changchai Company, Limited | Dividend Commitment | Shareholder Return Plan for the Next Three Years (2023-2025): Under the premise that the Company's distributable profit (i.e., after-tax profit after making up for losses and withdrawing statutory reserves) is positive in a given year or semi-annual period, and that the Company has sufficient cash flow to ensure that cash dividend distribution will not affect its sustainable operations, the Company shall distribute no less than 10% of the annual distributable profit of the parent company in cash each year. Additionally, the cumulative cash dividends distributed over any three consecutive fiscal years shall be no less than 30% of the average annual distributable profit during those three years. | May 18, 2023 | 2023 - 2025 | Completed |
| Fulfilled on time or not | Yes | | | | | |
| Specific reasons for failing to fulfill commitments on time and plans for next step (if any) | N/A | | | | | |

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

Applicable Not applicable

3.The company is involved in performance commitments

Applicable Not applicable

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

Applicable Not applicable

No such cases in the Reporting Period.

III Irregularities in the Provision of Guarantees

Applicable Not applicable

No such cases in the Reporting Period.

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

No such cases for the Reporting Period.

VII YoY Changes to the Scope of the Consolidated Financial Statements

Applicable Not applicable

During the reporting period, Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. (hereinafter referred to as "Changchai Robin"), a wholly-owned subsidiary, inherited all assets, liabilities, businesses, and all other rights and obligations of Changzhou Changchai Horizon Agricultural Equipment Co., Ltd. (hereinafter referred to as "Horizon Agricultural Equipment") through a comprehensive merger. In February 2025, the company received the Registration Notice (Deng Zi [2025] No. 02270081) issued by the Government Service Management Office of Changzhou High-tech Industrial Development Zone (Xinbei District), indicating that Horizon Agricultural Equipment had cancelled its independent legal person status, marking the completion of the merger between the two wholly-owned subsidiaries.

The wholly-owned subsidiary Changzhou Changniu Machinery Co., Ltd. (hereinafter referred to as "Changniu Company") has merged all assets, liabilities, businesses, and all other rights and obligations of its wholly-owned subsidiary Changzhou Changchai Benniu Diesel Engine Parts Co., Ltd. (hereinafter referred to as "Changben Company") through a comprehensive merger and absorption process, inheriting the registered capital, equity structure, and governance structure of the original Changben Company. In September 2025, the company received the "Registration Notice" (Deng Zi [2025] No. 09080200) and "Registration Notice" (Deng Zi [2025] No. 09080101) issued by the Government Service Management Office of Changzhou High-tech Industrial Development Zone (Xinbei District). The deregistration procedures for Changben Company and the change procedures for Changniu Company have been completed, marking the completion of the merger and absorption of the wholly-owned subsidiary by the wholly-owned subsidiary.

As of the end of the reporting period, the entities included in the consolidated financial statements of the Company comprised the parent company and seven subsidiaries.

VIII Engagement and Disengagement of Independent Auditor

Current independent auditor:

| | |
|--|---|
| Name of the domestic independent auditor | Zhongxinghua Certified Public Accountants |
|--|---|

| | |
|--|--|
| | (Special General Partnership) |
| The Company's payment to the domestic independent auditor (RMB'0,000) | 60 |
| How many consecutive years the domestic independent auditor has provided audit service for the Company | 2 |
| Names of the certified public accountants from the domestic independent auditor writing signatures on the auditor's report | Wang Jun, Li Pengcheng, Lu Xia |
| How many consecutive years the certified public accountants have provided audit service for the Company | Two years for Wang Jun, One year for Li Pengcheng, One year for Lu Xia |

Whether There Was a Change of Accounting Firms During the Audit Period

Yes No

Information on the engagement of internal control audit accounting firms, financial advisors, or sponsors

Applicable Not applicable

During the current year, the Company engaged Zhongxinghua Certified Public Accountants (Special General Partnership) as its internal control audit firm, with audit fees amounting to RMB 135,000.

IX Possibility of Delisting after Disclosure of this Report

Applicable Not applicable

X Insolvency and Reorganization

Applicable Not applicable

No such cases in the Reporting Period.

XI Major Legal Matters

Applicable Not applicable

No such cases in the Reporting Period.

XII Punishments and Rectifications

Applicable Not applicable

No such cases in the Reporting Period.

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

Applicable Not applicable

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

XIV Major Related-Party Transactions

1. Continuing Related-Party Transactions

Applicable Not applicable

No such cases in the Reporting Period.

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

Applicable Not applicable

No such cases in the Reporting Period.

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

Applicable Not applicable

No such cases in the Reporting Period.

4. Amounts Due to and from Related Parties

Applicable Not applicable

No such cases in the Reporting Period.

5. Transactions with Related Finance Companies

Applicable Not applicable

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

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

Applicable Not applicable

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

7. Other Major Related-Party Transactions

Applicable Not applicable

1. On November 5, 2025, the company held its eighth extraordinary meeting of the board of directors and approved the proposal to jointly establish an equity investment fund with Changzhou Investment Group Co., Ltd. The wholly-owned subsidiary Changzhou Horizon Investment Co., Ltd., as a limited partner, invested 30 million yuan to jointly establish Changzhou Changtou Xinhui No.1 Equity Investment Fund (Limited Partnership) with the company's controlling shareholder Changzhou Investment Group Co., Ltd. (hereinafter referred to as "Investment Group") and its wholly-owned subsidiary Changzhou Xinhui Private Equity Fund Management Co., Ltd. (hereinafter referred to as "Xinhui Private Equity"), focusing on advanced manufacturing projects, intelligent

agricultural machinery, new energy, new power, etc. Strategic emerging industries and future industries. In November 2025, Horizon Investment and Investment Group and Xinhui Private Equity jointly signed the "Changzhou Changtou Xinhui No.1 Equity Investment Fund (Limited Partnership) Partnership Agreement", with a paid in initial capital of 3.91 million yuan; Xinhui No.1 Fund has completed the industrial and commercial registration procedures, obtained the business license issued by the Zhonglou District Government Service Management Office of Changzhou, completed the private investment fund filing procedures with the China Securities Investment Fund Industry Association, and obtained the "Private Investment Fund Filing Certificate".

2. On December 4, 2025, the company held the ninth extraordinary meeting of the board of directors in 2025, at which the "Proposal on the Subsidiary Participating in the Establishment of an Equity Investment Fund and Related Transactions" was deliberated and approved. Changzhou Housen Investment Co., Ltd., a wholly-owned subsidiary, served as a limited partner and contributed 50 million yuan to establish Yuanzhi Changtou Xingyu (Changzhou) Equity Investment Partnership (Limited Partnership) with Changzhou Investment Group Co., Ltd., a controlling shareholder, Changzhou Xinhui Private Equity Fund Management Co., Ltd., a wholly-owned subsidiary of the controlling shareholder, Shenzhen Yuanzhi Venture Capital Co., Ltd., Changzhou Xingyu Industrial Investment Co., Ltd., Changzhou Xingyu Investment Management Co., Ltd., Shenzhen Capital Operation Group Co., Ltd., Shanghai Zhuiguang Julian Hard Technology Venture Capital Partnership (Limited Partnership), and Changzhou Zhonglou Science and Technology Innovation Investment Partnership (Limited Partnership), focusing on the upstream and downstream industrial chain of new energy vehicles and new energy, including but not limited to equipment, materials, and components.

Related inquiries on the website for temporary disclosure of major related party transactions

| Temporary Announcement Name | Temporary announcement disclosure date | Temporary Announcement Disclosure Website Name |
|---|--|---|
| Announcement of Changchai Co., Ltd. Regarding the Joint Establishment of an Equity Investment Fund with its Controlling Shareholder and Related Transactions | 6 November 2025 | https://www.cninfo.com.cn/ |
| Announcement of Changchai Co., Ltd. on the Progress of Jointly Initiating the Establishment of an Equity Investment Fund with Controlling Shareholders and Related Transactions | 12 November 2025 | |
| Announcement of Changchai Co., Ltd. on the Progress of Jointly Initiating the Establishment of an Equity Investment Fund with Controlling Shareholders and Related Transactions | 20 November 2025 | |
| Announcement of Changchai Co., Ltd. Regarding Its Subsidiary's Participation in the Establishment of an Equity Investment Fund and Related Transactions | 5 December 2025 | |

XV Major Contracts and Execution thereof

1. Entrustment, Contracting and Leases

(1) Entrustment

Applicable Not applicable

No such cases in the Reporting Period.

(2) Contracting

Applicable Not applicable

No such cases in the Reporting Period.

(3) Leases

Applicable Not applicable

No such cases in the Reporting Period.

2. Major Guarantees

Applicable Not applicable

No such cases in the Reporting Period.

3. Cash Entrusted for Wealth Management**(1) Cash Entrusted for Wealth Management**

Applicable Not applicable

Overviews of cash entrusted for wealth management during the Reporting Period

Unit: RMB'0,000

| Specific type | Risk characteristics | Balance of entrusted financial management during the reporting period | Undue balance |
|---------------------------|---|---|---------------|
| Bank financial products | Low risk, good liquidity, high security | 28,070.00 | 0 |
| Broker financial products | Low risk, good liquidity, high security | 1,784.34 | 0 |

The specific situation where a company, as a single principal, entrusts a financial institution to conduct asset management or invest in high-risk entrusted wealth management products with low safety and poor liquidity

Applicable Not applicable

(2) Entrusted Loans

Applicable Not applicable

No such cases in the Reporting Period.

4. Other Major Contracts

Applicable Not applicable

No such cases in the Reporting Period.

XVI Use of raised funds

Applicable Not applicable

No such cases in the Reporting Period.

XVII Other Significant Events

Applicable Not applicable

1. Expropriation and compensation for some buildings (street-side shops) at the company headquarters

On February 26, 2025, the company received the "Announcement on the Publication of the 'Changzhou Urban Rail Transit Line 5 Project Xiheng Street Station Project Housing Expropriation Compensation Plan' and Solicitation of Opinions" issued by the People's Government of Zhonglou District, Changzhou. Due to public interest requirements, the People's Government of Zhonglou District, Changzhou intends to expropriate part of the houses at No. 123 Huaide Middle Road, Changzhou (i.e., the company's headquarters street-side shops). On July 21, 2025, the company held the fourth extraordinary meeting of the board of directors and the third extraordinary meeting of the board of supervisors in 2025, and deliberated and approved the "Proposal on Signing the 'Changzhou State-owned Land Housing Expropriation Compensation Agreement' for the headquarters street-side shops". This matter was deliberated and approved by the second extraordinary shareholders' meeting in 2025 on August 6, 2025, agreeing to the company signing a compensation agreement with the Zhonglou District Housing and Urban-Rural Development Bureau. The total compensation amount agreed upon in the agreement is 48.7877 million yuan. On August 7, 2025, the company signed the "Changzhou State-owned Land Housing Expropriation Compensation Agreement" with the Housing and Urban-Rural Development Bureau of Zhonglou District, Changzhou, and received the first installment of compensation totaling 14.6363 million yuan in September 2025. In November 2025, the company received the remaining compensation amount of 34.1514 million yuan. As of the end of the reporting period, the company has received the full amount of compensation for the headquarters street-side shops.

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

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

XVIII Significant Events of Subsidiaries

Applicable Not applicable

1. Absorption Merger of Horizon Agricultural Equipment by Changchai Robin

On November 22, 2024, the Company convened the Fifth Interim Board Meeting of 2024 and reviewed and approved the "Proposal on the Merger between Changzhou Changchai Horizon Agricultural Equipment Co., Ltd. and Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd." The Board agreed that the wholly-owned subsidiary Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. would acquire all assets, liabilities, business operations, and other rights and obligations of the wholly-owned subsidiary Changzhou Changchai Horizon Agricultural Equipment Co., Ltd. through statutory absorption merger. Post-merger, Changchai Robin continues normal operations while Horizon Agricultural Equipment's legal entity status has been deregistered. In February 2025, the Company received the Registration Notice (No. Dengzi [2025] 02270081) issued by the Government Services Management Office of Changzhou High-Tech Industrial Development Zone (Xinbei District), confirming completion of Horizon Agricultural Equipment's industrial and commercial deregistration procedures.

2. Changniu Company has merged with Changben Company

On June 9, 2025, the company held the third extraordinary meeting of the board of directors in 2025, which deliberated and approved the "Proposal on the Merger of Changzhou Changchai Benniu Diesel Engine Parts Co., Ltd. and Changzhou Changniu Machinery Co., Ltd.". The board of directors agreed that Changzhou Changniu Machinery Co., Ltd. (hereinafter referred to as "Changniu Company") would merge with Changzhou Changchai Benniu Diesel Engine Parts Co., Ltd. (hereinafter referred to as "Changben Company") through an overall merger, incorporating all assets, liabilities, businesses, and all other rights and obligations of Changben Company, and inheriting the original registered capital, equity structure, and governance structure of Changben Company. In September 2025, the company received the "Registration Notice" (Deng Zi [2025] No. 09080200) and "Registration Notice" (Deng Zi [2025] No. 09080101) issued by the Government Service Management Office of Changzhou High-tech Industrial Development Zone (Xinbei District). Changben Company completed the industrial and commercial deregistration, and Changniu Company completed the industrial and commercial change registration, marking the completion of the merger.

3. Acquisition of 3% equity held by individual shareholders of Zhenjiang Siyang

In August 2025, the company acquired a 3% equity stake held by six individual shareholders of Zhenjiang Siyang, a controlling subsidiary, for a price of RMB 3.06 million. As of the end of the reporting period, the company held a total of 52% equity in Zhenjiang Siyang, remaining its largest shareholder.

Part VI Share Changes and Shareholder Information

I Share Changes

1. Share Changes

Unit: share

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

| | | | | | | | | | | |
|---|-------------|---------|---|---|---|---|---|---|-------------|---------|
| persons | | | | | | | | | | |
| 1.4 Shares held by foreign investors | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| Among which: Shares held by foreign legal persons | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| Shares held by foreign natural persons | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 2. Unrestricted shares | 705,692,507 | 100.00% | 0 | 0 | 0 | 0 | 0 | 0 | 705,692,507 | 100.00% |
| 2.1 RMB-denominated ordinary shares | 555,692,507 | 78.74% | 0 | 0 | 0 | 0 | 0 | 0 | 555,692,507 | 78.74% |
| 2.2 Domestically listed foreign shares | 150,000,000 | 21.26% | 0 | 0 | 0 | 0 | 0 | 0 | 150,000,000 | 21.26% |
| 2.3 Oversea listed foreign shares | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 2.4 Other | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 3. Total shares | 705,692,507 | 100.00% | 0 | 0 | 0 | 0 | 0 | 0 | 705,692,507 | 100.00% |

Reasons for the share changes:

Applicable Not applicable

Approval of share changes:

Applicable Not applicable

Transfer of share Ownership:

Applicable Not applicable

Effects of share changes on the basic and diluted earnings per share, equity per share attributable to the

Company's ordinary shareholders and other financial indicators of the prior year and the prior accounting period, respectively:

Applicable Not applicable

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

Applicable Not applicable

2. Changes in Restricted Shares

Applicable Not applicable

II Issuance and Listing of Securities

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

Applicable Not applicable

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

Applicable Not applicable

3. Existing Staff-Held Shares

Applicable Not applicable

III Shareholders and Actual Controller

1. Shareholder Structure and Holdings

Unit: share

| Number of ordinary shareholders | 45,144 | Number of ordinary shareholders at the month-end prior to the disclosure of this Report | 45,635 | Number of preferred shareholders with resumed voting rights | 0 | Number of preferred shareholders with resumed voting rights at the month-end prior to the disclosure of this Report | 0 | |
|---|--------------------------|---|-------------------------------------|---|------------------------|---|----------------------------|--------|
| 5% or greater shareholders or top 10 shareholders | | | | | | | | |
| Name of shareholder | Nature of shareholder | Shareholding percentage | Total shares held at the period-end | Increase/decrease in the Reporting Period | Restricted shares held | Unrestricted shares held | Shares in pledge or frozen | |
| | | | | | | | Status | Shares |
| Changzhou Investment | State-owned legal person | 32.26% | 227,663,417 | 0 | 0 | 227,663,417 | N/A | 0 |

| | | | | | | | | |
|---|--|-------|-----------|-----------|---|-----------|--|--|
| Group Co., Ltd | | | | | | | | |
| Chen Jian | Domestic natural person | 0.71% | 4,988,800 | 1,361,000 | 0 | 4,988,800 | | |
| KGI ASIA LIMITED | Foreign legal person | 0.44% | 3,100,195 | 0 | 0 | 3,100,195 | | |
| BARCLAYS BANK PLC | Foreign legal person | 0.43% | 3,042,917 | 2,444,517 | 0 | 3,042,917 | | |
| Bank of China Limited - Huashang Zhenxuan Return Hybrid Securities Investment Fund | Other | 0.41% | 2,895,200 | 2,895,200 | 0 | 2,895,200 | | |
| Dai Xuerong | Domestic natural person | 0.34% | 2,396,600 | 2,396,600 | 0 | 2,396,600 | | |
| Lv Qiang | Domestic natural person | 0.34% | 2,383,800 | 2,383,800 | 0 | 2,383,800 | | |
| Goldman Sachs International - Own Funds | Foreign legal person | 0.32% | 2,257,888 | 2,257,888 | 0 | 2,257,888 | | |
| China Minsheng Banking Corp., Ltd. - Jinyuan Shun'an Yuanqi Flexible Allocation Hybrid Securities Investment Fund | Other | 0.29% | 2,072,600 | 872,600 | 0 | 2,072,600 | | |
| Li Suinan | Domestic natural person | 0.23% | 1,602,000 | 1,700 | 0 | 1,602,000 | | |
| Strategic investor or general legal person becoming a top-10 ordinary shareholder due to rights issue (if any) | N/A | | | | | | | |
| Related or acting-in-concert parties among the shareholders above | It is unknown whether there is among the top 10 public shareholders and the top 10 unrestricted public shareholders any related parties or acting-in-concert parties as defined in the Administrative Measures for Information Regarding | | | | | | | |

| Shareholding Alteration. | | | |
|--|---|-----------------------------------|-------------|
| Above shareholders involved in entrusting/being entrusted with voting rights and giving up voting rights | N/A | | |
| Special account for share repurchases (if any) among the top 10 shareholders | N/A | | |
| Top 10 unrestricted shareholders | | | |
| Name of shareholder | Unrestricted shares held at the period-end | Shares by type | |
| | | Type | Shares |
| Changzhou Investment Group Co., Ltd | 227,663,417 | RMB-denominated ordinary share | 227,663,417 |
| Chen Jian | 4,988,800 | RMB-denominated ordinary share | 4,988,800 |
| KGI ASIA LIMITED | 3,100,195 | Domestically listed foreign share | 3,100,195 |
| BARCLAYS BANK PLC | 3,042,917 | RMB-denominated ordinary share | 3,042,917 |
| Bank of China Limited - Huashang Zhenxuan Return Hybrid Securities Investment Fund | 2,895,200 | RMB-denominated ordinary share | 2,895,200 |
| Dai Xuerong | 2,396,600 | RMB-denominated ordinary share | 2,396,600 |
| Lv Qiang | 2,383,800 | RMB-denominated ordinary share | 2,383,800 |
| Goldman Sachs International - Own Funds | 2,257,888 | RMB-denominated ordinary share | 2,257,888 |
| China Minsheng Banking Corp., Ltd. - Jinyuan Shun'an Yuanqi Flexible Allocation Hybrid Securities Investment Fund | 2,072,600 | RMB-denominated ordinary share | 2,072,600 |
| Li Suinan | 1,602,000 | Domestically listed foreign share | 1,602,000 |
| Related or acting-in-concert parties among top 10 unrestricted public shareholders, as well as between top 10 unrestricted public shareholders and top 10 shareholders | It is unknown whether there is among the top 10 public shareholders and the top 10 unrestricted public shareholders any related parties or acting-in-concert parties as defined in the Administrative Measures for Information Regarding Shareholding Alteration. | | |
| Top 10 ordinary shareholders involved in securities margin trading (if any) | Shareholders Chen Jian hold 4,988,800 shares of the Company's stock through margin credit accounts. | | |

Top 10 shareholders involved in refinancing shares lending

Applicable Not applicable

Changes in Top 10 Shareholders Due to Securities Lending/Return Activities

Applicable Not applicable

Repurchase Agreements Involving Top 10 Shareholders During Reporting Period

Yes No

No such cases in the Reporting Period.

2. Controlling Shareholder

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

Type of the controlling shareholder: Legal person

| Name of controlling shareholder | Legal representative/person in charge | Date of establishment | Unified social credit code | Principal activity |
|--|---------------------------------------|-----------------------|----------------------------|------------------------------------|
| Changzhou Investment Group Co., Ltd. | Yao Xiang | 20 June 2002 | 91320400467283980X | Property investment and management |
| Controlling shareholder's holdings in other listed companies at home or abroad in the Reporting Period | Nil | | | |

Change of the controlling shareholder in the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

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

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

Type of the actual controller: Legal person

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

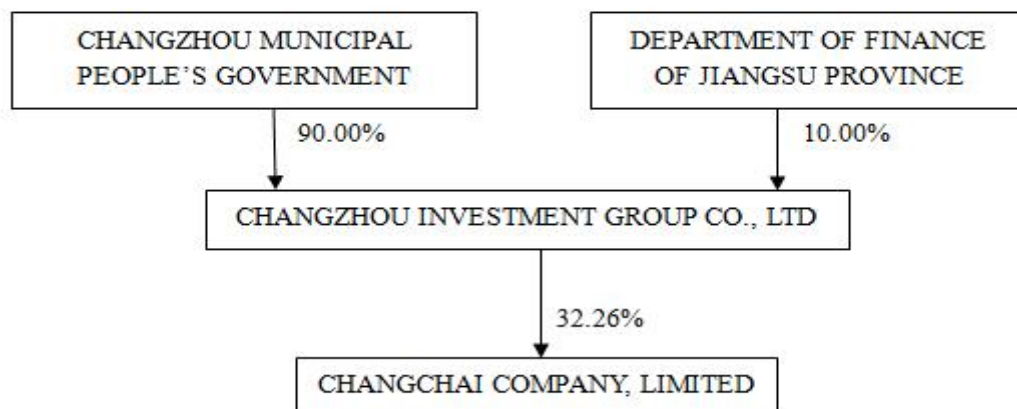
| | |
|------------------|--|
| Reporting Period | |
|------------------|--|

Change of the actual controller during the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

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



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

Applicable Not applicable

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

Applicable Not applicable

5. Other 10% or Greater Corporate Shareholders

Applicable Not applicable

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

Applicable Not applicable

IV Specific Implementation of Share Repurchase during the Reporting Period

Progress on any share repurchase

Applicable Not applicable

Progress on reducing the repurchased shares by means of centralized bidding

Applicable Not applicable

V Information related to preferred shares

Applicable Not applicable

No such cases in the Reporting Period.

Part VII Bonds

Applicable Not applicable

Part VIII Financial Statements

I Independent Auditor's Report

| | |
|---|---|
| Type of the independent auditor's opinion | Unmodified unqualified opinion |
| Date of signing this report | 13 April 2026 |
| Name of the independent auditor | Zhongxinghua Certified Public Accountants (Special General Partnership) |
| No. of the auditor's report | Zhongxinghua Audit (2026) No. 00005705 |
| Name of the certified public accountants | Wang Jun, Li Pengcheng, Lu Xia |

Text of the Independent Auditor's Report

To the Shareholders of Changchai Company, Limited,

I Opinion

We have audited the accompanying financial statements of Changchai Company, Limited. (together with its consolidated subsidiaries included in the consolidated financial statements, the "Changchai Company"), which comprise the parent's and consolidated balance sheets as at 31 December 2025, the parent's and consolidated income statements for 2025, the parent's and consolidated cash flow statements, the parent's and consolidated statements of changes in shareholders' equity for the year then ended, as well as the notes to the financial statements.

In our opinion, the financial statements attached were prepared in line with the regulations of Accounting Standards for Business Enterprises in all significant aspects which gave a true and fair view of the consolidated and parent financial position of Changchai Company. As at 31 December 2025 and the consolidated and parent business performance and cash flow for 2025.

II Basis for Opinion

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

III Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and we do not provide a separate opinion on these matters. We have determined the following matters to be the key audit matters to be communicated in the audit report.

(I) Revenue Recognition

1. Matter Description

Changchai Company's operating revenue primarily derives from the sales of diesel engines and related components. For details on the accounting policies for revenue recognition and the analysis of revenue, please

refer to the accounting policies described in Note III.27 "Significant Accounting Policies and Estimates" and Note V.38 "Consolidated Financial Statement Items" in the notes to the consolidated financial statements. For the year 2025, Changchai Company reported operating revenue of RMB 2,476,325,822.68.

As operating revenue is one of Changchai Company's key performance indicators, there is an inherent risk that management (hereinafter referred to as "Management") may recognize revenue inappropriately to achieve specific targets or expectations. Therefore, we identified the recognition and measurement of Changchai Company's revenue as a key audit matter.

2. Audit Response

- (1) Gained an understanding of key internal controls related to revenue recognition, evaluated the design of these controls, determined whether they were implemented, and tested the operating effectiveness of relevant internal controls;
- (2) Conducted interviews with Management to understand Changchai Company's revenue recognition policies;
- (3) Reviewed sales contracts to understand key contractual terms and conditions and assessed whether the revenue recognition methods were appropriate;
- (4) Performed analytical procedures on operating revenue and gross profit margin by month, product, and customer to identify any significant or unusual fluctuations and investigated the reasons for such fluctuations;
- (5) Examined supporting documents related to revenue recognition on a sample basis, including but not limited to sales contracts, purchase orders, sales invoices, delivery notes, customer acknowledgments, settlement documents, export declarations, and bills of lading;
- (6) Conducted confirmations of sales revenue and accounts receivable balances with major customers to verify the authenticity and accuracy of revenue recognition;
- (7) Performed sample testing on sales revenue recognized around the balance sheet date to assess whether revenue was recorded in the appropriate period;
- (8) Obtained business registration information of Changchai Company's major customers and inquired with relevant personnel to confirm whether any related-party relationships existed between major customers and Changchai Company;
- (9) Reviewed whether information related to operating revenue was appropriately presented in the financial statements.

(II) Impairment of Accounts Receivable

1. Matter Description

As of December 31, 2025, the gross carrying amount of accounts receivable in the consolidated balance sheet of Changchai Company was RMB 595,409,718.16, with an allowance for doubtful accounts of RMB 143,661,185.82, resulting in a net carrying amount of RMB 451,748,532.34.

Management of Changchai Company measures the allowance for impairment based on the expected credit losses over the lifetime of the receivables, either individually or collectively, according to the credit risk characteristics of the accounts receivable. For accounts receivable measured individually for expected credit losses, Management considers reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions to estimate the expected collectible cash flows, thereby determining the appropriate allowance. For accounts receivable measured collectively for expected credit losses, they are grouped based on aging, and the allowance is determined by referencing historical credit loss experience adjusted for forward-looking estimates. An aging analysis of accounts receivable is prepared and matched with expected credit loss rates to calculate the allowance. Given the materiality of accounts receivable and the significant management

judgment involved in impairment assessment, we identified the impairment of accounts receivable as a key audit matter.

2. Audit Response

- (1) Gained an understanding of key internal controls related to accounts receivable impairment, evaluated their design, determined whether they were implemented, and tested the operating effectiveness of relevant controls;
- (2) Reviewed subsequent actual write-offs or reversals of allowances for doubtful accounts from prior years to assess the accuracy of Management's past estimates;
- (3) Evaluated Management's considerations and supporting evidence in assessing the credit risk of accounts receivable to determine whether credit risk characteristics were appropriately identified;
- (4) For individually assessed accounts receivable, obtained and examined Management's cash flow projections, assessed the reasonableness of key assumptions and data accuracy, and corroborated them with external evidence;
- (5) For collectively assessed accounts receivable, evaluated the appropriateness of grouping based on credit risk characteristics and assessed the reasonableness of the aging analysis and expected credit loss rates by comparing them with historical loss experience and forward-looking adjustments;
- (6) Tested the accuracy and completeness of data used by Management and verified the correctness of the allowance calculation;
- (7) Performed confirmations on a sample of year-end accounts receivable balances, discussed collection status and potential risks with Management, and examined subsequent collections to assess the reasonableness of the allowance;
- (8) Reviewed whether disclosures related to accounts receivable impairment were appropriately presented in the financial statements.

IV. Other Information

The management of Changchai Company (hereinafter referred to as "Management") is responsible for the other information. The other information comprises the information included in the 2025 Annual Report of Changchai Company, but does not include the financial statements and our audit report.

Our opinion on the financial statements does not cover the other information, nor do we express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work we have performed, if we conclude that there is a material misstatement in the other information, we are required to report that fact. In this regard, we have nothing to report.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation, and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

VI. Auditor's Responsibilities for the Audit of the Financial Statements

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

In conducting the audit in accordance with auditing standards, we exercised professional judgment and maintained professional skepticism. Furthermore, we:

- (1) Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; designed and performed audit procedures responsive to those risks; and obtained sufficient and appropriate audit evidence as a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- (2) Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluated the appropriateness of accounting policies used by management and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Concluded on the appropriateness of management's use of the going concern basis of accounting. Based on the audit evidence obtained, we concluded whether a material uncertainty exists related to events or conditions that may cast significant doubt on Changchai Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, auditing standards require us to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the information available to us up to the date of the audit report. However, future events or conditions may cause Changchai Company to cease to continue as a going concern.
- (5) Evaluated the overall presentation, structure, and content of the financial statements, and assessed whether the financial statements represent the underlying transactions and events fairly.
- (6) Obtained sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Changchai Company to express an opinion on the financial statements. We were responsible for directing, supervising, and performing the group audit and remain solely responsible for our audit opinion.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and any significant deficiencies in internal control identified during our audit.

We also provided those charged with governance with a statement that we complied with relevant ethical requirements regarding independence, and communicated all relationships and other matters that may reasonably be thought to bear on our independence, including relevant safeguards (where applicable).

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

Zhongxinghua Certified Public Accountants LLP
(Special General Partnership)

Beijing · China

Chinese CPA: Wang Jun
(Engagement Partner)
Chinese CPA: Li Pengcheng, Lu Xia
13 April 2026

II Financial Statements

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

1. Consolidated Balance Sheet

Prepared by Changchai Company, Limited

31 December 2025

Unit: RMB

| Item | 31 December 2025 | 1 January 2025 |
|--|------------------|------------------|
| Current assets: | | |
| Monetary assets | 1,338,231,792.64 | 1,063,700,492.59 |
| Settlement reserve | | |
| Interbank loans granted | | |
| Held-for-trading financial assets | 372,184,689.98 | 303,667,459.65 |
| Derivative financial assets | | |
| Notes receivable | 386,557,535.74 | 318,814,017.13 |
| Accounts receivable | 451,748,532.34 | 444,254,240.02 |
| Accounts receivable financing | 165,125,708.93 | 223,261,002.76 |
| Prepayments | 22,389,102.11 | 12,725,958.70 |
| Premiums receivable | | |
| Reinsurance receivables | | |
| Receivable reinsurance contract reserve | | |
| Other receivables | 5,495,898.75 | 9,847,441.82 |
| Including: Interest receivable | | |
| Dividends receivable | 0.00 | 7,165,080.00 |
| Financial assets purchased under resale agreements | | |
| Inventories | 757,083,436.15 | 819,201,998.42 |
| Including: Data resources | | |
| Contract assets | | |
| Assets held for sale | | |

| | | |
|---|------------------|------------------|
| Current portion of non-current assets | | |
| Other current assets | 19,020,727.98 | 54,605,021.67 |
| Total current assets | 3,517,837,424.62 | 3,250,077,632.76 |
| Non-current assets: | | |
| Loans and advances to customers | | |
| Investments in debt obligations | | |
| Investments in other debt obligations | | |
| Long-term receivables | | |
| Long-term equity investments | | |
| Investments in other equity instruments | 981,361,295.81 | 941,120,058.72 |
| Other non-current financial assets | 337,118,757.03 | 377,869,217.49 |
| Investment property | 35,644,130.99 | 37,740,844.55 |
| Fixed assets | 550,316,120.80 | 615,414,505.40 |
| Construction in progress | 2,801,650.98 | 3,376,866.69 |
| Productive living assets | | |
| Oil and gas assets | | |
| Right-of-use assets | | |
| Intangible assets | 133,751,352.61 | 142,805,785.86 |
| Including: Data resources | | |
| Development costs | | |
| Including: Data resources | | |
| Goodwill | | |
| Long-term prepaid expense | 2,597,472.39 | 2,664,557.06 |
| Deferred income tax assets | 7,350,047.87 | 6,458,337.99 |
| Other non-current assets | 9,503,046.92 | 4,373,097.30 |
| Total non-current assets | 2,060,443,875.40 | 2,131,823,271.06 |
| Total assets | 5,578,281,300.02 | 5,381,900,903.82 |
| Current liabilities: | | |
| Short-term borrowings | 88,926,344.09 | 94,471,787.41 |
| Borrowings from the central bank | | |
| Interbank loans obtained | | |
| Held-for-trading financial liabilities | | |

| | | |
|---|------------------|------------------|
| Derivative financial liabilities | | |
| Notes payable | 562,313,345.98 | 491,643,629.88 |
| Accounts payable | 793,473,800.05 | 690,733,575.75 |
| Advances from customers | 30,112,510.00 | 30,183,376.84 |
| Contract liabilities | 40,040,496.36 | 31,640,879.59 |
| 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 | 56,773,482.39 | 48,792,254.98 |
| Taxes payable | 5,305,526.88 | 4,214,324.70 |
| Other payables | 134,619,772.83 | 117,736,961.52 |
| 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 | 72,672,756.98 | 175,064,677.93 |
| Total current liabilities | 1,784,238,035.56 | 1,684,481,468.60 |
| 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 | 83,448,865.86 | 73,002,860.52 |
| Deferred income | 25,976,437.56 | 29,386,167.02 |
| Deferred income tax liabilities | 159,449,521.13 | 154,449,852.33 |
| Other non-current liabilities | | |
| Total non-current liabilities | 268,874,824.55 | 256,838,879.87 |
| Total liabilities | 2,053,112,860.11 | 1,941,320,348.47 |
| Shareholders' equity: | | |
| Share capital | 705,692,507.00 | 705,692,507.00 |
| Other equity instruments | | |
| Including: Preferred shares | | |
| Perpetual bonds | | |
| Capital reserves | 641,070,433.90 | 640,509,675.84 |
| Less: Treasury stock | | |
| Other comprehensive income | 677,272,601.44 | 643,067,549.91 |
| Specific reserve | 23,936,408.22 | 21,959,066.35 |
| Surplus reserves | 370,454,881.23 | 367,826,665.27 |
| General reserve | | |
| Retained earnings | 1,024,763,845.76 | 983,627,999.95 |
| Total equity attributable to Shareholders of the Company as the parent | 3,443,190,677.55 | 3,362,683,464.32 |
| Non-controlling interests | 81,977,762.36 | 77,897,091.03 |
| Total shareholders' equity | 3,525,168,439.91 | 3,440,580,555.35 |
| Total liabilities and shareholders' equity | 5,578,281,300.02 | 5,381,900,903.82 |

Legal representative: Xie Guozhong

General Manager: Xie Guozhong

Head of the accounting department: Jiang He

2. Balance Sheet of the Company as the Parent

Unit: RMB

| Item | 31 December 2025 | 1 January 2025 |
|---|------------------|------------------|
| Current assets: | | |
| Monetary assets | 1,184,168,481.94 | 932,456,827.90 |
| Held-for-trading financial assets | 250,280,555.56 | 200,209,027.78 |
| Derivative financial assets | | |
| Notes receivable | 367,314,112.02 | 291,060,042.38 |
| Accounts receivable | 422,352,840.72 | 424,946,666.41 |
| Accounts receivable financing | 158,773,143.84 | 215,854,639.00 |
| Prepayments | 20,288,875.23 | 8,720,127.77 |
| Other receivables | 20,239,727.26 | 24,288,767.65 |
| Including: Interest receivable | | |
| Dividends receivable | 0.00 | 7,165,080.00 |
| Inventories | 491,497,389.92 | 551,350,588.20 |
| Including: Data resources | | |
| Contract assets | | |
| Assets held for sale | | |
| Current portion of non-current assets | | |
| Other current assets | 9,472,115.44 | 31,935,179.39 |
| Total current assets | 2,924,387,241.93 | 2,680,821,866.48 |
| Non-current assets: | | |
| Investments in debt obligations | | |
| Investments in other debt obligations | | |
| Long-term receivables | | |
| Long-term equity investments | 871,339,449.94 | 868,279,449.94 |
| Investments in other equity instruments | 981,361,295.81 | 941,120,058.72 |
| Other non-current financial assets | 337,118,757.03 | 377,869,217.49 |
| Investment property | 35,644,130.99 | 37,740,844.55 |
| Fixed assets | 158,326,289.42 | 188,539,011.23 |
| Construction in progress | 2,046,605.11 | 3,132,433.82 |
| Productive living assets | | |

| | | |
|---|------------------|------------------|
| Oil and gas assets | | |
| Right-of-use assets | | |
| Intangible assets | 49,915,087.13 | 56,046,446.22 |
| Including: Data resources | | |
| Development costs | | |
| Including: Data resources | | |
| Goodwill | | |
| Long-term prepaid expense | | |
| Deferred income tax assets | 5,803,319.96 | 5,814,276.42 |
| Other non-current assets | 4,491,336.83 | 3,755,279.00 |
| Total non-current assets | 2,446,046,272.22 | 2,482,297,017.39 |
| Total assets | 5,370,433,514.15 | 5,163,118,883.87 |
| Current liabilities: | | |
| Short-term borrowings | 64,945,571.32 | 49,843,838.91 |
| Held-for-trading financial liabilities | | |
| Derivative financial liabilities | | |
| Notes payable | 568,770,609.52 | 652,752,618.33 |
| Accounts payable | 728,400,988.92 | 572,396,386.79 |
| Advances from customers | 30,112,510.00 | 30,183,376.84 |
| Contract liabilities | 30,984,771.72 | 23,493,204.39 |
| Employee benefits payable | 40,323,108.47 | 39,221,119.16 |
| Taxes payable | 2,104,226.06 | 2,116,355.96 |
| Other payables | 130,050,726.29 | 111,060,096.07 |
| 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 | 76,701,145.43 | 39,139,067.15 |
| Total current liabilities | 1,672,393,657.73 | 1,520,206,063.60 |
| Non-current liabilities: | | |
| Long-term borrowings | | |
| Bonds payable | | |

| | | |
|--|------------------|------------------|
| Including: Preferred shares | | |
| Perpetual bonds | | |
| Lease liabilities | | |
| Long-term payables | | |
| Long-term employee benefits payable | | |
| Provisions | 77,950,061.03 | 70,293,055.65 |
| Deferred income | 25,976,437.56 | 29,386,167.02 |
| Deferred income tax liabilities | 147,441,091.25 | 147,506,745.60 |
| Other non-current liabilities | | |
| Total non-current liabilities | 251,367,589.84 | 247,185,968.27 |
| Total liabilities | 1,923,761,247.57 | 1,767,392,031.87 |
| Shareholders' equity: | | |
| Share capital | 705,692,507.00 | 705,692,507.00 |
| Other equity instruments | | |
| Including: Preferred shares | | |
| Perpetual bonds | | |
| Capital reserves | 659,418,700.67 | 659,418,700.67 |
| Less: Treasury stock | | |
| Other comprehensive income | 677,272,601.44 | 643,067,549.91 |
| Specific reserve | 16,632,391.87 | 19,117,263.36 |
| Surplus reserves | 370,454,881.23 | 367,826,665.27 |
| Retained earnings | 1,017,201,184.37 | 1,000,604,165.79 |
| Total shareholders' equity | 3,446,672,266.58 | 3,395,726,852.00 |
| Total liabilities and shareholders' equity | 5,370,433,514.15 | 5,163,118,883.87 |

Legal representative: Xie Guozhong

General Manager: Xie Guozhong

Head of the accounting department: Jiang He

3. Consolidated Income Statement

Unit: RMB

| Item | 2025 | 2024 |
|--|------------------|------------------|
| 1. Revenue | 2,476,325,822.68 | 2,415,869,028.32 |
| Including: Operating revenue | 2,476,325,822.68 | 2,415,869,028.32 |
| Interest income | | |
| Insurance premium income | | |
| Handling charge and commission income | | |
| 2. Costs and expenses | 2,438,036,566.95 | 2,371,544,119.17 |
| Including: Cost of sales | 2,179,995,775.46 | 2,119,300,466.07 |
| 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 | 18,422,612.74 | 16,181,617.86 |
| Selling expense | 52,818,923.00 | 60,617,254.43 |
| Administrative expense | 108,081,816.30 | 115,466,341.90 |
| R&D expense | 83,676,763.37 | 83,401,477.60 |
| Finance costs | -4,959,323.92 | -23,423,038.69 |
| Including: Interest expense | 591,180.17 | 341,136.21 |
| Interest income | 12,531,332.63 | 17,940,638.39 |
| Add: Other income | 26,921,508.33 | 23,621,255.14 |
| Return on investment (“-” for loss) | 9,829,843.17 | 24,265,851.27 |
| Including: Share of profit or loss of joint ventures and associates | | |
| Income from the derecognition of financial assets at amortized cost (“-” for loss) | -2,660,696.74 | -3,313,989.60 |
| Exchange gain (“-” for loss) | | |
| Net gain on exposure hedges (“-” for loss) | | |
| Gain on changes in fair value (“-” for loss) | -19,942,996.94 | -65,938,196.89 |
| Credit impairment loss (“-” for loss) | -264,721.24 | 1,229,820.12 |
| Asset impairment loss (“-” for loss) | -23,624,390.85 | -14,403,371.83 |

| | | |
|--|---------------|----------------|
| Asset disposal income (“-” for loss) | 36,192,896.62 | 304,377.71 |
| 3. Operating profit (“-” for loss) | 67,401,394.82 | 13,404,644.67 |
| Add: Non-operating income | 211,724.94 | 2,838,603.42 |
| Less: Non-operating expense | 1,375,295.13 | 886,507.69 |
| 4. Profit before tax (“-” for loss) | 66,237,824.63 | 15,356,740.40 |
| Less: Income tax expense | 8,263,402.18 | -9,260,824.48 |
| 5. Net profit (“-” for net loss) | 57,974,422.45 | 24,617,564.88 |
| 5.1 By operating continuity | | |
| 5.1.1 Net profit from continuing operations (“-” for net loss) | 57,974,422.45 | 24,617,564.88 |
| 5.1.2 Net profit from discontinued operations (“-” for net loss) | | |
| 5.2 By shareholders’ equity | | |
| 5.2.1 Net profit attributable to shareholders of the Company as the parent | 50,820,986.84 | 18,489,896.00 |
| 5.2.1 Net profit attributable to non-controlling interests | 7,153,435.61 | 6,127,668.88 |
| 6. Other comprehensive income, net of tax | 34,205,051.53 | -24,112,771.91 |
| Attributable to shareholders of the Company as the parent | 34,205,051.53 | -24,112,771.91 |
| 6.1 Items that will not be reclassified to profit or loss | 34,205,051.53 | -24,112,771.91 |
| 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 | 34,205,051.53 | -24,112,771.91 |
| 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 | 92,179,473.98 | 504,792.97 |
| Attributable to shareholders of the Company as the parent | 85,026,038.37 | -5,622,875.91 |
| Attributable to non-controlling interests | 7,153,435.61 | 6,127,668.88 |
| 8. Earnings per share | | |
| 8.1 Basic earnings per share | 0.0720 | 0.0262 |
| 8.2 Diluted earnings per share | 0.0720 | 0.0262 |

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 | 2025 | 2024 |
|--|------------------|------------------|
| 1. Operating revenue | 2,305,312,712.23 | 2,261,596,684.92 |
| Less: Cost of sales | 2,093,897,153.32 | 2,025,918,153.26 |
| Taxes and surcharges | 10,516,019.91 | 9,757,870.85 |
| Selling expense | 47,342,234.43 | 54,333,372.12 |
| Administrative expense | 80,547,956.74 | 86,953,834.51 |
| R&D expense | 74,653,286.03 | 74,555,192.15 |
| Finance costs | -3,969,578.81 | -26,393,666.49 |
| Including: Interest expense | 476,056.61 | 14,172.26 |
| Interest income | 10,857,622.39 | 21,371,554.39 |
| Add: Other income | 25,986,486.83 | 22,448,967.24 |
| Return on investment (“-” for loss) | 8,858,078.70 | 22,651,325.15 |
| Including: Share of profit or loss of joint ventures and associates | | |
| Income from the derecognition of financial assets at amortized cost (“-” for loss) | -2,207,083.32 | -2,778,698.46 |
| Net gain on exposure hedges (“-” for loss) | | |
| Gain on changes in fair value (“-” for loss) | -40,469,904.90 | -34,836,331.53 |
| Credit impairment loss (“-” for loss) | 16,627,724.52 | 621,287.63 |
| Asset impairment loss (“-” for loss) | -22,185,309.99 | -11,574,638.78 |
| Asset disposal income (“-” for loss) | 36,380,125.65 | 428,278.54 |
| 2. Operating profit (“-” for loss) | 27,522,841.42 | 36,210,816.77 |
| Add: Non-operating income | 906.36 | 1,069,126.99 |
| Less: Non-operating expense | 299,902.91 | 7,440.00 |
| 3. Profit before tax (“-” for loss) | 27,223,844.87 | 37,272,503.76 |
| Less: Income tax expense | 941,685.26 | -4,038,225.54 |
| 4. Net profit (“-” for net loss) | 26,282,159.61 | 41,310,729.30 |
| 4.1 Net profit from continuing operations (“-” for net loss) | 26,282,159.61 | 41,310,729.30 |
| 4.2 Net profit from discontinued operations (“-” for net loss) | | |
| 5. Other comprehensive income, net of tax | 34,205,051.53 | -24,112,771.91 |
| 5.1 Items that will not be reclassified to profit or loss | 34,205,051.53 | -24,112,771.91 |
| 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 | 34,205,051.53 | -24,112,771.91 |
| 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 | 60,487,211.14 | 17,197,957.39 |
| 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 | 2025 | 2024 |
|---|------------------|------------------|
| 1. Cash flows from operating activities: | | |
| Proceeds from sale of commodities and rendering of services | 2,533,072,955.35 | 2,238,358,650.77 |
| 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 | 77,575,536.41 | 19,164,629.21 |
| Cash generated from other operating activities | 74,929,597.75 | 67,860,339.28 |
| Subtotal of cash generated from operating activities | 2,685,578,089.51 | 2,325,383,619.26 |
| Payments for commodities and services | 1,896,984,328.77 | 1,962,599,108.34 |
| 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 | 336,970,892.13 | 327,926,688.72 |
| Taxes paid | 54,835,475.71 | 50,158,557.19 |
| Cash used in other operating activities | 107,224,843.83 | 138,992,233.71 |
| Subtotal of cash used in operating activities | 2,396,015,540.44 | 2,479,676,587.96 |
| Net cash generated from/used in operating activities | 289,562,549.07 | -154,292,968.70 |
| 2. Cash flows from investing activities: | | |
| Proceeds from disinvestment | 1,208,296,869.30 | 1,118,117,547.48 |
| Return on investment | 12,823,600.00 | 11,949,697.38 |

| | | |
|---|------------------|------------------|
| Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets | 36,542,366.41 | 76,848,662.26 |
| Net proceeds from the disposal of subsidiaries and other business units | | |
| Cash generated from other investing activities | | |
| Subtotal of cash generated from investing activities | 1,257,662,835.71 | 1,206,915,907.12 |
| Payments for the acquisition of fixed assets, intangible assets and other long-lived assets | 11,876,032.05 | 19,328,172.96 |
| Payments for investments | 1,252,153,606.00 | 1,179,550,000.00 |
| Net increase in pledged loans granted | | |
| Net payments for the acquisition of subsidiaries and other business units | | |
| Cash used in other investing activities | | |
| Subtotal of cash used in investing activities | 1,264,029,638.05 | 1,198,878,172.96 |
| Net cash generated from/used in investing activities | -6,366,802.34 | 8,037,734.16 |
| 3. Cash flows from financing activities: | | |
| Capital contributions received | | |
| Including: Capital contributions by non-controlling interests to subsidiaries | | |
| Borrowings raised | 88,595,514.02 | 94,412,090.20 |
| Cash generated from other financing activities | | |
| Subtotal of cash generated from financing activities | 88,595,514.02 | 94,412,090.20 |
| Repayment of borrowings | | |
| Interest and dividends paid | 7,056,925.07 | 33,168,340.22 |
| Including: Dividends paid by subsidiaries to non-controlling interests | | |
| Cash used in other financing activities | 3,060,000.00 | |
| Subtotal of cash used in financing activities | 10,116,925.07 | 33,168,340.22 |
| Net cash generated from/used in financing activities | 78,478,588.95 | 61,243,749.98 |
| 4. Effect of foreign exchange rates changes on cash and cash equivalents | -6,288,299.08 | 6,063,845.94 |
| 5. Net increase in cash and cash equivalents | 355,386,036.60 | -78,947,638.62 |
| Add: Cash and cash equivalents, beginning of the period | 892,681,884.84 | 971,629,523.46 |
| 6. Cash and cash equivalents, end of the period | 1,248,067,921.44 | 892,681,884.84 |

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 | 2025 | 2024 |
|---|------------------|------------------|
| 1. Cash flows from operating activities: | | |
| Proceeds from sale of commodities and rendering of services | 2,158,653,514.05 | 1,986,603,574.57 |
| Tax rebates | 51,538,623.76 | 13,751,464.43 |
| Cash generated from other operating activities | 28,582,980.94 | 27,621,885.18 |
| Subtotal of cash generated from operating activities | 2,238,775,118.75 | 2,027,976,924.18 |
| Payments for commodities and services | 1,693,424,795.18 | 1,860,419,699.59 |
| Cash paid to and for employees | 188,033,529.29 | 188,575,870.97 |
| Taxes paid | 35,008,597.84 | 30,952,518.43 |
| Cash used in other operating activities | 77,807,296.60 | 86,011,290.15 |
| Subtotal of cash used in operating activities | 1,994,274,218.91 | 2,165,959,379.14 |
| Net cash generated from/used in operating activities | 244,500,899.84 | -137,982,454.96 |
| 2. Cash flows from investing activities: | | |
| Proceeds from disinvestment | 1,056,257,229.80 | 1,004,382,432.65 |
| Return on investment | 12,182,040.00 | 11,093,937.38 |
| Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets | 36,266,385.79 | 76,459,461.84 |
| Net proceeds from the disposal of subsidiaries and other business units | | |
| Cash generated from other investing activities | 17,680,030.95 | 1,177,096.12 |
| Subtotal of cash generated from investing activities | 1,122,385,686.54 | 1,093,112,927.99 |
| Payments for the acquisition of fixed assets, intangible assets and other long-lived assets | 5,941,868.66 | 9,040,777.20 |
| Payments for investments | 1,103,060,000.00 | 1,056,000,000.00 |
| Net payments for the acquisition of subsidiaries and other business units | | |
| Cash used in other investing activities | | 6,000,000.00 |
| Subtotal of cash used in investing activities | 1,109,001,868.66 | 1,071,040,777.20 |
| Net cash generated from/used in investing activities | 13,383,817.88 | 22,072,150.79 |
| 3. Cash flows from financing activities: | | |
| Capital contributions received | | |
| Borrowings raised | 64,625,675.80 | 49,829,666.65 |

| | | |
|--|------------------|----------------|
| Cash generated from other financing activities | | |
| Subtotal of cash generated from financing activities | 64,625,675.80 | 49,829,666.65 |
| Repayment of borrowings | | |
| Interest and dividends paid | 7,056,925.07 | 33,167,547.83 |
| Cash used in other financing activities | | |
| Subtotal of cash used in financing activities | 7,056,925.07 | 33,167,547.83 |
| Net cash generated from/used in financing activities | 57,568,750.73 | 16,662,118.82 |
| 4. Effect of foreign exchange rates changes on cash and cash equivalents | -6,120,229.04 | 5,173,303.38 |
| 5. Net increase in cash and cash equivalents | 309,333,239.41 | -94,074,881.97 |
| Add: Cash and cash equivalents, beginning of the period | 805,614,858.63 | 899,689,740.60 |
| 6. Cash and cash equivalents, end of the period | 1,114,948,098.04 | 805,614,858.63 |

Legal representative: Xie Guozhong

General Manager: Xie Guozhong

Head of the accounting department: Jiang He

7. Consolidated Statements of Changes in Shareholders' Equity

2025

Unit: RMB

| Item | 2025 | | | | | | | | | | | | | | |
|--|--|--------------------------------|-----------|--|---------------------|--------------------------------|--------------------------------------|---------------------|---------------------|----------------------------|----------------------|-----------|----------------------|----------------------------------|-----------------------------------|
| | Equity attributable to shareholders of the Company as the parent | | | | | | | | | | | | | Non-contr olling interests | Total shareholde rs' equity |
| | Share capital | Other equity instruments | | | Capital reserves | Less: Treas ury stock | Other comprehe nsive income | Specific reserve | Surplus reserves | Gen eral reser ve | Retained earnings | Ot her | Subtotal | | |
| Prefe rred share s | | Perpe tual bonds | Ot her | | | | | | | | | | | | |
| 1. Balance as at the end of the prior year | 705,692,5 07.00 | | | | 640,509,6 75.84 | | 643,067,5 49.91 | 21,959,0 66.35 | 367,826,6 65.27 | | 983,627,99 9.95 | | 3,362,683, 464.32 | 77,897,09 1.03 | 3,440,580, 555.35 |
| Add: Adjustme nt for change in accountin g policy | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|---|----------------|--|--|--|----------------|----------------|---------------|----------------|--|----------------|------------------|---------------|------------------|--|--|
| Adjustment for correction of previous error | | | | | | | | | | | | | | | |
| Other adjustments | | | | | | | | | | | | | | | |
| 2. Balance as at the beginning of the year | 705,692,507.00 | | | | 640,509,675.84 | 643,067,549.91 | 21,959,066.35 | 367,826,665.27 | | 983,627,999.95 | 3,362,683,464.32 | 77,897,091.03 | 3,440,580,555.35 | | |
| 3. Increase/decrease in the period (“-” for decrease) | | | | | 560,758.06 | 34,205,051.53 | 1,977,341.87 | 2,628,215.96 | | 41,135,845.81 | 80,507,213.23 | 4,080,671.33 | 84,587,884.56 | | |
| 3.1 Total comprehensive income | | | | | | 34,205,051.53 | | | | 50,820,986.84 | 85,026,038.37 | 7,153,435.61 | 92,179,473.98 | | |

| | | | | | | | | | | | | | | | |
|---|--|--|--|--|----------------|--|--|--|--|--|--|--|------------|-------------------|-------------------|
| 3.2 Capital increased and reduced by sharehold ers | | | | | 560,758.0 6 | | | | | | | | 560,758.06 | -3,620,75 8.06 | -3,060,000 .00 |
| 3.2.1 Ordinary shares increased by sharehold ers | | | | | | | | | | | | | | | |
| 3.2.2 Capital increased by holders of other equity instrume nts | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|--|--|--|--|------------|--|--|--|--------------|---------------|---------------|--|------------|---------------|---------------|--|
| 3.2.3 Share-based payments included in shareholders' equity | | | | | | | | | | | | | | | |
| 3.2.4 Other | | | | 560,758.06 | | | | | | | | 560,758.06 | -3,620,758.06 | -2,499,241.94 | |
| 3.3 Profit distribution | | | | | | | | 2,628,215.96 | -9,685,141.03 | -7,056,925.07 | | | | -7,056,925.07 | |
| 3.3.1 Appropriation to surplus reserves | | | | | | | | 2,628,215.96 | -2,628,215.96 | | | | | | |
| 3.3.2 Appropriation to general reserve | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| 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 transferre d to retained earnings | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|------------------|--|--|--|--|------------------|----------------|------------------|--|
| 3.4.5 Other compreh ensive income transfere d to retained earnings | | | | | | | | | | | | | | | |
| 3.4.6 Other | | | | | | | | | | | | | | | |
| 3.5 Specific reserve | | | | | | | 1,977,34 1.87 | | | | | 1,977,341. 87 | 547,993.7 8 | 2,525,335. 65 | |
| 3.5.1 Increase in the period | | | | | | | 7,170,17 4.83 | | | | | 7,170,174. 83 | 728,318.8 9 | 7,898,493. 72 | |
| 3.5.2 Used in the period | | | | | | | 5,192,83 2.96 | | | | | 5,192,832. 96 | 180,325.1 1 | 5,373,158. 07 | |
| 3.6 Other | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|---|--------------------|--|--|--|--------------------|--|--------------------|-------------------|--------------------|--|----------------------|--|----------------------|-------------------|----------------------|
| 4. Balance as at the end of the period | 705,692,5 07.00 | | | | 641,070,4 33.90 | | 677,272,6 01.44 | 23,936,4 08.22 | 370,454,8 81.23 | | 1,024,763, 845.76 | | 3,443,190, 677.55 | 81,977,76 2.36 | 3,525,168, 439.91 |
|---|--------------------|--|--|--|--------------------|--|--------------------|-------------------|--------------------|--|----------------------|--|----------------------|-------------------|----------------------|

2024

Unit: RMB

| Item | 2024 | | | | | | | | | | | | | | |
|---|--|--------------------------------|-----------|--|---------------------|--------------------------------|--------------------------------------|---------------------|---------------------|----------------------------|----------------------|-----------|----------------------|----------------------------------|-----------------------------------|
| | Equity attributable to shareholders of the Company as the parent | | | | | | | | | | | | | Non-contr olling interests | Total shareholde rs' equity |
| | Share capital | Other equity instruments | | | Capital reserves | Less: Treas ury stock | Other comprehe nsive income | Specific reserve | Surplus reserves | Gen eral reser ve | Retained earnings | Ot her | Subtotal | | |
| Prefe rred share s | | Perpe tual bonds | Ot her | | | | | | | | | | | | |
| 1. Balance as at the end of the prior year | 705,692,5 07.00 | | | | 640,509,6 75.84 | | 667,180,3 21.82 | 19,432,0 89.52 | 363,695,5 92.34 | | 1,002,436, 724.71 | | 3,398,946, 911.23 | 71,121,20 8.35 | 3,470,068, 119.58 |

| | | | | | | | | | | | | | | | | |
|---|--------------------|--|--|--|--------------------|--------------------|-------------------|--------------------|--|----------------------|----------------------|-------------------|----------------------|--|--|--|
| Add: Adjustment for change in accounting policy | | | | | | | | | | | | | | | | |
| Adjustment for correction of previous error | | | | | | | | | | | | | | | | |
| Other adjustments | | | | | | | | | | | | | | | | |
| 2. Balance as at the beginning of the year | 705,692,5 07.00 | | | | 640,509,6 75.84 | 667,180,3 21.82 | 19,432,0 89.52 | 363,695,5 92.34 | | 1,002,436, 724.71 | 3,398,946, 911.23 | 71,121,20 8.35 | 3,470,068, 119.58 | | | |

| | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--------------------|------------------|------------------|--|--|--------------------|--------------------|------------------|--------------------|
| 3. Increase/ decrease in the period ("-" for decrease) | | | | | | | -24,112,7 71.91 | 2,526,97 6.83 | 4,131,072 .93 | | | -18,808,72 4.76 | -36,263,44 6.91 | 6,775,882 .68 | -29,487,56 4.23 |
| 3.1 Total compreh ensive income | | | | | | | -24,112,7 71.91 | | | | | 18,489,896 .00 | -5,622,875 .91 | 6,127,668 .88 | 504,792.97 |
| 3.2 Capital increased and reduced by sharehold ers | | | | | | | | | | | | | | | |
| 3.2.1 Ordinary shares increased by sharehold ers | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|------------------|--|--------------------|--|--------------------|--|--------------------|--|
| 3.2.2 Capital increased by holders of other equity instru- ments | | | | | | | | | | | | | | | |
| 3.2.3 Share-ba- sed payments included in sharehold- ers' equity | | | | | | | | | | | | | | | |
| 3.2.4 Other | | | | | | | | | | | | | | | |
| 3.3 Profit distributi- on | | | | | | | | 4,131,072 .93 | | -37,298,62 0.76 | | -33,167,54 7.83 | | -33,167,54 7.83 | |

| | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--------------|--|----------------|--|----------------|--|----------------|
| 3.3.1 Appropriation to surplus reserves | | | | | | | | | 4,131,072.93 | | -4,131,072.93 | | | | |
| 3.3.2 Appropriation to general reserve | | | | | | | | | | | | | | | |
| 3.3.3 Appropriation to shareholders | | | | | | | | | | | -33,167,547.83 | | -33,167,547.83 | | -33,167,547.83 |
| 3.3.4 Other | | | | | | | | | | | | | | | |
| 3.4 Transfers within shareholders' equity | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| 3.4.1 Increase in capital (or share capital) from capital reserves | | | | | | | | | | | | | | | |
| 3.4.2 Increase in capital (or share capital) from surplus reserves | | | | | | | | | | | | | | | |
| 3.4.3 Loss offset by surplus reserves | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--------------|--|--|--|--|--|--------------|------------|--------------|--|
| 3.4.4 Changes in defined benefit schemes transfere d to retained earnings | | | | | | | | | | | | | | | | | |
| 3.4.5 Other compreh ensive income transfere d to retained earnings | | | | | | | | | | | | | | | | | |
| 3.4.6 Other | | | | | | | | | | | | | | | | | |
| 3.5 Specific reserve | | | | | | | | 2,526,976.83 | | | | | | 2,526,976.83 | 648,213.80 | 3,175,190.63 | |

| | | | | | | | | | | | | | | | |
|---|----------------|--|--|--|----------------|----------------|---------------|----------------|--|----------------|--|--|------------------|---------------|------------------|
| 3.5.1 Increase in the period | | | | | | | | 9,958,016.52 | | | | | 9,958,016.52 | 912,151.30 | 10,870,167.82 |
| 3.5.2 Used in the period | | | | | | | | 7,431,039.69 | | | | | 7,431,039.69 | 263,937.50 | 7,694,977.19 |
| 3.6 Other | | | | | | | | | | | | | | | |
| 4. Balance as at the end of the period | 705,692,507.00 | | | | 640,509,675.84 | 643,067,549.91 | 21,959,066.35 | 367,826,665.27 | | 983,627,999.95 | | | 3,362,683,464.32 | 77,897,091.03 | 3,440,580,555.35 |

Legal representative: Xie Guozhong

General Manager: Xie Guozhong

Head of the accounting department: Jiang He

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

2025

Unit: RMB

| Item | 2025 | | | | | | | | | | | |
|---|----------------|--------------------------|-----------------|-------|------------------|----------------------|----------------------------|------------------|------------------|-------------------|-------|----------------------------|
| | Share capital | Other equity instruments | | | Capital reserves | Less: Treasury stock | Other comprehensive income | Specific reserve | Surplus reserves | Retained earnings | Other | Total shareholders' equity |
| | | Preferred shares | Perpetual bonds | Other | | | | | | | | |
| 1. Balance as at the end of the prior year | 705,692,507.00 | | | | 659,418,700.67 | | 643,067,549.91 | 19,117,263.36 | 367,826,665.27 | 1,000,604,165.79 | | 3,395,726,852.00 |
| Add: Adjustment for change in accounting policy | | | | | | | | | | | | |
| Adjustment for correction of previous error | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|---|----------------|--|--|--|----------------|----------------|---------------|----------------|------------------|--|--|------------------|
| Other adjustments | | | | | | | | | | | | |
| 2. Balance as at the beginning of the year | 705,692,507.00 | | | | 659,418,700.67 | 643,067,549.91 | 19,117,263.36 | 367,826,665.27 | 1,000,604,165.79 | | | 3,395,726,852.00 |
| 3. Increase/decrease in the period (“-” for decrease) | | | | | | 34,205,051.53 | -2,484,871.49 | 2,628,215.96 | 16,597,018.58 | | | 50,945,414.58 |
| 3.1 Total comprehensive income | | | | | | 34,205,051.53 | | | 26,282,159.61 | | | 60,487,211.14 |
| 3.2 Capital increased and reduced by shareholders | | | | | | | | | | | | |
| 3.2.1 Ordinary shares increased by shareholders | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--------------|---------------|--|---------------|
| 3.2.2 Capital increased by holders of other equity instruments | | | | | | | | | | | | |
| 3.2.3 Share-based payments included in shareholders' equity | | | | | | | | | | | | |
| 3.2.4 Other | | | | | | | | | | | | |
| 3.3 Profit distribution | | | | | | | | | 2,628,215.96 | -9,685,141.03 | | -7,056,925.07 |
| 3.3.1 Appropriation to surplus reserves | | | | | | | | | 2,628,215.96 | -2,628,215.96 | | |
| 3.3.2 Appropriation to shareholders | | | | | | | | | | -7,056,925.07 | | -7,056,925.07 |
| 3.3.3 Other | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|
| 3.4 Transfers within shareholders ' equity | | | | | | | | | | | | |
| 3.4.1 Increase in capital (or share capital) from capital reserves | | | | | | | | | | | | |
| 3.4.2 Increase in capital (or share capital) from surplus reserves | | | | | | | | | | | | |
| 3.4.3 Loss offset by surplus reserves | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|---|----------------|--|--|--|----------------|--|----------------|---------------|----------------|------------------|--|------------------|
| 3.4.4 Changes in defined benefit schemes transferred to retained earnings | | | | | | | | | | | | |
| 3.4.5 Other comprehensive income transferred to retained earnings | | | | | | | | | | | | |
| 3.4.6 Other | | | | | | | | | | | | |
| 3.5 Specific reserve | | | | | | | | -2,484,871.49 | | | | -2,484,871.49 |
| 3.5.1 Increase in the period | | | | | | | | | | | | |
| 3.5.2 Used in the period | | | | | | | | 2,484,871.49 | | | | 2,484,871.49 |
| 3.6 Other | | | | | | | | | | | | |
| 4. Balance as at the end of the period | 705,692,507.00 | | | | 659,418,700.67 | | 677,272,601.44 | 16,632,391.87 | 370,454,881.23 | 1,017,201,184.37 | | 3,446,672,266.58 |

2024

Unit: RMB

| Item | 2024 | | | | | | | | | | | |
|---|----------------|--------------------------|-----------------|-------|------------------|----------------------|----------------------------|------------------|------------------|-------------------|-------|----------------------------|
| | Share capital | Other equity instruments | | | Capital reserves | Less: Treasury stock | Other comprehensive income | Specific reserve | Surplus reserves | Retained earnings | Other | Total shareholders' equity |
| | | Preferred shares | Perpetual bonds | Other | | | | | | | | |
| 1. Balance as at the end of the prior year | 705,692,507.00 | | | | 659,418,700.67 | | 667,180,321.82 | 19,010,793.43 | 363,695,592.34 | 996,592,057.25 | | 3,411,589,972.51 |
| Add: Adjustment for change in accounting policy | | | | | | | | | | | | |
| Adjustment for correction of previous error | | | | | | | | | | | | |
| Other adjustments | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|---|----------------|--|--|--|----------------|--|----------------|---------------|----------------|----------------|--|------------------|
| 2. Balance as at the beginning of the year | 705,692,507.00 | | | | 659,418,700.67 | | 667,180,321.82 | 19,010,793.43 | 363,695,592.34 | 996,592,057.25 | | 3,411,589,972.51 |
| 3. Increase/decrease in the period (“-” for decrease) | | | | | | | -24,112,771.91 | 106,469.93 | 4,131,072.93 | 4,012,108.54 | | -15,863,120.51 |
| 3.1 Total comprehensive income | | | | | | | -24,112,771.91 | | | 41,310,729.30 | | 17,197,957.39 |
| 3.2 Capital increased and reduced by shareholders | | | | | | | | | | | | |
| 3.2.1 Ordinary shares increased by shareholders | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--------------|----------------|--|----------------|--|
| 3.2.2 Capital increased by holders of other equity instruments | | | | | | | | | | | | |
| 3.2.3 Share-based payments included in shareholders' equity | | | | | | | | | | | | |
| 3.2.4 Other | | | | | | | | | | | | |
| 3.3 Profit distribution | | | | | | | | 4,131,072.93 | -37,298,620.76 | | -33,167,547.83 | |
| 3.3.1 Appropriation to surplus reserves | | | | | | | | 4,131,072.93 | -4,131,072.93 | | | |
| 3.3.2 Appropriation to shareholders | | | | | | | | | -33,167,547.83 | | -33,167,547.83 | |
| 3.3.3 Other | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|
| 3.4 Transfers within shareholders ' equity | | | | | | | | | | | | |
| 3.4.1 Increase in capital (or share capital) from capital reserves | | | | | | | | | | | | |
| 3.4.2 Increase in capital (or share capital) from surplus reserves | | | | | | | | | | | | |
| 3.4.3 Loss offset by surplus reserves | | | | | | | | | | | | |

| | | | | | | | | | | | |
|--|--|--|--|--|--|--|--------------|--|--|--|--------------|
| 3.4.4 Changes in defined benefit schemes transferred to retained earnings | | | | | | | | | | | |
| 3.4.5 Other comprehensive income transferred to retained earnings | | | | | | | | | | | |
| 3.4.6 Other | | | | | | | | | | | |
| 3.5 Specific reserve | | | | | | | 106,469.93 | | | | 106,469.93 |
| 3.5.1 Increase in the period | | | | | | | 4,667,120.91 | | | | 4,667,120.91 |
| 3.5.2 Used in the period | | | | | | | 4,560,650.98 | | | | 4,560,650.98 |
| 3.6 Other | | | | | | | | | | | |

| | | | | | | | | | | | | |
|--|----------------|--|--|--|----------------|--|----------------|---------------|----------------|------------------|--|------------------|
| 4. Balance as at the end of the period | 705,692,507.00 | | | | 659,418,700.67 | | 643,067,549.91 | 19,117,263.36 | 367,826,665.27 | 1,000,604,165.79 | | 3,395,726,852.00 |
|--|----------------|--|--|--|----------------|--|----------------|---------------|----------------|------------------|--|------------------|

Legal representative: Xie Guozhong

General Manager: Xie Guozhong

Head of the accounting department: Jiang He

III. Company Profile

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

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

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

Through years of bonus share distributions, rights offerings, capital reserve conversions, and additional share issuances, as of December 31, 2025, the Company's total issued share capital reached 705,692,507 shares, with registered capital of RMB 705,692,507.

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

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

Unified Social Credit Code: 91320400134792410W

2. Principal Business Operations of the Company

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

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

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

3. Authorization of Financial Statements

The financial report has been approved to be issued by the Board of Directors on April 13, 2026.

IV. Basis for Preparation of the Financial Report

1. Basis for Preparation

The financial statements of our company are prepared on the basis of the going concern assumption, based on

actual transactions and events, in accordance with the "Accounting Standards for Business Enterprises - Basic Standards" issued by the Ministry of Finance, as well as various specific accounting standards, application guidelines for enterprise accounting standards, interpretations of enterprise accounting standards, and other relevant regulations (hereinafter collectively referred to as "Accounting Standards for Business Enterprises"). Additionally, they comply with the "No. 15 Rules for the Preparation and Reporting of Information Disclosure by Companies that Offer Securities to the Public - General Provisions on Financial Reports" (revised in 2023) issued by the China Securities Regulatory Commission.

In accordance with the relevant provisions of enterprise accounting standards, the Company's accounting is based on the accrual basis. Except for certain financial instruments, the financial statements are measured on the historical cost basis. Non-current assets held for sale are priced at the lower of fair value less estimated expenses and the original book value when they meet the conditions for holding for sale. If an asset is impaired, the corresponding impairment provision is made in accordance with relevant regulations.

2. Continuation

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

V. Important Accounting Policies and Estimations

Notification of specific accounting policies and accounting estimations:

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

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

The financial statements prepared by the Company comply with the requirements of the Accounting Standards for Business Enterprises (ASBE) and present fairly, in all material respects, the consolidated and parent company's financial position as of December 31, 2025, and the consolidated and parent company's operating results and cash flows for the year then ended.

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 the functional currency of the Company.

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

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

(1) Business combinations under the same control

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

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

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

(2) Business combinations not under the same control

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

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

combination remains less than the acquirer's interest in the fair value of the identifiable net assets of the acquiree after the reassessment, the difference is recognized in profit or loss for the period.

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

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

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

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

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

(1) Criteria for Determining Control

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

(2) Methods for Preparing Consolidated Financial Statements

The Company includes subsidiaries in the consolidated financial statements from the date on which it obtains

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

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

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

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

When control over a former subsidiary is lost due to disposal of part of the equity investment or other reasons, the remaining equity interest is remeasured at its fair value at the date when control is lost. The difference between the sum of the consideration received from the disposal and the fair value of the remaining equity interest, and the share of the carrying amount of the former subsidiary's net assets attributable to the original equity interest from the acquisition date, is recognized in profit or loss for the period in which control is lost. Other comprehensive income related to the equity investment in the former subsidiary is accounted for on the same basis as if the investee had directly disposed of the related assets or liabilities when control is lost (i.e., except for the relevant share of changes arising from the investee's remeasurement of defined benefit plan net liabilities or assets, the remainder is reclassified to profit or loss for the current period). Subsequently, the remaining equity interest is accounted for in accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments or Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments. For details, see Note 5.14 "Long-term Equity Investments" or Note V.10 "Financial Instruments".

When the Company loses control over a subsidiary through multiple transactions that involve disposing of equity investments in the subsidiary step by step, it is necessary to determine whether the transactions should be accounted for as a single transaction. The terms, conditions and economic effects of the transactions meet one or more of the following circumstances, which generally indicate that the transactions should be accounted for as a single transaction: (1) the transactions are entered into simultaneously or in contemplation of one another; (2) the transactions form a single transaction to achieve an overall commercial effect; (3) the occurrence of one transaction depends on the occurrence of at least one other transaction; or (4) one transaction considered alone is

not economically justified, but is economically justified when considered together with other transactions. If the transactions are not part of a single transaction, each transaction is accounted for separately as appropriate under the principles applicable to “partial disposal of long-term equity investments in subsidiaries without loss of control” and “loss of control over former subsidiaries due to disposal of part of equity investments or other reasons”. If the transactions are part of a single transaction, they are accounted for as a single transaction involving disposal of the subsidiary and loss of control; however, the difference between the consideration received from each disposal before the loss of control and the share of the subsidiary’s net assets attributable to the disposed investment is recognized as other comprehensive income in the consolidated financial statements and reclassified to profit or loss for the period in which control is lost.

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

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

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

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

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

8. Determination of cash and cash equivalents

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

9. Foreign currency operations

(1) Translation Methods for Foreign Currency Transactions

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

translation into the functional currency amount.

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

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

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

10. Financial Instruments

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

(1) Classification, confirmation and measurement of financial assets

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

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

① Financial assets measured at amortized costs

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

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

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

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

③ Financial Liabilities measured at fair value through profit and loss

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

(2) Classification, recognition and measurement of financial liabilities

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

① Financial liabilities measured at fair value through profit and loss

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

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

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

② Other financial liabilities

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

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

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

financial asset Ownership, it has given up control of such financial assets.

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

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

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

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

(4) De-recognition of financial liabilities

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

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

(5) Offset of financial assets and financial liabilities

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

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

Fair value refers to the price that a market participant can receive for the sale of an asset or the price he needs to pay for transferring a liability in an orderly transaction occurring on the measurement date. Where the financial

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

11. Impairment of financial assets

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

(1) Method for Recognizing Impairment Provisions

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

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

General Approach for ECL Measurement

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

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

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

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

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

(2) Criteria for Determining Significant Increase in Credit Risk

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

Factors considered in assessing significant increases in credit risk:

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

- 2)Material adverse changes in the debtor’s regulatory, economic, or technological environment;
- 3)Significant decline in collateral value or quality of third-party guarantees/credit enhancements, which may reduce the debtor’s economic incentive to repay or affect PD;
- 4)Material changes in the debtor’s expected behavior or repayment patterns;
- 5)Changes in the Company’s credit management practices for the financial instrument.

As of the balance sheet date, if the Company determines that a financial instrument carries only a low credit risk, it presumes that the credit risk of that financial instrument has not significantly increased since its initial recognition. A financial instrument is considered to have low credit risk if its default risk is low, the borrower's ability to fulfill its contractual cash flow obligations is strong in the short term, and even if there are adverse changes in the economic situation and operating environment over a longer period of time, it may not necessarily reduce the borrower's ability to fulfill its contractual cash obligations.

(3) Portfolio-Based Assessment of Expected Credit Risk

The company evaluates the credit risk of individual financial assets with significantly different credit risks, such as accounts receivable that are in dispute with the counterparty or involve litigation or arbitration; accounts receivable where there are clear indications that the debtor is likely to be unable to fulfill its repayment obligations, etc.

In addition to financial assets with individual credit risk assessments, the Company categorizes financial assets into different groups based on common risk characteristics. The common credit risk characteristics adopted by the Company include: type of financial instrument, credit risk rating, aging portfolio, overdue aging portfolio, etc. Credit risk is assessed on a portfolio basis.

(4) Accounting Treatment for Financial Asset Impairment

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

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

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

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

① Bills receivable

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

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

② Accounts receivable and contract assets

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

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

In addition to accounts receivable with individual assessment of credit risks, they are divided into different

portfolios based on their credit risk characteristics:

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

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

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

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

b. Criteria for Recognizing Individually Assessed Bad Debt Provisions:

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

- 1)The issuer or debtor is experiencing significant financial difficulties.
- 2)The debtor has breached contractual terms, such as defaulting or delaying payments of interest or principal.
- 3)The creditor has granted concessions to the debtor (e.g., payment extensions, reduced interest rates, or principal forgiveness) that would not otherwise be considered due to the debtor's financial distress.
- 4)The debtor is likely to enter bankruptcy or undergo financial restructuring.
- 5)The active market for the financial asset has disappeared due to the financial difficulties of the issuer or debtor.
- 6)The financial asset was acquired or originated at a significant discount, reflecting incurred credit losses.

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

③Receivables Financing

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

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

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

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

| | |
|------------------|---|
| Item | Basis of determining the portfolio |
| Notes receivable | Bank acceptance drafts issued by banks with high credit ratings |

| Item | Basis of determining the portfolio |
|---------------------|---|
| Accounts receivable | This portfolio uses the aging of receivables as the credit risk characteristic. |

④ Other receivables

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

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

12. Inventories

(1) Classification of Inventories

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

(2) Measurement Method for Issuance

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

(3) Inventory Counting System

The perpetual inventory system is adopted.

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

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

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

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

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

Methods for Determining NRV:

Finished goods, merchandise, and materials held for sale: $NRV = \text{Estimated selling price} - \text{Estimated selling expenses} - \text{Related taxes}$.

Materials requiring further processing: $NRV = \text{Estimated selling price of finished products} - \text{Estimated costs to complete} - \text{Estimated selling expenses} - \text{Related taxes}$.

Partial contract pricing: If part of an inventory item has a contract price while the remainder does not, NRV is

determined separately.

Aggregate assessment: For inventories with similar use or produced/sold in the same region, write-downs are assessed collectively if individual valuation is impractical.

High-volume, low-cost items: Write-downs are assessed by inventory category.

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

13. Held-for-sale and Discontinued Operations

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

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

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

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

When a non-current asset or disposal group no longer meets the criteria for classification as held-for-sale, the Company ceases to classify it as held-for-sale or removes the non-current asset from the held-for-sale disposal

group, and measures it at the lower of: (i) its carrying amount before classification as held-for-sale, adjusted for any depreciation, amortization, or impairment that would have been recognized had it not been classified as held-for-sale; and (ii) its recoverable amount.

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

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

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

14. Long-term Equity Investments

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

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

(1) Determination of Investment Cost

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

combination date under the equity method or as financial assets measured at fair value through other comprehensive income is not accounted for at this stage.

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

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

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

(2) Subsequent Measurement and Profit/Loss Recognition Methods

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

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

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

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

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

Under the equity method, the Company recognizes investment income and other comprehensive income based on its share of the investee's net profit or loss and other comprehensive income, adjusting the carrying value of the long-term equity investment accordingly. The carrying value is reduced by the Company's share of profits or cash dividends declared by the investee. For other changes in the investee's equity not included in net profit or loss,

other comprehensive income, or profit distribution, the carrying value of the long-term equity investment is adjusted and recognized in capital reserve. When recognizing the share of the investee's net profit or loss, the investee's net profit is adjusted based on the fair value of identifiable assets at the investment date. If the investee's accounting policies or reporting periods differ from the Company's, the investee's financial statements are adjusted to align with the Company's policies and periods before recognizing investment income and other comprehensive income.

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

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

③ Acquisition of Minority Interests

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

④ Disposal of Long-term Equity Investments

In consolidated financial statements, if the parent partially disposes of its long-term equity investment in a subsidiary without losing control, the difference between the disposal proceeds and the share of the subsidiary's net assets corresponding to the disposed long-term equity investment is recognized in equity. If the partial disposal results in loss of control over the subsidiary, the relevant accounting policy described in Note V.6(2) "Preparation Methods for Consolidated Financial Statements" applies.

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

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

For long-term equity investments accounted for under the cost method, if the remaining equity after disposal

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

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

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

15. Investment Properties

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

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

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

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

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

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

For conversions:

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

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

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

16. Fixed Assets

(1) Recognition Criteria for Fixed Assets

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

(2) Depreciation Methods for Various Categories of Fixed Assets

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

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

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

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

(4) Other Disclosures

Subsequent expenditures related to fixed assets are capitalized if it is probable that future economic benefits associated with the fixed asset will flow to the Company and the cost can be measured reliably. The carrying

amount of replaced parts is derecognized. All other subsequent expenditures are recognized in profit or loss as incurred.

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

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

17. Construction in progress

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

The physical construction (including installation) of the fixed asset has been fully completed or substantially completed;

Trial production or test operation has been conducted, and the results indicate that the asset can operate normally or stably produce qualified products, or the test operation results show that it can operate or function normally;

The amount of expenditures on the construction of the fixed asset is minimal or almost no longer occurs;

The constructed or acquired fixed asset has met or substantially met the design or contract requirements.

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

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

18. Borrowing Costs

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

Expenditures for the asset have been incurred;

Borrowing costs have been incurred; and

Activities necessary to prepare the asset for its intended use or sale have commenced.

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

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

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

applicable to the general borrowings. The capitalization rate is calculated based on the weighted average interest rate of the general borrowings.

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

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

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

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

19. Intangible Assets

(1) Intangible Assets

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

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

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

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

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

(2) Research and Development Expenditures

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

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

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

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

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

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

- ① Technical feasibility of completing the intangible asset for use or sale;
- ② Intention to complete and use or sell the intangible asset;
- ③ Ability to generate economic benefits, including demonstrating a market for products using the intangible asset or for the intangible asset itself, or its usefulness for internal use;
- ④ Availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset;
- ⑤ Ability to reliably measure expenditures attributable to the development phase.

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

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

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

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

20. Long-term Asset Impairment

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

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

For goodwill presented separately in the financial statements, the carrying amount of goodwill is allocated to

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

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

21. Long-term Deferred Expenses

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

22. Contract Liabilities

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

23. Employee Benefits

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

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

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

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

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

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

24. Provisions

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

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

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

25. Share-based Payment

(1) Accounting Treatment for Share-based Payment

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

① Equity-settled Share-based Payment

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

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

If the equity instruments vest immediately upon grant, the fair value is recognized as an expense on the grant date, with a corresponding increase in capital reserves.

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

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

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

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

② Cash-settled Share-based Payment

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

If the instruments vest immediately upon grant, the liability is recognized on the grant date as an expense.

If vesting is conditional upon completing a service period or meeting performance conditions, the expense is

recognized over the vesting period based on the best estimate of the number of instruments expected to vest, with a corresponding increase in liabilities.

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

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

If a modification increases the fair value of the equity instruments granted, the incremental fair value (i.e., the difference between the fair value before and after modification) is recognized as additional service cost.

If a modification reduces the total fair value or is otherwise unfavorable to employees, the original accounting treatment continues as if the modification never occurred, unless the equity instruments are partially or fully canceled.

If granted equity instruments are canceled during the vesting period, the remaining unvested amount is recognized immediately in profit or loss as an accelerated vesting expense, with a corresponding adjustment to capital reserves. If employees or other parties fail to meet non-vesting conditions (despite having the option to do so), the grant is treated as canceled.

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

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

Consolidated Financial Statements Treatment:

If the settlement entity settles using its own equity instruments, the transaction is treated as an equity-settled share-based payment. Otherwise, it is treated as a cash-settled share-based payment.

If the settlement entity is an investor in the service recipient, it recognizes a long-term equity investment at the grant-date fair value of the equity instruments or liability, with a corresponding increase in capital reserves (other capital reserves) or liabilities.

If the service recipient has no settlement obligation or grants its own equity instruments to employees, the transaction is treated as equity-settled. If the service recipient has a settlement obligation and grants instruments other than its own equity, the transaction is treated as cash-settled.

Individual Financial Statements Treatment:

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

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

(1) Classification of Perpetual Bonds and Preference Shares

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

- ① The instrument does not impose any contractual obligation to deliver cash or other financial assets to another party, or to exchange financial assets or liabilities under potentially unfavorable conditions;
- ② If settlement may or must occur using the Company's own equity instruments in the future:

For non-derivative instruments, there is no contractual obligation to deliver a variable number of the Company's own equity instruments for settlement;

For derivative instruments, settlement can only be made by exchanging a fixed number of the Company's own equity instruments for a fixed amount of cash or other financial assets.

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

For compound financial instruments issued by the Company:

The liability component is measured at fair value and recognized as a liability.

The residual amount (total proceeds received minus the fair value of the liability component) is recognized as "other equity instruments."

Transaction costs are allocated between the liability and equity components in proportion to their respective shares of the total issuance proceeds.

(2) Accounting Treatment for Perpetual Bonds and Preference Shares

For perpetual bonds and preference shares classified as financial liabilities:

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

For perpetual bonds and preference shares classified as equity instruments:

Issuance (including refinancing), repurchase, sale, or cancellation is treated as a change in equity, with related transaction costs deducted from equity.

Distributions to holders of equity instruments are treated as profit distributions.

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

27. Revenue

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

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

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

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

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

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

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

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

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

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

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

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

28. Contract Costs

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

The costs incurred by the Company for the performance of a contract, which simultaneously meet the following conditions, shall be recognized as an asset as contract performance costs:

- (1) Directly related to a contract (labor, materials, overhead, client-reimbursable costs);
- (2) Enhance resources for future performance; and
- (3) Probable of recovery.

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

Capitalized contract costs are amortized consistently with revenue recognition.

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

- (1) Expected remaining consideration; and
- (2) Estimated costs to complete transfer.

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

29. Government Grants

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

are used to classify the grants:

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

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

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

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

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

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

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

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

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

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

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

30. Deferred Tax Assets/Deferred Tax Liabilities

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

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

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

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

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

31. Leases

(1) The Company as a Lessee

The Company's leased assets are primarily buildings.

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

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

① Right-of-use Assets

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

The initial measurement amount of the lease liability;

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

Initial direct costs incurred by the lessee;

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

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

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

② Lease Liabilities

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

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

Variable lease payments that depend on an index or rate;

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

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

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

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

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

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

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

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

(2) The Company as a Lessor

① Operating Leases

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

② Finance Leases

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

32. Methods for Determining Materiality Thresholds and Basis for Selection

√ Applicable □ Not applicable

| Disclosure Matters Involving Materiality Judgment Criteria | Materiality Threshold Determination Methods and Selection Basis |
|---|---|
| Significant individually assessed receivables with specific bad debt provisions | Receivables with ending balance exceeding RMB 1,000,000 |
| Material construction in progress | Construction in progress projects either transferred to fixed assets or with ending balance exceeding RMB 3,000,000 |

| | |
|---|--|
| Significant accounts payable aged over one year or past due | Accounts payable with ending balance exceeding RMB 1,000,000 |
| Material advance receipts aged over one year | Advance receipts with ending balance exceeding RMB 1,000,000 |
| Material contract liabilities aged over one year | Contract liabilities with ending balance exceeding RMB 1,000,000 |
| Material other payables aged over one year | Other payables with ending balance exceeding RMB 1,000,000 |
| Significant cash receipts related to investing activities | Individual investing activities with cash inflows exceeding RMB 3,000,000 |
| Significant cash payments related to investing activities | Individual investing activities with cash outflows exceeding RMB 3,000,000 |
| Material non-wholly owned subsidiaries | Subsidiaries whose total assets exceed 5% of consolidated total assets |

33. Other Significant Accounting Policies and Accounting Estimates

Debt Restructuring

(1) Timing of Recognizing Debt Restructuring Gains and Losses

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

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

(2) Accounting Treatment by the Creditor

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

(3) Accounting Treatment by the Debtor

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

B. For debt restructuring through conversion of debt into equity instruments, the settled debt is derecognized when the derecognition conditions are met. The difference between the carrying amount of the settled debt and the

amount determined based on the fair value of the equity instruments is recognized in profit or loss.

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

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

34. Changes in Main Accounting Policies and Estimates

(1) Change of Accounting Policies

Applicable Not applicable

(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 2025

Applicable Not applicable

VI. Taxation

1. Main Taxes and Tax Rate

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

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

| Name | Income tax rate |
|--|-----------------|
| Changchai Company, Limited | 15% |
| Changchai Wanzhou Diesel Engine Co., Ltd. | 15% |
| Changzhou 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 | 15% |

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

2. Tax Preference

(1) On November 6, 2024, the Company was re-certified as a High-Tech Enterprise and continues to enjoy a preferential corporate income tax rate of 15% during the reporting period.

(2) The controlling subsidiary Changchai Wanzhou Diesel Engine Co., Ltd. qualifies for the Western Development tax incentive under:

Notice on Tax Policies for the Implementation of Western Development Strategy (jointly issued by the Ministry of Finance, GAC, and SAT) Announcement No. 23 [2020] of the Ministry of Finance (extending the Western Development corporate income tax policy) from January 1, 2011 to December 31, 2030, it is subject to a reduced tax rate of 15%.

(3) On November 6, 2023, the wholly-owned subsidiary Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. was re-certified as a High-Tech Enterprise and applies a 15% preferential tax rate during the reporting period.

(4) The wholly-owned subsidiary Changzhou Xingsheng Real Estate Management Co., Ltd. qualifies as an eligible small and low-profit enterprise and is taxed at 5% during the reporting period.

(5) On November 18, 2025, the subsidiary Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. obtained High-Tech Enterprise certification and benefits from a 15% 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 | 164,159.29 | 84,482.59 |
| Bank deposits | 1,267,225,051.01 | 933,972,475.61 |
| Other monetary assets | 70,842,582.34 | 129,643,534.39 |
| Total | 1,338,231,792.64 | 1,063,700,492.59 |
| Including: Total amount of funds deposited overseas | | |
| Total amount of funds with usage restrictions due to mortgage, pledge, freezing or other reasons | 90,163,871.20 | 171,018,607.75 |

Other Disclosures:

Restricted funds:

- Bills guarantee deposits: RMB 69,220,383.90
- Bid/tender bonds and performance bonds: RMB 880,980.45
- Time deposits and accrued interest (restricted): RMB 20,062,506.85

2. Trading Financial Assets

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|----------------|-------------------|
| Financial assets at fair value through profit or loss | 372,184,689.98 | 303,667,459.65 |
| Of which: | | |
| Stocks | 73,740,010.00 | 52,598,990.00 |
| Financial products | 298,444,679.98 | 251,068,469.65 |
| Of which: | | |
| Total | 372,184,689.98 | 303,667,459.65 |

3. Notes Receivable

(1) Notes Receivable Listed by Category

Unit: RMB

| Item | Ending balance | Beginning balance |
|----------------------|----------------|-------------------|
| Bank acceptance bill | 386,557,535.74 | 318,814,017.13 |
| Total | 386,557,535.74 | 318,814,017.13 |

(2) Disclosure by Withdrawal Methods for Bad Debts

Unit: RMB

| Category | Ending balance | | | | | Beginning balance | | | | |
|--------------------------------|-----------------|------------|--------------------|-----------------------|----------------|-------------------|------------|--------------------|-----------------------|----------------|
| | Carrying amount | | Bad debt provision | | Carrying value | Carrying amount | | Bad debt provision | | Carrying value |
| | Amount | Proportion | Amount | Withdrawal proportion | | Amount | Proportion | Amount | Withdrawal proportion | |
| Notes receivable for which bad | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |

| | | | | | | | | | | |
|--|----------------|---------|------|-------|----------------|----------------|---------|------|-------|----------------|
| debt provision separately accrued | | | | | | | | | | |
| Of which: | | | | | | | | | | |
| Notes receivable for which bad debt provision accrued by group | 386,557,535.74 | 100.00% | 0.00 | 0.00% | 386,557,535.74 | 318,814,017.13 | 100.00% | 0.00 | 0.00% | 318,814,017.13 |
| Of which: | | | | | | | | | | |
| Bank acceptance bills | 386,557,535.74 | 100.00% | 0.00 | 0.00% | 386,557,535.74 | 318,814,017.13 | 100.00% | 0.00 | 0.00% | 318,814,017.13 |
| Total | 386,557,535.74 | 100.00% | 0.00 | 0.00% | 386,557,535.74 | 318,814,017.13 | — | 0.00 | 0.00% | 318,814,017.13 |

Provision for Bad Debts by Portfolio: the provision for bad debts is calculated based on the bank acceptance bills portfolio

Unit: RMB

| Category | Ending balance | | |
|----------------------|-----------------|--------------------|-----------------------|
| | Carrying amount | Bad debt provision | Withdrawal proportion |
| Bank acceptance bill | 386,557,535.74 | 0.00 | 0.00% |
| Total | 386,557,535.74 | 0.00 | |

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

Applicable Not applicable

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

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

Unit: RMB

| Item | Amount of recognition termination at the period-end | Amount of not terminated recognition at the period-end |
|----------------------|---|--|
| Bank acceptance bill | 0.00 | 136,251,951.53 |
| Total | 0.00 | 136,251,951.53 |

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

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

4. Accounts Receivable**(1) Disclosure by Aging**

Unit: RMB

| Aging | Ending carrying amount | Beginning carrying amount |
|----------------------------------|------------------------|---------------------------|
| Within 1 year (including 1 year) | 458,742,679.98 | 441,388,545.87 |
| 1 to 2 years | 986,101.34 | 6,801,120.23 |
| 2 to 3 years | 1,013,726.45 | 936,696.44 |
| Over 3 years | 134,667,210.39 | 140,104,147.16 |
| 3 to 4 years | 895,540.14 | 4,100,421.27 |
| 4 to 5 years | 3,687,084.20 | 4,863,744.65 |
| Over 5 years | 130,084,586.05 | 131,139,981.24 |
| Total | 595,409,718.16 | 589,230,509.70 |

(2) Disclosure by Withdrawal Methods for Bad Debts

Unit: RMB

| Category | Ending balance | | | | | Beginning balance | | | | |
|----------|-----------------|------------|--------------------|-----------------------|----------------|-------------------|------------|--------------------|-----------------------|----------------|
| | Carrying amount | | Bad debt provision | | Carrying value | Carrying amount | | Bad debt provision | | Carrying value |
| | Amount | Proportion | Amount | Withdrawal proportion | | Amount | Proportion | Amount | Withdrawal proportion | |

| | | | | | | | | | | |
|---|----------------|--------|----------------|---------|----------------|----------------|--------|----------------|---------|----------------|
| Accounts receivable withdrawal of Bad debt provision separately accrued | 28,329,310.07 | 4.76% | 28,329,310.07 | 100.00% | 0.00 | 26,856,788.69 | 4.56% | 26,856,788.69 | 100.00% | 0.00 |
| Of which : | | | | | | | | | | |
| Accounts receivable withdrawal of bad debt provision of by group | 567,080,408.09 | 95.24% | 115,331,875.75 | 20.34% | 451,748,532.34 | 562,373,721.01 | 95.44% | 118,119,480.99 | 21.00% | 444,254,240.02 |
| Of which : | | | | | | | | | | |

| | | | | | | | | | | |
|--|-----------------------|----------|-----------------------|----------|-----------------------|-----------------------|----------|-----------------------|----------|-----------------------|
| Accounts receivable for which bad debt provision accrued by credit risk features group | 567,080,408.09 | 95.24% | 115,331,875.75 | 20.34% | 451,748,532.34 | 562,373,721.01 | 95.44% | 118,119,480.99 | 21.00% | 444,254,240.02 |
| Total | 595,409,718.16 | — | 143,661,185.82 | — | 451,748,532.34 | 589,230,509.70 | — | 144,976,269.68 | — | 444,254,240.02 |

Individually Assessed Bad Debt Provisions: RMB28,329,310.07, including significant impairment items of RMB26,122,839.39. The details are presented below:

Unit: RMB

| Name | Beginning balance | | Ending balance | | | |
|------------|-------------------|--------------------|-----------------|--------------------|-----------------------|----------------------|
| | Carrying amount | Bad debt provision | Carrying amount | Bad debt provision | Withdrawal proportion | Reason for withdraw |
| Customer 1 | 5,972,101.90 | 5,972,101.90 | 5,972,101.90 | 5,972,101.90 | 100.00% | Difficult to recover |
| Customer 2 | 4,592,679.05 | 4,592,679.05 | 4,592,679.05 | 4,592,679.05 | 100.00% | Difficult to recover |
| Customer 3 | 0.00 | 0.00 | 3,543,464.15 | 3,543,464.15 | 100.00% | Difficult to recover |
| Customer 4 | 2,584,805.83 | 2,584,805.83 | 2,584,805.83 | 2,584,805.83 | 100.00% | Difficult to recover |
| Customer 5 | 2,797,123.26 | 2,797,123.26 | 2,254,860.60 | 2,254,860.60 | 100.00% | Difficult to recover |
| Customer 6 | 2,025,880.18 | 2,025,880.18 | 2,025,880.18 | 2,025,880.18 | 100.00% | Difficult to recover |
| Customer 7 | 1,902,326.58 | 1,902,326.58 | 1,902,326.58 | 1,902,326.58 | 100.00% | Difficult to recover |

| | | | | | | |
|------------|---------------|---------------|---------------|---------------|---------|----------------------|
| Customer 8 | 1,759,397.30 | 1,759,397.30 | 1,682,721.03 | 1,682,721.03 | 100.00% | Difficult to recover |
| Customer 9 | 1,564,000.07 | 1,564,000.07 | 1,564,000.07 | 1,564,000.07 | 100.00% | Difficult to recover |
| Total | 23,198,314.17 | 23,198,314.17 | 26,122,839.39 | 26,122,839.39 | -- | -- |

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

Unit: RMB

| Name | Ending balance | | |
|---------------|-----------------|--------------------|-----------------------|
| | Carrying amount | Bad debt provision | Withdrawal proportion |
| Within 1 year | 458,540,131.91 | 9,170,802.64 | 2.00% |
| 1 to 2 years | 986,101.34 | 49,305.06 | 5.00% |
| 2 to 3 years | 1,013,726.45 | 152,058.97 | 15.00% |
| 3 to 4 years | 372,577.04 | 111,773.11 | 30.00% |
| 4 to 5 years | 799,838.44 | 479,903.06 | 60.00% |
| Over 5 years | 105,368,032.91 | 105,368,032.91 | 100.00% |
| Total | 567,080,408.09 | 115,331,875.75 | -- |

If the provision for bad debts of accounts receivable is calculated and withdrawn according to the general model of expected credit losses:

Applicable Not applicable

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

Withdrawal of bad debt provision:

Unit: RMB

| Category | Beginning balance | Changes in the current period | | | | Ending balance |
|---|-------------------|-------------------------------|-----------------------|--------------|--------|----------------|
| | | Withdrawal | Reversed or recovered | Verification | Others | |
| Bad debt provision separately accrued | 26,856,788.69 | 3,495,894.68 | 553,262.66 | 1,470,110.64 | | 28,329,310.07 |
| Withdrawal of bad debt provision by group | 118,119,480.99 | -2,787,605.24 | | | | 115,331,875.75 |
| Total | 144,976,269.68 | 708,289.44 | 553,262.66 | 1,470,110.64 | | 143,661,185.82 |

(4) Accounts Receivable Written-off in Current Period

Unit: RMB

| Item | Written-off amount |
|--|--------------------|
| Accounts receivable with actual verification | 1,470,110.64 |

Of which the verification of significant accounts receivable:

Unit: RMB

| Name of the entity | Nature of the accounts receivable | Verified amount | Reason for verification | Verification procedures performed | Arising from related-party transactions or not |
|--------------------|-----------------------------------|-----------------|---|-----------------------------------|--|
| Customer 1 | Accounts receivable for goods | 1,470,110.64 | The part that cannot be recovered in bankruptcy liquidation | Internal approval | No |
| Total | | 1,470,110.64 | | | |

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

Unit: RMB

| Name of the entity | Ending balance of accounts receivable | Ending balance of contract assets | Ending balance of accounts receivable and contract assets | Proportion to total ending balance of accounts receivable and contract assets | Ending balance of bad debt provision of accounts receivable and impairment provision for contract assets |
|--------------------|---------------------------------------|-----------------------------------|---|---|--|
| Customer 1 | 268,525,021.53 | 0.00 | 268,525,021.53 | 45.10% | 5,370,500.43 |
| Customer 2 | 32,598,371.99 | 0.00 | 32,598,371.99 | 5.47% | 651,967.44 |
| Customer 3 | 24,345,164.30 | 0.00 | 24,345,164.30 | 4.09% | 486,903.29 |
| Customer 4 | 18,747,411.60 | 0.00 | 18,747,411.60 | 3.15% | 374,948.23 |
| Customer 5 | 16,814,723.38 | 0.00 | 16,814,723.38 | 2.82% | 336,294.47 |
| Total | 361,030,692.80 | 0.00 | 361,030,692.80 | 60.63% | 7,220,613.86 |

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

Unit: RMB

| Item | Ending balance | Beginning balance |
|-----------------------|-----------------------|-----------------------|
| Bank acceptance bills | 165,125,708.93 | 223,261,002.76 |
| Total | 165,125,708.93 | 223,261,002.76 |

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

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

Unit: RMB

| Category | Amount of recognition termination at the period-end | Amount of not terminated recognition at the period-end |
|----------------------|---|--|
| Bank acceptance bill | 579,965,650.49 | |
| Total | 579,965,650.49 | |

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

Unit: RMB

| Item | Beginning balance | | Changes in the current period | | Ending balance | |
|------------------|-------------------|--------------------|-------------------------------|--------------------|----------------|--------------------|
| | Cost | Fair Value Changes | Cost | Fair Value Changes | Cost | Fair Value Changes |
| Notes Receivable | 223,261,002.76 | | -58,135,293.83 | | 165,125,708.93 | |

6. Other Receivables

Unit: RMB

| Item | Ending balance | Beginning balance |
|---------------------|---------------------|---------------------|
| Dividend receivable | 0.00 | 7,165,080.00 |
| Other receivables | 5,495,898.75 | 2,682,361.82 |
| Total | 5,495,898.75 | 9,847,441.82 |

(1) Dividend receivable

1) Classification of dividends receivable

Unit: RMB

| Projects (or Investee Entities) | Ending balance | Beginning balance |
|---|----------------|---------------------|
| Jiangsu Bank 2024 Interim Dividend Announcement | 0.00 | 7,165,080.00 |
| Total | 0.00 | 7,165,080.00 |

(2) Other Receivables

1) Other Receivables Classified by Accounts Nature

Unit: RMB

| Nature | Ending carrying value | Beginning carrying value |
|--|-----------------------|--------------------------|
| Margin and cash pledge | 1,300.00 | 1,300.00 |
| Intercompany funds | 23,131,823.56 | 23,292,830.56 |
| Accounts receivable for compensation | 3,348,087.00 | |
| Petty cash and borrowings by employees | 797,076.58 | 865,253.08 |
| Other | 13,929,431.10 | 14,177,743.14 |
| Total | 41,207,718.24 | 38,337,126.78 |

2) Disclosure by Aging

Unit: RMB

| Aging | Ending carrying amount | Beginning carrying amount |
|----------------------------------|------------------------|---------------------------|
| Within 1 year (including 1 year) | 5,218,085.95 | 2,514,999.73 |
| 1 to 2 years | 173,751.06 | 103,639.66 |
| 2 to 3 years | 104,059.03 | 354,590.84 |
| Over 3 years | 35,711,822.20 | 35,363,896.55 |
| 3 to 4 years | 176,485.76 | 281,647.36 |
| 4 to 5 years | 12,802.00 | 30,300.00 |
| Over 5 years | 35,522,534.44 | 35,051,949.19 |
| Total | 41,207,718.24 | 38,337,126.78 |

3) Disclosure by Withdrawal Methods for Bad Debts

√Applicable □Not applicable

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

Unit: RMB

| Bad debt provision | First stage | Second stage | Third stage | Total |
|---|--|--|--|---------------|
| | Expected credit loss of the next 12 months | Expected loss in the duration (credit impairment not occurred) | Expected loss in the duration (credit impairment occurred) | |
| Balance of 1 January 2025 | 50,296.59 | 44,388.98 | 35,560,079.39 | 35,654,764.96 |
| Balance of 1 January 2025 in the Current Period | | | | |
| --Transfer to Second stage | -3,475.02 | 3,475.02 | | |
| -- Transfer to Third stage | | -18,000.00 | 18,000.00 | |

| | | | | |
|------------------------------------|------------|-----------|---------------|---------------|
| -- Reverse to Second stage | | | | |
| -- Reverse to First stage | | | | |
| Withdrawal of the Current Period | 57,540.15 | 55,059.33 | 11,000.00 | 123,599.48 |
| Reversal of the Current Period | | | 13,905.02 | 13,905.02 |
| Write-offs of the Current Period | | | | |
| Verification of the Current Period | | | 52,639.93 | 52,639.93 |
| Other changes | | | | |
| Balance of 31 December 2025 | 104,361.72 | 84,923.33 | 35,522,534.44 | 35,711,819.49 |

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

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

Applicable Not applicable

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

Withdrawal of bad debt provision:

Unit: RMB

| Category | Beginning balance | Changes in the current period | | | | Ending balance |
|---|----------------------|-------------------------------|-----------------------|-----------------------------|--------|----------------------|
| | | Withdrawal | Reversed or recovered | Charged-off/ Written-off | Others | |
| Bad debt provision separately accrued | 5,615,869.55 | | 13,905.02 | | | 5,601,964.53 |
| Withdrawal of bad debt provision by group | 30,038,895.41 | 123,599.48 | | 52,639.93 | | 30,109,854.96 |
| Total | 35,654,764.96 | 123,599.48 | 13,905.02 | 52,639.93 | | 35,711,819.49 |

5) Write-off of Other Receivables During the Reporting Period

Unit: RMB

| Item | Write-off Amount |
|--------------------------------|------------------|
| Write-off of Other Receivables | 52,639.93 |

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

Unit: RMB

| Name of the entity | Nature | Ending balance | Aging | Proportion to total ending balance of other receivables % | Ending balance of bad debt provision |
|---|--------------------------------------|----------------|---------------|---|--------------------------------------|
| Housing Expropriation and Compensation Service Center, Sanjing Street, Xinbei District, Changzhou | Accounts receivable for compensation | 3,348,087.00 | Within 1 year | 8.12% | 66,961.74 |
| Changzhou Compressor Factory | Intercourse funds | 2,940,000.00 | Over 5 years | 7.13% | 2,940,000.00 |
| Changchai Group Imp. & Exp. Co., Ltd. | Intercourse funds | 2,853,188.02 | Over 5 years | 6.92% | 2,853,188.02 |
| Changzhou New District Accounting Center | Intercourse funds | 1,626,483.25 | Over 5 years | 3.95% | 1,626,483.25 |
| Changchai Group Settlement Center | Intercourse funds | 1,128,676.16 | Over 5 years | 2.74% | 1,128,676.16 |
| Total | | 11,896,434.43 | | 28.87% | 8,615,309.17 |

7. Prepayments

(1) Prepayment Listed by Aging Analysis

Unit: RMB

| Aging | Ending balance | | Beginning balance | |
|---------------|----------------|------------|-------------------|------------|
| | Amount | Proportion | Amount | Proportion |
| Within 1 year | 21,279,375.93 | 95.05% | 11,874,660.61 | 93.32% |
| 1 to 2 years | 1,063,808.41 | 4.75% | 355,228.45 | 2.79% |
| 2 to 3 years | 39,067.77 | 0.17% | 489,219.64 | 3.84% |
| Over 3 years | 6,850.00 | 0.03% | 6,850.00 | 0.05% |
| Total | 22,389,102.11 | -- | 12,725,958.70 | -- |

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

Unit: RMB

| Name of the entity | Ending balance | Proportion of Total Prepayment Balance at Period-End (%) |
|--------------------|----------------|--|
|--------------------|----------------|--|

| | | |
|--------------|----------------------|---------------|
| Supplier 1 | 13,543,309.70 | 60.49% |
| Supplier 2 | 3,305,039.00 | 14.76% |
| Supplier 3 | 745,914.20 | 3.33% |
| Supplier 4 | 686,364.94 | 3.07% |
| Supplier 5 | 672,454.04 | 3.00% |
| Total | 18,953,081.88 | 84.65% |

8. Inventories

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

No

(1)Category of Inventory

Unit: RMB

| Item | Ending balance | | | Beginning balance | | |
|-------------------------------------|-----------------------|---|-----------------------|-----------------------|---|-----------------------|
| | Carrying amount | Depreciation reserves of inventories or impairment provision for contract performance costs | Carrying value | Carrying amount | Depreciation reserves of inventories or impairment provision for contract performance costs | Carrying value |
| Raw materials | 217,633,853.60 | 14,119,489.72 | 203,514,363.88 | 210,549,278.77 | 9,266,290.45 | 201,282,988.32 |
| Materials processed on commission | 15,152,812.70 | 0.00 | 15,152,812.70 | 13,598,683.13 | 0.00 | 13,598,683.13 |
| Goods in process | 73,699,810.27 | 3,405,243.63 | 70,294,566.64 | 79,357,978.34 | 4,128,144.66 | 75,229,833.68 |
| Finished goods | 499,741,040.42 | 33,057,275.59 | 466,683,764.83 | 559,878,239.54 | 32,330,091.16 | 527,548,148.38 |
| Low priced and easily worn articles | 1,437,928.10 | 0.00 | 1,437,928.10 | 1,542,344.91 | 0.00 | 1,542,344.91 |
| Total | 807,665,445.09 | 50,582,008.94 | 757,083,436.15 | 864,926,524.69 | 45,724,526.27 | 819,201,998.42 |

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

Unit: RMB

| Item | Beginning balance | Increase | | Decrease | | Ending balance |
|------------------|-------------------|---------------|--------|---------------------------------|--------|----------------|
| | | Withdrawal | Others | Transferred-back or charged-off | Others | |
| Raw materials | 9,266,290.45 | 9,636,664.94 | | 4,783,465.67 | | 14,119,489.72 |
| Goods in process | 4,128,144.66 | 696,703.60 | | 1,419,604.63 | | 3,405,243.63 |
| Finished goods | 32,330,091.16 | 13,696,256.86 | | 12,969,072.43 | | 33,057,275.59 |
| Total | 45,724,526.27 | 24,029,625.40 | | 19,172,142.73 | | 50,582,008.94 |

9. Other Current Assets

Unit: RMB

| Item | Ending balance | Beginning balance |
|------------------------------|----------------|-------------------|
| The VAT tax credits | 16,444,311.47 | 51,823,671.46 |
| Prepaid corporate income tax | 2,492,261.30 | 2,705,816.46 |
| Prepaid expense | 84,155.21 | 75,533.75 |
| Total | 19,020,727.98 | 54,605,021.67 |

10. Other Equity Instrument Investment

Unit: RMB

| Item | Ending balance | Beginning balance | Gains recorded in other comprehensive income in the current period | Losses recorded in other comprehensive income in the current period | Accumulative gains recorded in other comprehensive income in the current period | Accumulative losses recorded in other comprehensive income in the current period | Dividend income recognized in current year | Reason for assigning to measure in fair value of which changes included other comprehensive income |
|--------------------|----------------|-------------------|--|---|---|--|--|--|
| Non-trading equity | 981,361,295.81 | 941,120,058.72 | 72,817,000.00 | -32,575,762.91 | 796,791,295.81 | | 5,016,960.00 | Non-trading equity investment |

| | | | | | | | | |
|----------------|--------------------|--------------------|-------------------|--------------------|--------------------|--|------------------|---|
| investm ent | | | | | | | | t |
| Total | 981,361,2 95.81 | 941,120,0 58.72 | 72,817,00 0.00 | -32,575,7 62.91 | 796,791,2 95.81 | | 5,016,96 0.00 | |

Non-trading equity instrument investment disclosed by category

Unit: RMB

| Item | Dividend income recognized | Accumulated gains | Accumulate d losses | Amount of other comprehensiv e transferred to retained earnings | Reason for assigning to measure by fair value,Reason for assigning to measure by fair value, with changes included in other comprehensiv e income | Reason for other comprehensiv e income transferred to retained earnings |
|--|----------------------------------|----------------------|------------------------|--|---|---|
| Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership) | | 216,061,295.81 | | | Non-trading equity investment | |
| Beijing Foton Motor Co., Ltd | | 380,156,000.00 | | | Non-trading equity investment | |
| Bank of Jiangsu Co., Ltd. | 5,016,960.0 0 | 200,574,000.00 | | | Non-trading equity investment | |

11. Long-term Equity Investment

Unit: RMB

| Invest ees | Begin ning balan | Beginn ing balanc | Increase/decrease | | | | | | | | Endi ng balan | Ending balanc e of |
|---------------|------------------------|-------------------------|-------------------|-------------|------------|-------------------|-------------|---------------|----------------|-----------|---------------------|--------------------------|
| | | | Additi onal | Reduc ed | Gain or | Adjustm ent of | Cha nges | Cash bonus | Withdr awal | Ot her | | |

| | ce (carry ing value) | e of depreci ation reserve s | invest ment | invest ment | loss recog nized under the equity metho d | other compreh ensive income | in othe r equit y | or profit annou nced to issue | of depreci ation reserve s | | ce (carr ying value) | depreci ation reserve s |
|--|-----------------------------------|--|----------------|----------------|--|--------------------------------------|-------------------------------|--|--|--|-----------------------------------|----------------------------------|
| I. Joint venture | | | | | | | | | | | | |
| Subtot al | 0.00 | 0.00 | | | | | | | | | 0.00 | 0.00 |
| II. Associated enterprises | | | | | | | | | | | | |
| II. Assoc iated enterp rises | 0.00 | 44,182 .50 | | | | | | | | | 0.00 | 44,182 .50 |
| Subtot al | 0.00 | 44,182 .50 | | | | | | | | | 0.00 | 44,182 .50 |
| Total | 0.00 | 44,182 .50 | | | | | | | | | 0.00 | 44,182 .50 |

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

Applicable Not applicable

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

Applicable Not applicable

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

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

12. Other Non-current Financial Assets

Unit: RMB

| Item | Ending balance | Beginning balance |
|--|----------------|-------------------|
| Financial Assets at Fair Value Through Profit or Loss (Including: Equity Instrument Investments) | 337,118,757.03 | 377,869,217.49 |
| Total | 337,118,757.03 | 377,869,217.49 |

13. Investment Property**(1) Investment Property Adopting the Cost Measurement Mode**

√ Applicable □ Not applicable

Unit: RMB

| Item | Houses and buildings | Total |
|---|----------------------|---------------|
| I. Original carrying value | 93,077,479.52 | 93,077,479.52 |
| 1. Beginning balance | | |
| 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 | 5,444,908.38 | 5,444,908.38 |
| (1) Disposal | 5,444,908.38 | 5,444,908.38 |
| (2) Other transfer | | |
| 4. Ending balance | 87,632,571.14 | 87,632,571.14 |
| II. Accumulative depreciation and accumulative amortization | | |
| 1. Beginning balance | 55,336,634.97 | 55,336,634.97 |
| 2. Increased amount of the period | 2,096,713.56 | 2,096,713.56 |
| (1) Withdrawal or amortization | 2,096,713.56 | 2,096,713.56 |
| 3. Decreased amount of the period | 5,444,908.38 | 5,444,908.38 |
| (1) Disposal | 5,444,908.38 | 5,444,908.38 |
| (2) Other transfer | | |
| 4. Ending balance | 51,988,440.15 | 51,988,440.15 |
| 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 | 35,644,130.99 | 35,644,130.99 |
| 2. Beginning carrying value | 37,740,844.55 | 37,740,844.55 |

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

Applicable Not applicable

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

Applicable Not applicable

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

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

14. Fixed Assets

Unit: RMB

| Item | Ending balance | Beginning balance |
|--------------------------|----------------|-------------------|
| Fixed assets | 550,316,120.80 | 615,414,505.40 |
| Disposal of fixed assets | | |
| Total | 550,316,120.80 | 615,414,505.40 |

(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 | 642,502,995.83 | 1,119,970,538.22 | 16,042,052.10 | 62,228,077.38 | 1,840,743,663.53 |
| 2. Increased amount of the period | 507,996.24 | 8,902,995.47 | 485,482.00 | 2,270,938.60 | 12,167,412.31 |
| (1) Purchase | 224,592.52 | 1,732,258.11 | 48,672.57 | 707,605.90 | 2,713,129.10 |
| (2) Transfer from construction in progress | 283,403.72 | 7,170,737.36 | 436,809.43 | 1,563,332.70 | 9,454,283.21 |
| (3) Enterprise combination increase | | | | | |

| | | | | | |
|--|----------------|------------------|---------------|---------------|------------------|
| 3. Decreased amount of the period | 7,087,285.73 | 75,133,766.83 | 1,677,803.90 | 685,596.68 | 84,584,453.14 |
| (1) Disposal or scrap | 5,033,483.86 | 64,982,477.21 | 1,677,803.90 | 239,470.45 | 71,933,235.42 |
| (2) Transfer from construction in progress | 5,196.28 | | | | 5,196.28 |
| (3) Others (Note 1) | 2,048,605.59 | 10,151,289.62 | | 446,126.23 | 12,646,021.44 |
| 4. Ending balance | 635,923,706.34 | 1,053,739,766.86 | 14,849,730.20 | 63,813,419.30 | 1,768,326,622.70 |
| II. Accumulated Depreciation | | | | | |
| 1. Beginning balance | 307,135,363.74 | 863,454,931.23 | 10,774,847.02 | 43,666,795.44 | 1,225,031,937.43 |
| 2. Increased amount of the period | 19,538,916.60 | 49,455,305.05 | 1,286,140.12 | 5,583,245.68 | 75,863,607.45 |
| (1) Withdraw | 19,538,916.60 | 49,455,305.05 | 1,286,140.12 | 5,583,245.68 | 75,863,607.45 |
| 3. Decreased amount of the period | 6,391,678.99 | 74,206,267.61 | 1,625,532.10 | 676,954.28 | 82,900,432.98 |
| (1) Disposal or scrap | 5,011,434.26 | 64,119,241.11 | 1,625,532.10 | 231,261.90 | 70,987,469.37 |
| (2) Others (Note 1) | 1,380,244.73 | 10,087,026.50 | | 445,692.38 | 11,912,963.61 |
| 4. Ending balance | 320,282,601.35 | 838,703,968.67 | 10,435,455.04 | 48,573,086.84 | 1,217,995,111.90 |
| III. Impairment Provision | | | | | |
| 1. Beginning balance | | 297,220.70 | | | 297,220.70 |
| 2. Increased amount of the period | | | | | |
| (1) Withdraw | | | | | |

| | | | | | |
|-----------------------------------|----------------|----------------|--------------|---------------|----------------|
| 3. Decreased amount of the period | | 281,830.70 | | | 281,830.70 |
| (1) Disposal or scrap | | 281,830.70 | | | 281,830.70 |
| 4. Ending balance | | 15,390.00 | | | 15,390.00 |
| IV. Carrying value | | | | | |
| 1. Ending carrying value | 315,641,104.99 | 215,020,408.19 | 4,414,275.16 | 15,240,332.46 | 550,316,120.80 |
| 2. Beginning carrying value | 335,367,632.09 | 256,218,386.29 | 5,267,205.08 | 18,561,281.94 | 615,414,505.40 |

Note 1: The "Other Disposals" of fixed assets relate to buildings and equipment demolished for the urban redevelopment project at the Changchai Co., Ltd. Sanjing Branch site (see Note VII. 19 for details).

(2) List of Temporarily Idle Fixed Assets

Unit: RMB

| Item | Original carrying value | Accumulative depreciation | Depreciation reserves | Carrying value | Note |
|--------------------------|-------------------------|---------------------------|-----------------------|----------------|--------|
| Houses and buildings | 58,513,102.14 | 53,746,610.07 | | 4,766,492.07 | Note 2 |
| Transportation equipment | 42,837,700.44 | 41,710,240.56 | | 1,127,459.88 | |
| Other equipment | 1,059,544.05 | 1,052,562.88 | | 6,981.17 | |
| Machinery equipment | 22,800.00 | 7,410.00 | 15,390.00 | 0.00 | |

Note 2: Due to public interest requirements for urban redevelopment, the Xinbei District People's Government of Changzhou has decided to implement the expropriation of buildings within the Phase I scope of the Sanjing Subdistrict Foundry Plant and surrounding area urban renewal project. The expropriation area covers the Company's former foundry production base, where portions of the fixed assets were in an idle state.

15. Construction in Progress

Unit: RMB

| Item | Ending balance | Beginning balance |
|--------------------------|----------------|-------------------|
| Construction in progress | 2,801,650.98 | 3,376,866.69 |
| Engineering materials | | |
| Total | 2,801,650.98 | 3,376,866.69 |

(1)List of Construction in Progress

Unit: RMB

| Item | Ending balance | | | Beginning balance | | |
|--|---------------------|--------------------------|---------------------|---------------------|--------------------------|---------------------|
| | Carrying amount | Provision for impairment | Carrying value | Carrying amount | Provision for impairment | Carrying value |
| Technology Center Innovation Capability Construction Project | 597,345.00 | | 597,345.00 | 898,041.60 | | 898,041.60 |
| Equipment Installation Pending Project | 1,449,260.11 | | 1,449,260.11 | 2,478,825.09 | | 2,478,825.09 |
| Minor works | 755,045.87 | | 755,045.87 | | | |
| Total | 2,801,650.98 | | 2,801,650.98 | 3,376,866.69 | | 3,376,866.69 |

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

Unit: RMB

| Item | Beginning balance | New additions | Transfers to fixed assets | Transfers to intangible assets | Ending balance | Sources of Funds |
|------------------------------|---------------------|---------------------|---------------------------|--------------------------------|---------------------|------------------|
| Equipment Installation Works | 2,478,825.09 | 9,477,700.77 | 8,881,870.39 | 1,625,395.36 | 1,449,260.11 | Equity Funds |
| Total | 2,478,825.09 | 9,477,700.77 | 8,881,870.39 | 1,625,395.36 | 1,449,260.11 | -- |

(3)Impairment Test of Construction in Progress

Applicable Not applicable

16. Intangible Assets

(1)List of Intangible Assets

Unit: RMB

| Item | Land use right | Software | License fee | Trademark use right | Total |
|------|----------------|----------|-------------|---------------------|-------|
|------|----------------|----------|-------------|---------------------|-------|

| | | | | | |
|--|----------------|---------------|--------------|--------------|----------------|
| I. Original carrying value | | | | | |
| 1. Beginning balance | 205,187,775.71 | 21,573,652.88 | 5,538,000.00 | 1,650,973.47 | 233,950,402.06 |
| 2. Increased amount of the period | | 1,678,492.70 | | | 1,678,492.70 |
| (1) Purchase | | 53,097.34 | | | 53,097.34 |
| (2) Internal R&D | | | | | |
| (3) Business combination increase | | | | | |
| (4) Transfer from construction in progress | | 1,625,395.36 | | | 1,625,395.36 |
| 3. Decreased amount of the period | 7,879,391.75 | | | | 7,879,391.75 |
| (1) Disposal | | | | | |
| (2) Reduction in demolition and relocation | 7,879,391.75 | | | | 7,879,391.75 |
| 4. Ending balance | 197,308,383.96 | 23,252,145.58 | 5,538,000.00 | 1,650,973.47 | 227,749,503.01 |
| II. Accumulated amortization | | | | | |
| 1. Beginning balance | 67,655,245.52 | 18,451,335.78 | 4,348,933.06 | 689,101.84 | 91,144,616.20 |
| 2. Increased amount of the period | 4,159,498.86 | 3,108,274.63 | 548,799.96 | 165,661.32 | 7,982,234.77 |
| (1) Withdrawal | 4,159,498.86 | 3,108,274.63 | 548,799.96 | 165,661.32 | 7,982,234.77 |
| 3. Decreased amount of the period | 5,128,700.57 | | | | 5,128,700.57 |
| (1) Disposal | | | | | |
| (2) Reduction in demolition and relocation | 5,128,700.57 | | | | 5,128,700.57 |
| 4. Ending balance | 66,686,043.81 | 21,559,610.41 | 4,897,733.02 | 854,763.16 | 93,998,150.40 |
| 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 | 130,622,340.15 | 1,692,535.17 | 640,266.98 | 796,210.31 | 133,751,352.61 |
| 2. Beginning carrying value | 137,532,530.19 | 3,122,317.10 | 1,189,066.94 | 961,871.63 | 142,805,785.86 |

17. Long-term Prepaid Expenses

Unit: RMB

| Item | Beginning balance | Increase | Amortized amount | Decrease | Ending balance |
|------------------------------------|-------------------|------------|------------------|----------|----------------|
| Trademark renewal fee | 276,383.95 | 303,890.33 | 52,551.88 | | 527,722.40 |
| External power line access project | 2,388,173.11 | | 318,423.12 | | 2,069,749.99 |
| Total | 2,664,557.06 | 303,890.33 | 370,975.00 | | 2,597,472.39 |

18. Deferred Income Tax Assets/Deferred Income Tax Liabilities

(1) Deferred Income Tax Assets that Had not Been Offset

Unit: RMB

| Item | Ending balance | | Beginning balance | |
|---|---------------------------------|----------------------------|---------------------------------|----------------------------|
| | Deductible temporary difference | Deferred income tax assets | Deductible temporary difference | Deferred income tax assets |
| Bad debt provision | 11,785,788.50 | 1,762,815.70 | 12,526,884.12 | 1,949,082.99 |
| Provisions | 65,000.00 | 9,750.00 | 61,700.00 | 9,255.00 |
| Prepaid tax on advance receipts from demolition | 30,000,000.00 | 4,500,000.00 | 30,000,000.00 | 4,500,000.00 |
| Unrealized internal transaction losses | 6,609,172.38 | 1,077,482.17 | | |
| Total | 48,459,960.88 | 7,350,047.87 | 42,588,584.12 | 6,458,337.99 |

(1) 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 | 5,112,778.94 | 766,916.83 | 5,308,792.40 | 796,318.85 |
| Changes in fair value | 1,029,621,110.21 | 158,682,604.30 | 1,008,689,955.98 | 153,653,533.48 |
| Total | 1,034,733,889.15 | 159,449,521.13 | 1,013,998,748.38 | 154,449,852.33 |

(3) List of Unrecognized Deferred Income Tax Assets

Unit: RMB

| Item | Ending balance | Beginning balance |
|----------------------------------|----------------|-------------------|
| Deductible temporary differences | 218,964,615.72 | 214,123,380.22 |
| Deductible tax losses | 73,431,275.08 | 94,504,005.70 |
| Total | 292,395,890.80 | 308,627,385.92 |

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

Unit: RMB

| Years | Ending balance | Beginning balance |
|-------|----------------|-------------------|
| 2029 | | 4,463,227.36 |
| 2030 | 1,489,106.18 | 1,489,106.18 |
| 2031 | 1,284,090.55 | 1,470,853.20 |
| 2032 | 11,818,605.75 | 27,506,664.76 |
| 2033 | 50,340,092.01 | 50,340,092.01 |
| 2034 | 8,454,322.69 | 9,234,062.19 |
| 2035 | 45,057.90 | |
| Total | 73,431,275.08 | 94,504,005.70 |

19. Other Non-current Assets

Unit: RMB

| Item | Ending balance | | | Beginning balance | | |
|---|---------------------|--------------------------|---------------------|---------------------|--------------------------|---------------------|
| | Carrying amount | Provision for impairment | Carrying value | Carrying amount | Provision for impairment | Carrying value |
| Prepayments for the acquisition of long-term assets | 1,941,866.73 | | 1,941,866.73 | 1,448,809.45 | | 1,448,809.45 |
| Assets held for disposal | 3,657,345.68 | | 3,657,345.68 | 2,924,287.85 | | 2,924,287.85 |
| Investment in Changzhou Changtou Xinhui No.1 Equity Investment Fund (Limited Partnership) | 3,903,834.51 | | 3,903,834.51 | | | |
| Total | 9,503,046.92 | | 9,503,046.92 | 4,373,097.30 | | 4,373,097.30 |

Other Notes:

1.The assets held for disposal relate to buildings and equipment demolished under the old town redevelopment project at Changchai Co., Ltd.'s Changzhou Sanjing Branch (see Note XVII.2). The company has currently received the first compensation payment of RMB 30,000,000.00, which is expected to cover the associated demolition losses. Since the related expropriation process is anticipated to take more than one year to complete, the company has reclassified the carrying value of the demolished fixed assets to other non-current assets.

2.The investment in Changzhou Changtou Xinhui No.1 Equity Investment Fund (Limited Partnership) was jointly initiated by the company's subsidiary, Changzhou Horizon Investment Co., Ltd., along with Changzhou Investment Group Co., Ltd. and Changzhou Xinhui Private Equity Fund Management Co., Ltd. Due to significant influence on the fund, the equity method was adopted for accounting. As of December 31, 2025, Changzhou Changtou Xinhui No.1 Equity Investment Fund (Limited Partnership) had not yet made any external investments.

20. Assets with Restricted Ownership or Right of Use

Unit: RMB

| Item | Ending balance | | | | Beginning balance | | | |
|--------|-----------------|----------------|---------------------|-----------------------|-------------------|----------------|---------------------|-----------------------|
| | Carrying amount | Carrying value | Type of restriction | Status of restriction | Carrying amount | Carrying value | Type of restriction | Status of restriction |
| Moneta | 90,163.87 | 90,163.87 | Occupie | Bank | 171,018.6 | 171,018.6 | Occup | Bank |

| | | | | | | | | |
|--|----------------|----------------|--|--|----------------|----------------|--|--|
| ry assets | 1.20 | 1.20 | d as cash deposit | acceptance bill guarantee deposits,Letter of guarantee deposits,Performance bond deposits,Term deposits and accrued interest | 07.75 | 07.75 | ied as cash deposit | acceptance bill guarantee deposits,Letter of guarantee deposits,Performance bond deposits,Term deposits and accrued interest |
| Notes receivable -- outstanding discounted notes | 77,099,600.00 | 77,099,600.00 | Payment obligations for undiscounted but discounted bills | Discounted by the Company at the period-end and not due on the balance sheet date | 70,878,200.00 | 70,878,200.00 | Payment obligation for undue discounted bills | Discounted bills not yet matured at the balance sheet date |
| Notes receivable -- outstanding transfer red notes | 59,152,351.53 | 59,152,351.53 | Payment obligations for undiscounted but transferred bills | Endorsed by the Company at the period-end and not due on the balance sheet date | 163,858,135.20 | 163,858,135.20 | Payment obligation of transferred bill not yet due | Endorsed bills not yet matured at the balance sheet date |
| Total | 226,415,822.73 | 226,415,822.73 | | | 405,754,942.95 | 405,754,942.95 | | |

21. Short-term Borrowings

(1)Category of Short-term Borrowings

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|----------------|-------------------|
| Bank acceptance bills with financing nature | 88,926,344.09 | 94,471,787.41 |
| Total | 88,926,344.09 | 94,471,787.41 |

22. Notes Payable

Unit: RMB

| Item | Ending balance | Beginning balance |
|----------------------|----------------|-------------------|
| Bank acceptance bill | 562,313,345.98 | 491,643,629.88 |
| Total | 562,313,345.98 | 491,643,629.88 |

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

Unit: RMB

| Item | Ending balance | Beginning balance |
|-------------------|----------------|-------------------|
| Payment for goods | 793,473,800.05 | 690,733,575.75 |
| Total | 793,473,800.05 | 690,733,575.75 |

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

Unit: RMB

| Item | Ending balance | Unpaid/ Uncarry-over reason |
|---------------------------------|----------------|-----------------------------|
| Payables for goods and services | 64,104,304.10 | Not yet settled |
| Total | 64,104,304.10 | |

(3)Any overdue payment to small and medium-sized enterprises that has not been made

Is it a large enterprise

Yes No

Is there any overdue payment to small and medium-sized enterprises that has not been made

Yes No**24. Other Payables**

Unit: RMB

| Item | Ending balance | Beginning balance |
|-------------------|----------------|-------------------|
| Dividends payable | 3,891,433.83 | 3,891,433.83 |
| Other payables | 130,728,339.00 | 113,845,527.69 |
| Total | 134,619,772.83 | 117,736,961.52 |

(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 received by shareholders yet.

(2) Other Payables

1) Other Payables Listed by Nature of Account

Unit: RMB

| Item | Ending balance | Beginning balance |
|--|-----------------------|-----------------------|
| Margin & cash pledged | 2,623,449.83 | 2,595,993.50 |
| Intercompany balances | 10,899,458.04 | 14,989,385.23 |
| Personal advances and receivables | 576,193.19 | 647,001.19 |
| Sales discounts and product warranties | 96,890,648.05 | 78,652,203.86 |
| Other | 19,738,589.89 | 16,960,943.91 |
| Total | 130,728,339.00 | 113,845,527.69 |

2) Significant Other Payables Aging over One Year

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

25. Advances from customers

(1) List of Advances from customers

Unit: RMB

| Item | Ending balance | Beginning balance |
|--|----------------------|----------------------|
| Advance rental receipts | 112,510.00 | 183,376.84 |
| Advance receipts for land compensation | 30,000,000.00 | 30,000,000.00 |
| Total | 30,112,510.00 | 30,183,376.84 |

26. Contract liabilities

Unit: RMB

| Item | Ending balance | Beginning balance |
|----------------------|----------------|-------------------|
| Contract liabilities | 40,040,496.36 | 31,640,879.59 |
| Total | 40,040,496.36 | 31,640,879.59 |

27. Employee benefits payable

(1) List of employee benefits payable

Unit: RMB

| Item | Beginning balance | Increase | Decrease | Ending balance |
|--|-------------------|----------------|----------------|----------------|
| I. Short-term salary | 48,792,254.98 | 308,187,961.05 | 300,206,733.64 | 56,773,482.39 |
| II. Post-employment benefit-defined contribution plans | | 35,060,082.75 | 35,060,082.75 | |
| III. Termination benefits | | 21,732.00 | 21,732.00 | |
| IV. Current portion of other benefits | | | | |
| Total | 48,792,254.98 | 343,269,775.80 | 335,288,548.39 | 56,773,482.39 |

(2) List of Short-term Salary

Unit: RMB

| Item | Beginning balance | Increase | Decrease | Ending balance |
|--------------------------------------|-------------------|----------------|----------------|----------------|
| 1. Salary, bonus, allowance, subsidy | 40,690,742.07 | 257,783,051.14 | 249,166,936.53 | 49,306,856.68 |
| 2. Employee welfare | 1,592.74 | 7,048,087.85 | 7,048,087.85 | 1,592.74 |
| 3. Social insurance | | 19,960,890.46 | 19,960,890.46 | |
| Of which: Medical insurance premiums | | 16,166,118.98 | 16,166,118.98 | |
| Work-related injury insurance | | 2,215,008.37 | 2,215,008.37 | |
| Maternity insurance | | 1,579,763.11 | 1,579,763.11 | |
| 4. Housing fund | | 18,890,269.00 | 18,890,269.00 | |

| | | | | |
|--|---------------|----------------|----------------|---------------|
| 5.Labor union budget and employee education budget | 8,099,920.17 | 4,505,662.60 | 5,140,549.80 | 7,465,032.97 |
| 6. Short-term absence with salary | | | | |
| 7. Short-term profit sharing scheme | | | | |
| Total | 48,792,254.98 | 308,187,961.05 | 300,206,733.64 | 56,773,482.39 |

(3) List of Defined Contribution Plans

Unit: RMB

| Item | Beginning balance | Increase | Decrease | Ending balance |
|---------------------------|-------------------|---------------|---------------|----------------|
| 1. Basic pension benefits | | 34,053,962.71 | 34,053,962.71 | |
| 2. Unemployment insurance | | 1,006,120.04 | 1,006,120.04 | |
| 3. Enterprise annuities | | | | |
| Total | | 35,060,082.75 | 35,060,082.75 | |

28. Taxes Payable

Unit: RMB

| Item | Ending balance | Beginning balance |
|--|----------------|-------------------|
| VAT | 1,069,751.94 | 239,602.32 |
| Corporate income tax | 916,971.53 | 611,800.65 |
| Personal income tax | 76,698.17 | 210,290.78 |
| Urban maintenance and construction tax | 77,057.10 | 19,983.59 |
| Property tax | 1,699,964.72 | 1,715,080.20 |
| Land use tax | 943,261.64 | 943,261.64 |
| Stamp duty | 447,535.62 | 437,390.87 |
| Education Surcharge | 55,007.72 | 14,240.95 |
| Environmental protection tax | 19,278.44 | 22,673.70 |
| Total | 5,305,526.88 | 4,214,324.70 |

29. Other Current Liabilities

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|----------------------|-----------------------|
| Sale service fee | 180,123.89 | 485,055.17 |
| Transportation storage fee | | 353,692.31 |
| Electric charge | 5,274,196.04 | 2,530,866.25 |
| Tax to be transferred | 4,422,202.18 | 3,818,328.30 |
| Estimated share value added tax | 1,661,977.36 | 745,360.75 |
| Obligation to pay bills transferred before maturity | 59,152,351.53 | 163,858,135.20 |
| Other withholding expenses | 1,981,905.98 | 3,273,239.95 |
| Total | 72,672,756.98 | 175,064,677.93 |

30. Provisions

Unit: RMB

| Item | Ending balance | Beginning balance | Reason for formation |
|------------------|----------------------|----------------------|--------------------------------|
| Product warranty | 83,448,865.86 | 73,002,860.52 | Estimated after-sales expenses |
| Total | 83,448,865.86 | 73,002,860.52 | |

31. Deferred Income

Unit: RMB

| Item | Beginning balance | Increase | Decrease | Ending balance | Reason for formation |
|-------------------|----------------------|----------|---------------------|----------------------|--------------------------|
| Government grants | 29,386,167.02 | | 3,409,729.46 | 25,976,437.56 | Government appropriation |
| Total | 29,386,167.02 | | 3,409,729.46 | 25,976,437.56 | -- |

Note:

Liability items involving government grants

Unit: RMB

| Item | Beginning balance | Amount of new subsidy | Amount recorded into other income in the reporting period | Other changes | Ending balance | Related to assets/related income |
|------|-------------------|-----------------------|---|---------------|----------------|----------------------------------|
| | | | | | | |

| | | | | | | |
|--|---------------|--|--------------|--|---------------|-------------------|
| National major project special allocations-Flexible processing production line for cylinders of diesel engines | 8,482,569.00 | | 1,519,266.00 | | 6,963,303.00 | Related to assets |
| Remove compensation | 16,515,843.12 | | 665,973.62 | | 15,849,869.50 | Related to assets |
| Research and development and industrialization allocations of national III/IV standard high-powered efficient diesel engine for agricultural use | 4,387,754.90 | | 1,224,489.84 | | 3,163,265.06 | Related to assets |
| Total | 29,386,167.02 | | 3,409,729.46 | | 25,976,437.56 | — |

32. Share Capital

Unit: RMB

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

33. Capital Reserves

Unit: RMB

| Item | Beginning balance | Increase | Decrease | Ending balance |
|------------------------------------|-------------------|------------|----------|----------------|
| Capital premium (premium on stock) | 620,338,243.21 | 560,758.06 | | 620,899,001.27 |
| Other capital reserves | 20,171,432.63 | | | 20,171,432.63 |
| Total | 640,509,675.84 | 560,758.06 | | 641,070,433.90 |

Other notes, including changes in the current period and explanations for the reasons for such changes: The company acquired a minority shareholder's equity in its subsidiary, Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd., during the current period. The difference between the newly acquired long-term equity investment cost and the share of identifiable net assets that the company is entitled to, calculated based on the newly increased shareholding ratio and continuously calculated from the date of merger, is recorded in capital

reserves.

34. Other Comprehensive Income

Unit: RMB

| Item | Beginning balance | Reporting Period | | | | | | Ending balance |
|---|-------------------|--|--|---|--------------------------|---|---|----------------|
| | | Income before taxation in the Current Period | Less: Recorded in other comprehensive income in prior period and transferred in profit or loss in the Current Period | Less: Recorded in other comprehensive income in prior period and transferred in retained earnings in the Current Period | Less: Income tax expense | Attributable to the Company as the parent after tax | Attributable to non-controlling interests after tax | |
| I. Other comprehensive income that will not be reclassified to profit or loss | 643,067,549.91 | 40,241,237.09 | | | 6,036,185.56 | 34,205,051.53 | | 677,272,601.44 |
| Changes in fair value of other equity instrument investment | 643,067,549.91 | 40,241,237.09 | | | 6,036,185.56 | 34,205,051.53 | | 677,272,601.44 |

| | | | | | | | | |
|-------------------------------------|----------------|---------------|--|--|--------------|---------------|--|----------------|
| Total of other comprehensive income | 643,067,549.91 | 40,241,237.09 | | | 6,036,185.56 | 34,205,051.53 | | 677,272,601.44 |
|-------------------------------------|----------------|---------------|--|--|--------------|---------------|--|----------------|

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

35. Specific Reserve

Unit: RMB

| Item | Beginning balance | Increase | Decrease | Ending balance |
|------------------------|-------------------|--------------|--------------|----------------|
| Safety production cost | 21,959,066.35 | 7,170,174.83 | 5,192,832.96 | 23,936,408.22 |
| Total | 21,959,066.35 | 7,170,174.83 | 5,192,832.96 | 23,936,408.22 |

36. Surplus Reserves

Unit: RMB

| Item | Beginning balance | Increase | Decrease | Ending balance |
|--------------------------------|-------------------|--------------|----------|----------------|
| Statutory surplus reserves | 354,669,807.37 | 2,628,215.96 | | 357,298,023.33 |
| Discretionary surplus reserves | 13,156,857.90 | | | 13,156,857.90 |
| Total | 367,826,665.27 | 2,628,215.96 | | 370,454,881.23 |

Surplus reserve explanation: Pursuant to the Company Law of the People's Republic of China and the company's articles of association, the Company appropriates 10% of its net profit as statutory surplus reserve.

37. Retained Earnings

Unit: RMB

| Item | Reporting Period | Same period of last year |
|--|------------------|--------------------------|
| Beginning balance of retained earnings before adjustments | 983,627,999.95 | 1,002,436,724.71 |
| Total retained earnings at the beginning of the adjustment period (“+” means up, “-” means down) | | |
| Beginning balance of retained earnings after adjustments | 983,627,999.95 | 1,002,436,724.71 |
| Add: Net profit attributable to | 50,820,986.84 | 18,489,896.00 |

| | | |
|---|------------------|----------------|
| shareholders of the Company as the parent | | |
| Less: Withdrawal of statutory surplus reserves | 2,628,215.96 | 4,131,072.93 |
| Withdrawal of discretionary surplus reserves | | |
| Withdrawal of general reserve | | |
| Dividend of ordinary shares payable | 7,056,925.07 | 33,167,547.83 |
| Dividends of ordinary shares transferred as share capital | | |
| Ending retained earnings | 1,024,763,845.76 | 983,627,999.95 |

Adjustments to opening retained earnings details:

- (1) Retrospective adjustment due to the Accounting Standards for Business Enterprises and related new regulations: RMB 0.00 impact on opening retained earnings.
- (2) Change in accounting policies: RMB 0.00 impact on opening retained earnings.
- (3) Correction of material accounting errors: RMB 0.00 impact on opening retained earnings.
- (4) Changes in consolidation scope due to transactions under common control: RMB 0.00 impact on opening retained earnings.
- (5) Other adjustments, net impact on opening retained earnings: RMB 0.00.

38. Operating Revenue and Cost of Sales

Unit: RMB

| Item | Reporting Period | | Same period of last year | |
|------------------|-------------------|------------------|--------------------------|------------------|
| | Operating revenue | Cost of sales | Operating revenue | Cost of sales |
| Main operations | 2,425,736,833.58 | 2,131,368,875.08 | 2,371,931,691.41 | 2,084,092,192.19 |
| Other operations | 50,588,989.10 | 48,626,900.38 | 43,937,336.91 | 35,208,273.88 |
| Total | 2,476,325,822.68 | 2,179,995,775.46 | 2,415,869,028.32 | 2,119,300,466.07 |

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

Yes No

Revenue-related information:

Unit: RMB

| Contract Classification | Segment revenue 1 | | Total | |
|-------------------------|-------------------|-------------------|-------------------|---------------|
| | Operating revenue | Operating revenue | Operating revenue | Cost of sales |
| By business type | | | | |

| | | | | |
|----------------------------------|------------------|------------------|------------------|------------------|
| Of which: | | | | |
| Diesel Engines - Single-Cylinder | 1,032,820,248.81 | 897,627,541.02 | 1,032,820,248.81 | 897,627,541.02 |
| Diesel Engines - Multi-Cylinder | 1,087,215,275.69 | 969,746,545.54 | 1,087,215,275.69 | 969,746,545.54 |
| Other Products | 193,555,001.11 | 168,359,195.06 | 193,555,001.11 | 168,359,195.06 |
| Parts & Accessories | 112,146,307.97 | 95,635,593.46 | 112,146,307.97 | 95,635,593.46 |
| By geographical segment | | | | |
| Of which: | | | | |
| Domestic Sales | 1,975,928,365.78 | 1,722,227,357.27 | 1,975,928,365.78 | 1,722,227,357.27 |
| Export sales | 449,808,467.80 | 409,141,517.81 | 449,808,467.80 | 409,141,517.81 |
| Total | 2,425,736,833.58 | 2,131,368,875.08 | 2,425,736,833.58 | 2,131,368,875.08 |

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

39. Taxes and Surtaxes

Unit: RMB

| Item | Reporting Period | Same period of last year |
|--|------------------|--------------------------|
| Urban maintenance and construction tax | 2,430,989.45 | 1,722,364.51 |
| Education surcharge | 1,736,055.83 | 1,230,223.15 |
| Property tax | 7,027,502.36 | 7,045,665.54 |
| Land use tax | 4,013,319.52 | 4,013,319.52 |
| Vehicle and vessel use tax | 2,803.52 | 2,803.52 |
| Stamp duty | 2,076,582.82 | 2,043,184.49 |
| Environment tax | 1,135,359.24 | 124,057.13 |
| Total | 18,422,612.74 | 16,181,617.86 |

40. Administrative Expense

Unit: RMB

| Item | Reporting Period | Same period of last year |
|-------------------|------------------|--------------------------|
| Employee benefits | 62,982,000.21 | 61,402,397.77 |
| Office expenses | 7,635,302.01 | 10,322,299.02 |

| | | |
|---|-----------------------|-----------------------|
| Depreciation and amortization | 16,474,658.91 | 16,092,889.89 |
| Safety expenses | 2,793,121.34 | 5,823,550.54 |
| Repair charge | 147,715.40 | 196,736.76 |
| Inventory scrap and inventory loss (profit) | 930,772.87 | -149,986.94 |
| Consulting fees | 3,006,329.20 | 4,933,152.81 |
| Insurance premiums | 1,676,219.08 | 1,852,716.96 |
| Utilities expenses | 2,324,416.75 | 2,438,996.99 |
| Other | 10,111,280.53 | 12,553,588.10 |
| Total | 108,081,816.30 | 115,466,341.90 |

41. Selling Expense

Unit: RMB

| Item | Reporting Period | Same period of last year |
|-------------------------------------|----------------------|--------------------------|
| Employee benefits | 40,318,480.98 | 45,964,550.56 |
| Office expenses | 9,793,639.89 | 11,079,843.97 |
| Advertising and exhibition expenses | 1,397,918.51 | 1,494,362.92 |
| Depreciation and amortization | 726,097.68 | 716,473.37 |
| Other | 582,785.94 | 1,362,023.61 |
| Total | 52,818,923.00 | 60,617,254.43 |

42. Development Costs

Unit: RMB

| Item | Reporting Period | Same period of last year |
|-------------------------------|----------------------|--------------------------|
| Direct input expense | 48,019,192.91 | 46,708,069.23 |
| Employee benefits | 22,514,941.63 | 24,323,024.76 |
| Depreciation and amortization | 5,491,356.08 | 5,756,990.16 |
| Entrusted development charges | 250,000.00 | 704,000.00 |
| Other | 7,401,272.75 | 5,909,393.45 |
| Total | 83,676,763.37 | 83,401,477.60 |

43. Finance Costs

Unit: RMB

| Item | Reporting Period | Same period of last year |
|--------------------------------------|----------------------|--------------------------|
| Interest expense | 591,180.17 | 341,136.21 |
| Less: Interest income | 12,531,332.63 | 17,940,638.39 |
| Net foreign exchange gains or losses | 6,288,299.08 | -6,063,845.94 |
| Other | 692,529.46 | 240,309.43 |
| Total | -4,959,323.92 | -23,423,038.69 |

44. Other Income

Unit: RMB

| Sources | Reporting Period | Same period of last year | Amount included in non-recurring profit or loss for the current period |
|--|------------------|--------------------------|--|
| VAT additional deduction | 7,326,129.81 | 16,017,274.94 | |
| Withholding individual income tax handling fee refund | 59,337.18 | 50,685.36 | |
| Government grants recognized directly in current period profit or loss | 16,126,311.88 | 4,143,565.38 | 15,437,236.88 |
| Government grants related to deferred income | 3,409,729.46 | 3,409,729.46 | |

The details of government subsidies are as follows:

Unit: RMB

| Items | Reporting Period | Asset-related grants/ Income-related grants |
|---|------------------|--|
| Government subsidies and incentives for land acquisition | 14,391,707.00 | Income-related grants |
| National Major Special Fund Allocation - Flexible Machining Production Line for Diesel Engine Cylinder Blocks | 1,519,266.00 | Asset-related grants |
| Grant for R&D and Industrialization of High-Efficiency Agricultural Diesel Engines Meeting National Phase III/IV Emission Standards | 1,224,489.84 | Asset-related grants |
| Employment Stabilization Subsidy | 689,075.00 | Income-related grants |
| Award for Capability Improvement of the State-owned Assets | 400,000.00 | Income-related |

| Items | Reporting Period | Asset-related grants/ Income-related grants |
|--|------------------|--|
| Supervision and Administration Commission | | grants |
| Demolition Compensation - Hehai Road Base Main Workshop | 398,640.13 | Asset-related grants |
| Demolition Compensation - Hehai Road Land | 267,333.49 | Asset-related grants |
| The third batch of science and technology plan projects (industrial innovation technology support special projects) in Changzhou | 200,000.00 | Income-related grants |
| Provincial special funds for business development | 109,300.00 | Income-related grants |
| Changzhou Innovation and Development Special Fund (Innovation Subject Cultivation) | 80,000.00 | Income-related grants |
| Labor employment subsidy | 53,375.70 | Income-related grants |
| Talent funding for the Financial Settlement Center | 50,000.00 | Income-related grants |
| Changzhou Innovation and Development Special Fund (Supporting the 2024 New Technology and New Product Awards) | 50,000.00 | Income-related grants |
| Subsidies for disabled personnel in proportion and rewards for exceeding the proportion | 34,860.00 | Income-related grants |
| Job expansion subsidy | 24,000.00 | Income-related grants |
| High-tech Enterprise Application Award | 20,000.00 | Income-related grants |
| Deduction of value-added tax for employment of people who have been lifted out of poverty | 19,397.15 | Income-related grants |
| Internship allowance | 2,750.60 | Income-related grants |
| Fourth-grade unit statistical quality assessment reward | 1,200.00 | Income-related grants |
| Financial subsidies for special funds for safety production and emergency disaster relief | 543.58 | Income-related grants |
| Exemption of urban construction tax and education surcharge for people who have been lifted out of poverty | 102.85 | Income-related grants |
| Total | 19,536,041.34 | — |

45. Gain on Changes in Fair Value

Unit: RMB

| Sources | Reporting Period | Same period of last year |
|------------------------------------|------------------|--------------------------|
| Held-for-trading financial assets | 20,807,463.52 | -30,892,837.58 |
| Other non-current financial assets | -40,750,460.46 | -35,045,359.31 |
| Total | -19,942,996.94 | -65,938,196.89 |

46. Investment Income

Unit: RMB

| Item | Reporting Period | Same period of last year |
|--|------------------|--------------------------|
| Investment income from holding of trading financial assets | 641,560.00 | 855,760.00 |
| Investment income from disposal of trading financial assets | 6,048,202.02 | 6,671,015.98 |
| Dividend income from holding of other equity instrument investment | 5,016,960.00 | 18,163,080.00 |
| Interest income from holding of investment in debt obligations | | 499,990.25 |
| Debt restructuring gains | -42,868.87 | 267,434.70 |
| Securities lending and borrowing business income | | 95,937.38 |
| Investment income from wealth management products | 789,983.38 | 1,026,622.56 |
| Accounts receivable financing - Discount interest on bank acceptance bills | -2,617,827.87 | -3,313,989.60 |
| Investment income accounted for using the equity method | -6,165.49 | |
| Total | 9,829,843.17 | 24,265,851.27 |

47. Credit Impairment Loss

Unit: RMB

| Item | Reporting Period | Same period of last year |
|--------------------------------------|------------------|--------------------------|
| Bad debt loss of accounts receivable | -155,026.78 | 1,583,599.71 |
| Bad debt loss of other receivables | -109,694.46 | -353,779.59 |
| Total | -264,721.24 | 1,229,820.12 |

48. Asset Impairment Loss

Unit: RMB

| Item | Reporting Period | Same period of last year |
|---|------------------|--------------------------|
| Loss on inventory valuation and contract performance cost | -23,624,390.85 | -14,383,249.32 |
| Impairment loss on property, plant and equipment | | -20,122.51 |
| Total | -23,624,390.85 | -14,403,371.83 |

49. Asset Disposal Income

Unit: RMB

| Sources | Reporting Period | Same period of last year | Amount included in non-recurring profit or loss for the current period |
|---|------------------|--------------------------|--|
| Disposal income of fixed assets and intangible assets | 36,192,896.62 | 304,377.71 | 36,192,896.62 |

50. Non-operating Income

Unit: RMB

| Item | Reporting Period | Same period of last year | Amount included in non-recurring profit or loss for the current period |
|----------------------------------|------------------|--------------------------|--|
| Income from penalty | 125,150.00 | 97,216.00 | 125,150.00 |
| Accounts not required to be paid | 73,248.76 | 1,556,125.20 | 73,248.76 |
| Other | 13,326.18 | 1,185,262.22 | 13,326.18 |
| Total | 211,724.94 | 2,838,603.42 | 211,724.94 |

51. Non-operating Expense

Unit: RMB

| Item | Reporting Period | Same period of last year | Amount included in non-recurring profit or loss for the current period |
|---|------------------|--------------------------|--|
| Losses on impairment and scrapping of non-current | 1,241.36 | 418,860.88 | 1,241.36 |

| | | | |
|-------------------------|--------------|------------|--------------|
| assets | | | |
| Of which: fixed assets | 1,241.36 | 418,860.88 | 1,241.36 |
| Donation | 360,000.00 | 250,000.00 | 360,000.00 |
| Delayed payment penalty | 783,746.26 | 86.67 | 783,746.26 |
| Other | 230,307.51 | 217,560.14 | 230,307.51 |
| Total | 1,375,295.13 | 886,507.69 | 1,375,295.13 |

52. Income Tax Expense

(1) List of Income Tax Expense

Unit: RMB

| Item | Reporting Period | Same period of last year |
|-----------------------------|------------------|--------------------------|
| Current income tax expense | 10,191,628.82 | 8,816,925.87 |
| Deferred income tax expense | -1,928,226.64 | -18,077,750.35 |
| Total | 8,263,402.18 | -9,260,824.48 |

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

Unit: RMB

| Item | Reporting Period |
|--|------------------|
| Profit before taxation | 66,237,824.63 |
| Current income tax expense accounted at statutory/applicable tax rate | 9,935,673.69 |
| Influence of applying different tax rates by subsidiaries | 3,686,608.46 |
| Influence of income tax before adjustment | 613,909.32 |
| Influence of non-taxable income | -911,392.63 |
| Impact of non-deductible costs, expenses and losses | 922,721.10 |
| Impact of utilizing previously unrecognized deductible tax losses | -9,571,928.47 |
| Impact of unrecognized deductible temporary differences and tax losses in current period | 9,558,356.46 |
| Impact of super-deduction incentives on income tax | -5,970,545.75 |
| Income tax expense | 8,263,402.18 |

53. Other Comprehensive Income

See Note VII 34 for details.

54. Cash Flow Statement**(1) Cash Related to Operating Activities**

Cash Generated from Other Operating Activities

Unit: RMB

| Item | Reporting Period | Same period of last year |
|---|----------------------|--------------------------|
| Subsidy and appropriation | 16,106,811.88 | 4,121,465.38 |
| Other intercourses in cash | 1,075,516.45 | 6,834,709.31 |
| Interest income | 12,433,299.58 | 17,560,515.91 |
| Recovery of time deposits at maturity | 42,000,000.00 | 36,000,000.00 |
| The net amount of the guarantee and bid bond received | 915,535.55 | |
| Other | 2,398,434.29 | 3,343,648.68 |
| Total | 74,929,597.75 | 67,860,339.28 |

Cash Used in Other Operating Activities

Unit: RMB

| Item | Reporting Period | Same period of last year |
|---|-----------------------|--------------------------|
| Selling and administrative expense paid in cash | 85,121,277.90 | 95,660,891.03 |
| Time deposits withdrawn | 20,000,000.00 | 42,000,000.00 |
| Other transactions | 738,465.99 | 851,981.36 |
| Other | 1,365,099.94 | 479,361.32 |
| Total | 107,224,843.83 | 138,992,233.71 |

(2) Cash Related to Investing Activities

Cash Generated from Other Investing Activities

Unit: RMB

| Item | Reporting Period | Same period of last year |
|---|---------------------|--------------------------|
| Cash paid for acquiring minority shareholders' equity of subsidiaries | 3,060,000.00 | |
| Total | 3,060,000.00 | |

Changes in liabilities arising from financing activities

Applicable Not applicable

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

Unit: RMB

| Supplemental information | Reporting Period | Same period of last year |
|---|------------------|--------------------------|
| 1. Reconciliation of net profit to net cash flows generated from operating activities: | | |
| Net profit | 57,974,422.45 | 24,617,564.88 |
| Add: Provision for impairment of assets | 23,624,390.85 | 14,403,371.83 |
| Credit impairment loss | 264,721.24 | -1,229,820.12 |
| Depreciation of fixed assets, of investment properties | 77,960,321.01 | 84,324,061.52 |
| Depreciation of right-of-use assets | | |
| Amortization of intangible assets | 7,982,234.77 | 6,806,448.55 |
| Amortization of long-term deferred expenses | 370,975.00 | 352,927.75 |
| Losses on disposal of fixed assets, intangible assets and other long-term assets (gains by “-”) | -36,192,896.62 | -304,377.71 |
| Losses on the scrapping of fixed assets (gains by “-”) | 1,241.36 | 418,860.88 |
| Losses on the changes in fair value (gains by “-”) | 19,942,996.94 | 65,938,196.89 |
| Financial expenses (gains by “-”) | 6,879,479.25 | -5,722,709.73 |
| Investment losses (gains by “-”) | -12,447,671.04 | -27,579,840.87 |
| Decrease in deferred income tax assets (increase by “-”) | -891,709.88 | -4,939,342.20 |
| Increase in deferred income tax liabilities (decrease by “-”) | -1,036,516.76 | -13,138,408.15 |
| Decrease in inventory (increase by “-”) | 38,494,171.42 | -44,365,062.06 |
| Decrease in accounts receivable from operating activities (increase by “-”) | 27,201,877.65 | -515,169,470.57 |
| Increase in payables from operating activities (decrease by “-”) | 54,591,560.15 | 264,499,562.26 |
| Other | 24,842,951.28 | -3,204,931.85 |
| Net cash flows generated from operating activities | 289,562,549.07 | -154,292,968.70 |
| 3. Investing and financing activities that do not involve cash receipts and payment: | | |
| Debt transferred as capital | | |
| Convertible corporate bond due within one year | | |
| Fixed assets from financing lease | | |
| 3. Net increase in cash and cash equivalents | | |

| | | |
|---|------------------|----------------|
| Ending balance of cash | 1,248,067,921.44 | 892,681,884.84 |
| Less: Beginning balance of cash | 892,681,884.84 | 971,629,523.46 |
| Add: Ending balance of cash equivalents | | |
| Less: Beginning balance of cash equivalents | | |
| Net increase in cash and cash equivalents | 355,386,036.60 | -78,947,638.62 |

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

Unit: RMB

| Item | Reporting Period |
|---|------------------|
| Cash received from significant investing activities | |
| Including: Cash Received from Redemption of Wealth Management Products, Structured Deposits, and Debt Investments | 1,208,296,869.30 |
| Cash paid for significant investing activities | |
| Including: Cash paid for purchase of wealth management products and structured deposits | 1,252,153,606.00 |

(3) Cash and Cash Equivalents

Unit: RMB

| Item | Ending balance | Beginning balance |
|--|------------------|-------------------|
| I. Cash | 1,248,067,921.44 | 892,681,884.84 |
| Including: Cash on hand | 164,159.29 | 84,482.59 |
| Bank deposit on demand | 1,247,225,051.01 | 891,972,475.61 |
| Other monetary assets on demand | 678,711.14 | 624,926.64 |
| Accounts deposited in the central bank available for payment | | |
| Deposits in other banks | | |
| Accounts of interbank | | |
| II. Cash equivalents | | |
| Of which: Bond investment expired within three months | | |
| III. Ending balance of cash and cash equivalents | 1,248,067,921.44 | 892,681,884.84 |
| Of which: Cash and cash equivalents with restriction in use for the Company as the parent or subsidiaries of the Group | | |

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

Unit: RMB

| Item | Opening balance | Increase | | Decrease | | Closing balance |
|----------------------------------|-----------------|---------------|------------------|--------------|------------------|-----------------|
| | | Cash changes | Non-cash changes | Cash changes | Non-cash changes | |
| Short-term borrowings | 94,471,787.41 | 88,248,895.77 | 677,448.32 | | 94,471,787.41 | 88,926,344.09 |
| Other payables-dividends payable | 3,891,433.83 | | | | | 3,891,433.83 |
| Total | 98,363,221.24 | 88,248,895.77 | 677,448.32 | | 94,471,787.41 | 92,817,777.92 |

Note: The company's short-term borrowings are all formed by the discounting of undue bills. The increase in the current period is due to cash obtained from discounting and changes in discount interest, while the decrease in the current period is due to the maturity of bills.

56. Foreign Currency Monetary Items**(1) Foreign Currency Monetary Items**

Unit: RMB

| Item | Ending foreign currency balance | Exchange rate | Ending balance converted to RMB |
|---------------------|---------------------------------|---------------|---------------------------------|
| Monetary assets | | | 186,930,889.19 |
| Of which: USD | 26,542,835.33 | 7.029 | 186,564,280.96 |
| HKD | 405,890.29 | 0.903 | 366,608.23 |
| Accounts receivable | | | 95,036,209.38 |
| Of which: USD | 13,520,168.47 | 7.029 | 95,036,209.38 |
| Accounts payable | | | 2,126.92 |
| Of which: USD | 302.60 | 7.029 | 2,126.92 |

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

Applicable Not applicable

57. Lease**(1) The Company Was Lessor:**

Operating leases with the Company as lessor

Applicable Not applicable

Unit: RMB

| Item | Rental income | Of which: income related to variable lease payments not included in lease receipts |
|--------------|---------------|--|
| Lease income | 2,271,487.77 | |
| Total | 2,271,487.77 | |

Finance leases with the Company as lessor

Applicable Not applicable

Undiscounted lease receipts for each of the next five years

Applicable Not applicable

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

VIII. Research and Development Expenditure

Unit: RMB

| Item | Amount for the current period | Amount for the previous period |
|---|-------------------------------|--------------------------------|
| Direct input | 48,019,192.91 | 46,708,069.23 |
| Employee remuneration | 22,514,941.63 | 24,323,024.76 |
| Depreciation and amortization | 5,491,356.08 | 5,756,990.16 |
| Outsourcing development fees | 250,000.00 | 704,000.00 |
| Others | 7,401,272.75 | 5,909,393.45 |
| Total | 83,676,763.37 | 83,401,477.60 |
| Of which: Expensed research and development expenditure | 83,676,763.37 | 83,401,477.60 |
| Capitalized research and development expenditure | | |

IX. Change in consolidation scope**1. Changes in consolidation scope due to other reasons**

Explain the changes in the consolidation scope caused by other reasons (such as the establishment of new subsidiaries, liquidation of subsidiaries, etc.) and their related circumstances:

On November 22, 2024, our company held the fifth extraordinary meeting of the board of directors for 2024, at which the "Proposal on the Merger of Changzhou Changchai Horizon Agricultural Equipment Co., Ltd. and Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd." was deliberated and approved. The board of directors agreed that Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd., a wholly-owned subsidiary, would inherit all assets, liabilities, businesses, and all other rights and obligations of Changzhou Changchai Horizon Agricultural Equipment Co., Ltd., a wholly-owned subsidiary, through an overall merger. After the merger is completed, Changchai Robin will continue to operate normally, and the independent legal entity status of Horizon Agricultural Equipment will be cancelled.

On June 9, 2025, our company held the third extraordinary meeting of the board of directors for 2025, at which the "Proposal on the Merger of Changzhou Changchai Benniu Diesel Engine Parts Co., Ltd. and Changzhou Changniu Machinery Co., Ltd." was deliberated and approved. The board of directors agreed that Changzhou Changniu Machinery Co., Ltd., a wholly-owned subsidiary, would merge with Changzhou Changchai Benniu Diesel Engine Parts Co., Ltd., another wholly-owned subsidiary, through an overall merger by absorption, inheriting all assets, liabilities, businesses, and all other rights and obligations of the original Changben Company. After the merger, Changniu Company will continue its normal operations, while the independent legal entity status of Changben Company will be cancelled.

X. Equity in Other Entities

1. Equity in Subsidiary

(1) Subsidiaries

Unit: RMB

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

| | | | | | | | |
|--|--------------|-----------|-----------|----------|---------|--|--|
| Changzhou Xingsheng Property Management Co., Ltd. | 1,000,000.00 | Changzhou | Changzhou | Service | 100.00% | | Set-up |
| Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. | 2,000,000.00 | Zhenjiang | Zhenjiang | Industry | 52.00% | | Combination not under the same control |

Note: The Company holds a 49% equity interest in Zhenjiang Siyang, making it the largest shareholder. With other shareholders being relatively dispersed, and given that the Company appoints 4 out of the 7 board members of Zhenjiang Siyang (including the Chairman), the Company is the de facto controlling party of Zhenjiang Siyang, meeting the consolidation criteria. The company acquired 3% of the shares of Zhenjiang Siyang held by its minority shareholders during the current period, and at the end of the period, the company's shareholding ratio in Zhenjiang Siyang was 52%.

(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% | 748,155.81 | | 21,428,861.12 |
| Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. | 48.00% | 6,405,279.80 | | 60,548,901.24 |

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

Other notes: The company acquired 3% of the equity of Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd., a subsidiary held by minority shareholders, during the current period. For details, please refer to Note VII, 33.

(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. | 57,131,342.54 | 20,632,914.84 | 77,764,257.38 | 22,284,304.57 | 1,907,800.00 | 24,192,104.57 | 44,920,697.17 | 21,532,357.74 | 66,453,054.91 | 15,334,923.96 | | 15,334,923.96 |
| Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. | 124,449,839.06 | 21,043,876.66 | 145,493,715.72 | 20,906,504.43 | 84,677.08 | 20,991,181.51 | 104,849,374.35 | 22,695,139.48 | 127,544,513.83 | 16,537,400.72 | 61,700.00 | 16,599,100.72 |

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. | 51,637,856.67 | 1,870,389.53 | 1,870,389.53 | -1,701,218.61 | 40,738,284.52 | 679,056.41 | 679,056.41 | 2,764,335.63 |

| | | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. | 77,022,432.90 | 12,864,327.55 | 12,864,327.55 | 40,567,884.74 | 69,479,046.40 | 11,482,443.77 | 11,482,443.77 | 3,116,694.39 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|

2. Transactions where there is a change in the owner's equity share of a subsidiary and the parent company still controls the subsidiary

(1) Explanation of changes in the owner's equity share of subsidiaries

At the beginning of the period, our company held 49% of the shares in Zhenjiang Siyang. During the current period, we acquired 3% of the shares in Zhenjiang Siyang held by minority shareholders. At the end of the period, our company's shareholding ratio in Zhenjiang Siyang was 52%.

(2) The impact of transactions on minority shareholders' equity and owner's equity attributable to the parent company

Unit: RMB

| Items | Amount |
|--|--------------|
| Purchase cost/disposal consideration | 3,060,000.00 |
| --Cash | |
| -- Fair value of non-cash assets | |
| Total of purchase cost/disposal consideration | 3,060,000.00 |
| Less: Share of net assets of subsidiaries calculated based on the proportion of equity acquired/disposed | 3,620,758.06 |
| Difference | |
| Of which: Adjusted capital reserves | 560,758.06 |
| Adjusted surplus reserves | |
| Adjusted undistributed profits | |

3. Equity in structured entities not included in the scope of consolidated financial statements

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

1. In 2017, the Company set up Changzhou Xietong Private Equity Fund (Limited Partnership) together with Synergetic Innovation Fund Management Co., Ltd. through joint investment. On 18 October 2018 and 3 December 2020, new partners were respectively added. Partnership Shares transfer was made on 29 December 2022 and 10 October 2023. In line with the revised Partnership Agreement, the general partner is Synergetic Innovation Fund Management Co., Ltd., and the limited partners are Changchai Company, Limited, Changzhou

Zhongyou Petroleum Sales Co., Ltd., Changzhou Fuel Co., Ltd., Tong Yinzhu, Tong Yinxin, Anhui Haiyunzhou Equity Investment Partnership Enterprise (Limited), Shenzhen Jiaxin One Venture Capital Partnership (limited partnership), Zhong Wende and Qingdao Yinjiahui Industrial Investment Partnership Enterprise (Limited Partnership). In accordance with the Partnership Agreement, the limited partner does not execute the partnership affairs. Thus, the Company does not control Changzhou Xietong Private Equity Fund (Limited Partnership) and did not include it into the scope of consolidated financial statements.

2. The company's subsidiary, Changzhou Horizon Investment Co., Ltd., together with Changzhou Investment Group Co., Ltd. and Changzhou Xinhui Private Equity Fund Management Co., Ltd., jointly initiated the establishment of Changzhou Changtong Xinhui No.1 Equity Investment Fund (Limited Partnership). According to the Partnership Agreement, the company has significant influence over Changzhou Changtong Xinhui No.1 Equity Investment Fund (Limited Partnership), and therefore adopts the equity method for accounting and includes it in other non-current assets.

XI. Government Grants

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

Applicable Not applicable

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

Applicable Not applicable

2. Liability Items Involving Government Grants

Applicable Not applicable

Unit: RMB

| Accounting items | Beginning balance | Amount of new subsidy | Amount recorded into non-operating income in the Reporting Period | Amount recorded into other income in the Reporting Period | Other changes | Ending balance | Related to assets/related income |
|------------------|-------------------|-----------------------|---|---|---------------|----------------|----------------------------------|
| Deferred income | 29,386,167.02 | | | 3,409,729.46 | | 25,976,437.56 | Related to assets |

3. Government Grants Recognized as Current Profit or Loss

Applicable Not applicable

Unit: RMB

| Accounting items | Amount for the current period | Amount for the previous period |
|------------------|-------------------------------|--------------------------------|
| Other income | 19,536,041.34 | 7,553,294.84 |

XII. The Risk Related to Financial Instruments

1. Various Types of Risks Arising from Financial Instruments

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

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

1. Risk Management Objectives and Policies

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

(1) Market Risk

① Foreign Exchange Risk

Foreign exchange risk refers to the risk of loss due to exchange rate fluctuations. The Company is primarily exposed to foreign exchange risk related to USD and EUR. Apart from overseas operations denominated in USD and EUR, the Company's other major business activities are settled in RMB. As of December 31, 2025, the Company's foreign currency monetary items include cash and cash equivalents, accounts receivable, and accounts payable (see Note VII.56). The foreign exchange risk arising from these assets and liabilities may impact the Company's financial performance.

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

② Interest Rate Risk – Cash Flow Variability Risk

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

③ Other Price Risk

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

(2) Credit Risk

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

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

The company only conducts transactions with approved and reputable third parties. In accordance with the company's policy, we conduct credit checks on all customers who request to conduct transactions on credit. Additionally, the company continuously monitors the balance of accounts receivable to ensure that we do not face significant bad debt risks.

Since the counterparties for monetary funds and bank acceptance bills receivable are banks with good reputations and high credit ratings, the credit risk associated with these financial instruments is relatively low.

The Company's other financial assets include accounts receivable, other receivables, etc. The credit risk of these financial assets arises from default by the counterparty, with the maximum exposure to risk equal to the carrying amount of these instruments.

As the company only conducts transactions with approved and reputable third parties, there is no need for collateral. Credit risk concentration is managed on a customer-by-customer basis. As of December 31, 2025, the company had specific credit risk concentrations, with 60.63% (December 31, 2024: 60.75%) of the company's accounts receivable balance coming from its top five customers. The company does not hold any collateral or other credit enhancements for its accounts receivable balance.

Judgment criteria for significant increase in credit risk

The Company assesses whether the credit risk of relevant financial instruments has significantly increased since initial recognition on each balance sheet date. In determining whether credit risk has significantly increased since initial recognition, the Company considers obtaining reasonable and well-founded information without unnecessary additional cost or effort, including qualitative and quantitative analysis based on the Company's historical data, external credit risk ratings, and forward-looking information. The Company determines the change in default risk during the expected lifespan of financial instruments by comparing the risk of default on the balance sheet date with the risk of default on the initial recognition date, based on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics.

When one or more of the following quantitative and qualitative criteria are triggered, the Company believes that the credit risk of financial instruments has significantly increased:

The quantitative criterion primarily involves the increase in the probability of default during the remaining duration as of the reporting date exceeding a certain percentage compared to the initial recognition

Qualitative criteria: Major adverse changes in the primary debtor's operational or financial situation, early warning customer list, etc

Definition of assets with credit impairment

To determine whether credit impairment has occurred, the criteria adopted by our company are consistent with our internal credit risk management objectives for relevant financial instruments, taking into account both quantitative and qualitative indicators. When assessing whether a debtor has experienced credit impairment, our company primarily considers the following factors:

- The issuer or debtor encounters significant financial difficulties;
- The debtor breaches the contract, such as defaulting on or delaying the payment of interest or principal;
- The creditor, due to economic or contractual considerations related to the debtor's financial difficulties, grants concessions that the debtor would not otherwise make;
- The debtor is highly likely to go bankrupt or undergo other financial restructuring;
- The disappearance of an active market for the financial asset due to financial difficulties of the issuer or debtor;

·Purchasing or originating a financial asset at a significant discount, which reflects the fact of credit losses incurred;

The credit impairment of financial assets may be caused by the combined effects of multiple events, and it is not necessarily due to a single identifiable event.

Parameters for the measurement of expected credit losses

Based on whether there has been a significant increase in credit risk and whether credit impairment has occurred, the Company measures the impairment provision for different assets using the expected credit losses over a 12-month period or the entire duration. The key parameters for measuring expected credit losses include probability of default, loss given default, and exposure at default. The Company considers quantitative analysis of historical statistical data (such as counterparty rating, guarantee method, collateral type, repayment method, etc.) and forward-looking information to establish models for probability of default, loss given default, and exposure at default.

The relevant definitions are as follows:

·Default probability refers to the likelihood that a debtor will be unable to fulfill its repayment obligations within the next 12 months or throughout the remaining duration. The default probability of our company is adjusted based on the results of the credit loss model, incorporating forward-looking information to reflect the default probability of debtors in the current macroeconomic environment;

·Default loss rate refers to the expectation of the company regarding the extent of loss incurred due to default risk exposure. Depending on the type of counterparty, the method and priority of recourse, as well as the difference in collateral, the default loss rate varies. The default loss rate is the percentage of risk exposure loss at the time of default, calculated based on the next 12 months or the entire duration;

·Exposure at default refers to the amount that the company should be repaid in the event of default, either within the next 12 months or throughout the remaining duration.

Forward-looking information

The assessment of significant increases in credit risk and the calculation of expected credit losses both involve forward-looking information. The Company identifies key economic indicators that affect credit risk and expected credit losses across various business types through historical data analysis.

The impact of these economic indicators on default probability and default loss rate varies across different business types. In this process, our company utilizes expert judgment. Based on the results of expert judgment, we make annual predictions for these economic indicators and determine their impact on default probability and default loss rate through regression analysis.

(3) Liquidity Risk

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

2. Financial Assets

(1) Classification of Transfer Methods

Applicable Not applicable

Unit: RMB

| Transfer method | Nature of transferred financial assets | Amount of transferred financial assets | Recognition termination or not | Basis for recognition termination |
|-----------------------|--|--|--------------------------------|---|
| Endorsement /discount | Notes receivable | 136,251,951.53 | Not derecognized | The Company retains substantially all of the risks and rewards, including the risk of default associated with its |
| Endorsement /discount | Accounts receivable financing | 579,965,650.49 | Derecognized | The Company transfers almost all the risks and rewards |
| Total | | 716,217,602.02 | | |

(2) Financial Assets Derecognized due to Transfer

Applicable Not applicable

Unit: RMB

| Item | Transfer method of financial assets | Amount of derecognized financial assets | Gains or losses related to derecognition |
|-------------------------------|-------------------------------------|---|--|
| Accounts receivable financing | Endorsement | 33,922,886.93 | |
| Accounts receivable financing | Discount | 546,042,763.56 | -2,617,827.87 |
| Total | | 579,965,650.49 | -2,617,827.87 |

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

Applicable Not applicable

Unit: RMB

| Item | Transfer method of assets | Amount of assets resulting from continued involvement | Amount of liabilities resulting from continued involvement |
|------------------|---------------------------|---|--|
| Notes receivable | Endorsement | 59,152,351.53 | 59,152,351.53 |
| Notes receivable | Discount | 77,099,600.00 | 77,099,600.00 |
| Total | | 136,251,951.53 | 136,251,951.53 |

XIII. 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 | Fair value measurement items | Fair value measurement items | Total |
| | | | | |

| | at level 1 | at level 2 | at level 3 | |
|--|----------------|----------------|----------------|----------------|
| I. Consistent fair value measurement | -- | -- | -- | -- |
| (I) Trading financial assets | | | | |
| 1. Financial assets at fair value through profit or loss | | | | |
| (1) Debt instrument investment | | | | |
| (2) Equity instrument investment | 73,740,010.00 | | | 73,740,010.00 |
| (3) Derivative financial assets | | | | |
| (4) Wealth management investments | | 298,444,679.98 | | 298,444,679.98 |
| 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 | 665,300,000.00 | | 316,061,295.81 | 981,361,295.81 |
| (IV) Investment property | | | | |
| 1. Land use right for lease | | | | |

| | | | | |
|--|----------------|----------------|----------------|------------------|
| 2. Buildings leased out | | | | |
| 3. Land use right held and planned to be transferred once appreciating | | | | |
| (V) Living assets | | | | |
| 1. Consumptive living assets | | | | |
| 2. Productive living assets | | | | |
| Accounts receivable financing | | | 165,125,708.93 | 165,125,708.93 |
| Other non-current financial assets | | | 337,118,757.03 | 337,118,757.03 |
| Total assets consistently measured by fair value | 739,040,010.00 | 298,444,679.98 | 818,305,761.77 | 1,855,790,451.75 |
| (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 other non-current financial assets:

The equity instrument investment in Jiangsu Horizon New Energy Technology Co., Ltd. (a manufacturer of lithium battery separators whose main products include coated products and base films, primarily used in new energy vehicle power batteries, 3C consumer batteries, and energy storage batteries) is characterized by high technical complexity, lengthy R&D cycles, and substantial capital investment. The company is in a rapid development phase, with numerous investment projects still under construction that have not yet generated stable revenue or profits. However, financing activities have been frequent, with five equity financings conducted in the past three years. Accordingly, the Company has determined the fair value of this equity investment using the most recent financing price adjustment method and engaged an appraisal firm to validate the valuation.

(3) Among other equity instrument investments, the investments in Chengdu Changwan Diesel Engine Sales Co., Ltd., Chongqing Wanzhou Changwan Diesel Engine Parts Co., Ltd., Changzhou Economic and Technological Development Company, Changzhou Tractor Company, Changzhou Industrial Capital Mutual Aid Association of the Economic Commission, and Beijing Engineering Machinery Agricultural Machinery Company, totaling RMB

1.21 million, are measured at a fair value of RMB 0.00 due to the recoverability of the invested amounts.

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

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

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

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

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

7. Fair Value Information of Financial Assets and Liabilities Not Measured at Fair Value

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

XIV. Related Party and Related-party Transactions

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

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

Information about the parent company of the enterprise:

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

issued by Jiangsu Provincial Department of Finance and five other departments, and the "Notice on Transferring Part of Municipal (District) State-owned Capital to Enrich Social Security Funds" (Chang Caigongmao [2020] No. 4) issued by Changzhou Municipal Finance Bureau and four other departments, 10% of the state-owned equity of the Investment Group held by the People's Government of Changzhou was transferred to Jiangsu Provincial Department of Finance without compensation. After the equity transfer, the People's Government of Changzhou holds 90% of the state-owned equity of Changzhou Investment Group Co., Ltd., and Jiangsu Provincial Department of Finance holds 10% of the state-owned equity of Changzhou Investment Group Co., Ltd. According to the document of the People's Government of Changzhou (Chang Zhengfa [2006] No. 62), Changzhou Investment Group Co., Ltd. is an enterprise where the State-owned Assets Supervision and Administration Commission of Changzhou performs the investor's responsibilities as authorized by the People's Government of Changzhou. Therefore, Changzhou Investment Group Co., Ltd. is the controlling shareholder of the company, and the State-owned Assets Supervision and Administration Commission of Changzhou remains the actual controller of the company. The ultimate controlling party of the enterprise is the State-owned Assets Supervision and Administration Commission of Changzhou.

2. Subsidiaries of the Company

Refer to Note X for details.

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

Refer to Note VII, 11, Long-term equity investment for details.

4. Information on Other Related Parties

| Name of other related parties | Relationship with the Company |
|---|---|
| Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership) | Participated in establishing the industrial investment fund |
| Changzhou Changtou Xinhui No.1 Equity Investment Fund (Limited Partnership) | The industrial investment fund established with the participation of our subsidiary, Changzhou Horizon Investment Co., Ltd. |
| Jiangsu Horizon New Energy Technology Co., Ltd. | Shareholding enterprise of the Company |

5. Related Party Transactions

(1) Compensation for key management personnel

Unit: RMB

| Item | Current amount incurred | Amount incurred in the previous period |
|---|-------------------------|--|
| Compensation for key management personnel | 7,607,793.80 | 8,896,700.00 |

(2) Other related-party transactions

Our subsidiary, Changzhou Horizon Investment Co., Ltd., jointly invested with Changzhou Investment Group Co., Ltd. and Changzhou Xinhui Private Equity Fund Management Co., Ltd. to establish the Changzhou Changtuo Xinhui No.1 Equity Investment Fund (Limited Partnership) in the current period. As of December 31, 2025, our company has paid a total investment of RMB 3.91 million to the Changzhou Changtuo Xinhui No.1 Equity Investment Fund (Limited Partnership). Apart from this matter, our company has no other related-party transactions during the reporting period.

6. Related-party receivables and payables

There were no related-party receivables or payables during the reporting period.

XV. Commitments and Contingency

1. Significant Commitments

Significant commitments on balance sheet date

As of 31 December 2025, there was no significant commitment for the Company to disclose.

2. Contingency

(1) Significant Contingency on Balance Sheet Date

None.

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

There was no significant contingency in the Company.

XVI. Events after Balance Sheet Date

1. Profit Distribution

Unit: RMB

| | |
|---|------|
| Dividend to be distributed for every 10 shares (RMB) | 0.22 |
| Bonus shares to be distributed for every 10 shares (share) | 0 |
| Additional shares to be converted from capital reserve for every 10 shares (share) | 0 |
| Dividend for every 10 shares (RMB) declared after review and approval | 0.22 |
| Bonus shares to be distributed for every 10 shares (share) declared after review and approval | 0 |
| Additional shares to be converted from capital reserve | 0 |

| | |
|--|--|
| for every 10 shares (share) declared after review and approval | |
| Profit distribution plan | It is proposed to distribute a cash dividend of RMB 0.22 (tax included) per 10 shares to all shareholders, based on the total share capital of 705,692,507 shares as of December 31, 2025. No bonus shares will be issued, and no capital reserves will be converted into share capital. The total cash distribution amounts to RMB 15,525,235.15. The above distribution plan still needs to be reviewed and approved by the shareholders' meeting. |

2. Notes to Other Events after Balance Sheet Date

There was no other event after balance sheet date.

XVII. Other Significant Events

1. Segment Information

(1) Basis for Determining Reportable Segments and Accounting Policies

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

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

The People's Government of Xinbei District, Changzhou, in its "Announcement of the Decision on the Expropriation of Houses on State-owned Land by the People's Government of Xinbei District, Changzhou" (Changxin Zhenggao [2022] No. 6), has decided to expropriate the houses within the scope of the old city reconstruction project of the single-cylinder engine factory of Changchai Co., Ltd. (hereinafter referred to as "the Company"), specifically the Changzhou Sanjing Branch of Changchai Co., Ltd. On November 29, 2023, the Company signed a compensation agreement with the Housing and Urban-Rural Development Bureau of Changzhou National Hi-Tech District (Xinbei) and the Housing Expropriation and Compensation Service Center of Sanjing Subdistrict, Xinbei District, Changzhou (hereinafter referred to as "Sanjing Subdistrict"), with a total agreed compensation amount of RMB 99,929,868. According to the payment terms stipulated in the Compensation Agreement, the Company has received the first installment of compensation (30% of the compensation amount) of RMB 30,000,000 (including RMB 1,000,000 received on December 29, 2023 and RMB 29,000,000 received on January 3, 2024). The relevant land expropriation work is currently in progress.

XVIII. Notes of Main Items in the Financial Statements of the Company as the Parent**1. Accounts Receivable****(1) Disclosure by Aging**

Unit: RMB

| Aging | Ending carrying amount | Beginning carrying amount |
|------------------------------------|------------------------|---------------------------|
| Within one year (including 1 year) | 428,915,050.18 | 421,962,024.85 |
| One to two years | 838,239.49 | 6,757,507.16 |
| Two to three years | 1,013,190.45 | 936,696.44 |
| More than three years | 94,742,934.74 | 99,831,716.27 |
| Three to four years | 895,540.14 | 4,041,196.12 |
| Four to five years | 3,627,859.05 | 4,363,228.39 |
| Over 5 years | 90,219,535.55 | 91,427,291.76 |
| Total | 525,509,414.86 | 529,487,944.72 |

(2) Disclosure by Withdrawal Methods for Bad Debts

Unit: RMB

| Category | Ending balance | | | | | Beginning balance | | | | |
|---|-------------------|------------|--------------------|-----------------------|----------------|-------------------|------------|--------------------|-----------------------|----------------|
| | Carrying amount | | Bad debt provision | | Carrying value | Carrying amount | | Bad debt provision | | Carrying value |
| | Amount | Proportion | Amount | Withdrawal proportion | | Amount | Proportion | Amount | Withdrawal proportion | |
| Accounts receivable withdrawal of Bad debt provision separately accrued | 15,584.0 15.34 | 2.97 % | 15,584.0 15.34 | 100.0 0% | 0.00 | 14,107.9 82.76 | 2.66 % | 14,107.9 82.76 | 100.0 0% | 0.00 |

| | | | | | | | | | | |
|---|----------------|---------|----------------|---------|----------------|----------------|---------|----------------|---------|----------------|
| Of which: | | | | | | | | | | |
| Accounts receivable withdrawal of bad debt provision of by group | 509,925,399.52 | 97.03 % | 87,572,558.80 | 17.17 % | 422,352,840.72 | 515,379,961.96 | 97.34 % | 90,433,295.55 | 17.55 % | 424,946,666.41 |
| Of which: | | | | | | | | | | |
| Accounts receivable with provision for bad debts based on credit risk characteristics portfolio | 509,925,399.52 | 97.03 % | 87,572,558.80 | 17.17 % | 422,352,840.72 | 514,704,286.47 | 97.21 % | 90,433,295.55 | 17.57 % | 424,270,990.92 |
| Total | 525,509,414.86 | — | 103,156,574.14 | — | 422,352,840.72 | 529,487,944.72 | — | 104,541,278.31 | — | 424,946,666.41 |

Provision for bad debts assessed individually: RMB15,584,015.34, including significant impairment items totaling RMB13,532,178.26. The details are as follows:

Unit: RMB

| Name | Beginning balance | | Ending balance | | | |
|------|-------------------|--------------------|-----------------|--------------------|-----------------------|---------------------|
| | Carrying amount | Bad debt provision | Carrying amount | Bad debt provision | Withdrawal proportion | Reason for withdraw |
| | | | | | | |

| | | | | | | |
|--------------|----------------------|----------------------|----------------------|----------------------|-----------|----------------------|
| Customer 1 | 0.00 | 0.00 | 3,543,464.15 | 3,543,464.15 | 100.00% | Difficult to recover |
| Customer 2 | 2,584,805.83 | 2,584,805.83 | 2,584,805.83 | 2,584,805.83 | 100.00% | Difficult to recover |
| Customer 3 | 2,797,123.26 | 2,797,123.26 | 2,254,860.60 | 2,254,860.60 | 100.00% | Difficult to recover |
| Customer 4 | 1,902,326.58 | 1,902,326.58 | 1,902,326.58 | 1,902,326.58 | 100.00% | Difficult to recover |
| Customer 5 | 1,759,397.30 | 1,759,397.30 | 1,682,721.03 | 1,682,721.03 | 100.00% | Difficult to recover |
| Customer 6 | 1,564,000.07 | 1,564,000.07 | 1,564,000.07 | 1,564,000.07 | 100.00% | Difficult to recover |
| Total | 10,607,653.04 | 10,607,653.04 | 13,532,178.26 | 13,532,178.26 | -- | -- |

Withdrawal of bad debt provision by group:

Unit: RMB

| Item | Ending balance | | |
|---------------|-----------------------|----------------------|-----------------------|
| | Carrying amount | Bad debt provision | Withdrawal proportion |
| Within 1 year | 428,712,502.11 | 8,574,250.04 | 2.00 % |
| 1 to 2 years | 838,239.49 | 41,911.97 | 5.00 % |
| 2 to 3 years | 1,013,190.45 | 151,978.57 | 15.00% |
| 3 to 4 years | 372,577.04 | 111,773.11 | 30.00% |
| 4 to 5 years | 740,613.29 | 444,367.97 | 60.00% |
| Over 5 years | 78,248,277.14 | 78,248,277.14 | 100.00% |
| Total | 509,925,399.52 | 87,572,558.80 | |

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

Applicable Not applicable

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

Unit: RMB

| Category | Beginning balance | Changes in the current period | | | | Ending balance |
|------------------------------------|-------------------|-------------------------------|-----------------------|--------------|--------|----------------|
| | | Withdrawal | Reversed or recovered | Verification | Others | |
| Bad debt provision accrued by item | 14,107,982.76 | 3,499,405.88 | 553,262.66 | 1,470,110.64 | | 15,584,015.34 |

| | | | | | | |
|---|----------------|---------------|------------|--------------|--|----------------|
| Withdrawal of bad debt provision by group | 90,433,295.55 | -2,860,736.75 | | | | 87,572,558.80 |
| Total | 104,541,278.31 | 638,669.13 | 553,262.66 | 1,470,110.64 | | 103,156,574.14 |

(4) Accounts Receivable Written-off in Current Period

Unit: RMB

| Item | Written-off amount |
|--|--------------------|
| Accounts receivable with actual verification | 1,470,110.64 |

Of which the verification of significant accounts receivable:

Unit: RMB

| Name of the entity | Nature of the accounts receivable | Verified amount | Reason for verification | Verification procedures performed | Arising from related-party transactions or not |
|--------------------|-----------------------------------|-----------------|--|-----------------------------------|--|
| Customer 1 | Accounts receivable for goods | 1,470,110.64 | The portion unrecoverable after mutual mediation | Minutes of the Executive Office | No |
| Total | | 1,470,110.64 | | | |

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

Unit: RMB

| Name of the entity | Ending balance of accounts receivable | Ending balance of contract assets | Ending balance of accounts receivable and contract assets | Proportion to total ending balance of accounts receivable and contract assets | Ending balance of bad debt provision of accounts receivable and impairment provision for contract assets |
|--------------------|---------------------------------------|-----------------------------------|---|---|--|
| Customer 1 | 268,525,021.53 | 0.00 | 268,525,021.53 | 51.10% | 5,370,500.43 |
| Customer 2 | 32,598,371.99 | 0.00 | 32,598,371.99 | 6.20% | 651,967.44 |
| Customer 3 | 24,345,164.30 | 0.00 | 24,345,164.30 | 4.63% | 486,903.29 |
| Customer 4 | 18,747,411.60 | 0.00 | 18,747,411.60 | 3.57% | 374,948.23 |
| Customer 5 | 16,814,723.38 | 0.00 | 16,814,723.38 | 3.20% | 336,294.47 |

| | | | | | |
|-------|----------------|------|----------------|--------|--------------|
| Total | 361,030,692.80 | 0.00 | 361,030,692.80 | 68.70% | 7,220,613.86 |
|-------|----------------|------|----------------|--------|--------------|

2. Other Receivables

Unit: RMB

| Item | Ending balance | Beginning balance |
|---------------------|----------------|-------------------|
| Dividend receivable | | 7,165,080.00 |
| Other receivables | 20,239,727.26 | 17,123,687.65 |
| Total | 20,239,727.26 | 24,288,767.65 |

(1) Dividend receivable

Unit: RMB

| Projects (or Investee Entities) | Ending balance | Beginning balance |
|---|----------------|-------------------|
| Jiangsu Bank 2024 Interim Dividend Announcement | | 7,165,080.00 |
| Total | | 7,165,080.00 |

(2) Other Receivables

1) Other Receivables Classified by Accounts Nature

Unit: RMB

| Nature | Ending carrying value | Beginning carrying value |
|---|-----------------------|--------------------------|
| Related-party transactions within the consolidation scope | 15,000,000.00 | 31,828,957.95 |
| Margin and cash pledge | 1,300.00 | 1,300.00 |
| Other entity current accounts | 20,326,696.60 | 20,438,842.07 |
| Accounts receivable for compensation | 3,348,087.00 | |
| Petty cash and borrowings by employees | 773,766.34 | 763,839.63 |
| Other | 13,683,078.59 | 13,697,080.26 |
| Total | 53,132,928.53 | 66,730,019.91 |

2) Disclosure by Aging

Unit: RMB

| Aging | Ending carrying amount | Beginning carrying amount |
|-------|------------------------|---------------------------|
|-------|------------------------|---------------------------|

| | | |
|----------------------------------|---------------|---------------|
| Within 1 year (including 1 year) | 4,957,985.45 | 5,982,988.63 |
| 1 to 2 years | 172,411.06 | 11,494,533.03 |
| 2 to 3 years | 6,104,059.03 | 16,754,590.84 |
| Over 3 years | 41,898,472.99 | 32,497,907.41 |
| 3 to 4 years | 9,176,485.76 | 281,647.36 |
| 4 to 5 years | 12,802.00 | 30,300.00 |
| Over 5 years | 32,709,185.23 | 32,185,960.05 |
| Total | 53,132,928.53 | 66,730,019.91 |

3) Disclosure by Withdrawal Methods for Bad Debts

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

Unit: RMB

| Bad debt provision | First stage | Second stage | Third stage | Total |
|---|--|--|--|---------------|
| | Expected credit loss of the next 12 months | Expected loss in the duration (credit impairment not occurred) | Expected loss in the duration (credit impairment occurred) | |
| Balance of 1 January 2025 | 38,895.08 | 44,388.98 | 49,523,048.20 | 49,606,332.26 |
| Balance of 1 January 2025 in the Current Period | — | — | — | — |
| --Transfer to Second stage | -8,620.55 | 8,620.55 | | |
| -- Transfer to Third stage | | | | |
| -- Reverse to Second stage | | | | |
| -- Reverse to First stage | | | | |
| Withdrawal of the Current Period | 68,885.18 | 31,846.80 | 29,000.00 | 129,731.98 |
| Reversal of the Current Period | | | 16,842,862.97 | 16,842,862.97 |
| Write-offs of the Current Period | | | | |

| | | | | |
|------------------------------------|-----------|-----------|---------------|---------------|
| Verification of the Current Period | | | | |
| Other changes | | | | |
| Balance of 31 December 2025 | 99,159.71 | 84,856.33 | 32,709,185.23 | 32,893,201.27 |

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

Applicable Not applicable

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

Withdrawal of bad debt provision:

Unit: RMB

| Category | Beginning balance | Changes in the current period | | | | Ending balance |
|---|----------------------|-------------------------------|-----------------------|-------------------------|--------|----------------------|
| | | Withdrawal | Reversed or recovered | Charged-off/Written-off | Others | |
| Bad debt provision separately accrued | 22,444,827.50 | | 16,842,862.97 | | | 5,601,964.53 |
| Withdrawal of bad debt provision by group | 27,161,504.76 | 129,731.98 | | | | 27,291,236.74 |
| Total | 49,606,332.26 | 129,731.98 | 16,842,862.97 | | | 32,893,201.27 |

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

Unit: RMB

| Name of the entity | Nature | Ending balance | Aging | Proportion to total ending balance of other receivables % | Ending balance of bad debt provision |
|---|---|----------------|-----------|---|--------------------------------------|
| Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd. | Related-party transactions within the consolidation scope | 15,000,000.00 | 2-4 years | 28.23% | |

| | | | | | |
|--|--------------------------------------|---------------|---------------|--------|--------------|
| Changzhou Xinbei District Sanjing Street Housing Expropriation and Compensation Service Center | Accounts receivable for compensation | 3,348,087.00 | Within 1 year | 6.30% | 66,961.74 |
| Changzhou Compressor Factory | Current accounts | 2,940,000.00 | Over 5 years | 5.53% | 2,940,000.00 |
| Changchai Group Imp. & Exp. Co., Ltd. | Current accounts | 2,853,188.02 | Over 5 years | 5.37% | 2,853,188.02 |
| Changzhou New District Accounting Center | Current accounts | 1,626,483.25 | Over 5 years | 3.06% | 1,626,483.25 |
| Total | | 25,767,758.27 | | 48.49% | 7,486,633.01 |

3. Long-term Equity Investment

Unit: RMB

| Item | Ending balance | | | Beginning balance | | |
|---|-----------------|-----------------------|----------------|-------------------|-----------------------|----------------|
| | Carrying amount | Depreciation reserves | Carrying value | Carrying amount | Depreciation reserves | Carrying value |
| Investment to subsidiaries | 871,339,449.94 | | 871,339,449.94 | 875,279,449.94 | 7,000,000.00 | 868,279,449.94 |
| Investment to joint ventures and associated enterprises | 44,182.50 | 44,182.50 | | 44,182.50 | 44,182.50 | |
| Total | 871,383,632.44 | 44,182.50 | 871,339,449.94 | 875,323,632.44 | 7,044,182.50 | 868,279,449.94 |

(1) Investment to Subsidiaries

Unit: RMB

| Investee | Beginning balance (carrying value) | Beginning balance of depreciation reserve | Increase/decrease for the current period | | | | Ending balance (Carrying value) | Ending balance of depreciation reserve |
|----------|------------------------------------|---|--|--------------------|------------------------------------|--------|---------------------------------|--|
| | | | Addition investment | Reduced investment | Withdrawal of impairment provision | Others | | |

| | | | | | | | | |
|---|--------------------|------------------|-------------------|-------------------|--|------------------|--------------------|--|
| Changchai Wanzhou Diesel Engine Co., Ltd. | 51,000,00 0.00 | | | | | | 51,000,00 0.00 | |
| Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd. | 96,466,50 0.00 | | | 96,466,50 0.00 | | | 0.00 | |
| Changzhou Changniu Machinery Co., Ltd. | | | 96,466,5 00.00 | | | | 96,466,50 0.00 | |
| Changzhou Horizon Investment Co., Ltd. | 40,000,00 0.00 | | | | | | 40,000,00 0.00 | |
| Changzhou Changchai Horizon Agricultural Equipment Co., Ltd. | 0.00 | 7,000,00 0.00 | | 7,000,000. 00 | | 7,000,00 0.00 | 0.00 | |
| Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. | 47,286,23 0.03 | | | | | | 47,286,23 0.03 | |
| Jiangsu Changchai Machinery Co., Ltd. | 591,835,9 19.91 | | | | | | 591,835,9 19.91 | |
| ChangzhouXin gsheng Property Management Co., Ltd. | 1,000,000. 00 | | | | | | 1,000,000. 00 | |

| | | | | | | | | | |
|--|----------------|--------------|---------------|----------------|------|--------------|----------------|---------------|--|
| Zhenjiang Siyang Diesel Engine Manufacturing Co., Ltd. | 40,690,800.00 | | 3,060,000.00 | | | | | 43,750,800.00 | |
| Total | 868,279,449.94 | 7,000,000.00 | 99,526,500.00 | 103,466,500.00 | 0.00 | 7,000,000.00 | 871,339,449.94 | | |

(2) Investment to Joint Ventures and Associated Enterprises

Unit: RMB

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

| | | | | | | | | | | | | |
|--|--|-----|--|--|--|--|--|--|--|--|--|-----|
| | | .50 | | | | | | | | | | .50 |
|--|--|-----|--|--|--|--|--|--|--|--|--|-----|

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

Applicable Not applicable

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

Applicable Not applicable

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

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

4. Operating Revenue and Cost of Sales

Unit: RMB

| Item | Reporting Period | | Same period of last year | |
|------------------|-------------------|------------------|--------------------------|------------------|
| | Operating revenue | Cost of sales | Operating revenue | Cost of sales |
| Main operations | 2,177,379,746.49 | 1,975,496,043.13 | 2,152,289,877.26 | 1,923,630,912.50 |
| Other operations | 127,932,965.74 | 118,401,110.19 | 109,306,807.66 | 102,287,240.76 |
| Total | 2,305,312,712.23 | 2,093,897,153.32 | 2,261,596,684.92 | 2,025,918,153.26 |

Breakdown information of operating income and operating cost:

Unit: RMB

| Category of contracts | Segment 1 | | Total | |
|------------------------------------|-------------------|------------------|-------------------|------------------|
| | Operating Revenue | Operating cost | Operating Revenue | Operating cost |
| Business Type | | | | |
| Of which: | | | | |
| Single-cylinder diesel engines | 1,039,065,471.40 | 956,261,219.23 | 1,039,065,471.40 | 956,261,219.23 |
| Multi-cylinder diesel engines | 1,036,670,744.76 | 931,816,500.68 | 1,036,670,744.76 | 931,816,500.68 |
| Other products | 57,176,337.41 | 52,482,133.87 | 57,176,337.41 | 52,482,133.87 |
| Fittings | 44,467,192.92 | 34,936,189.35 | 44,467,192.92 | 34,936,189.35 |
| Classification by operating region | | | | |
| Of which: | | | | |
| Sales in domestic market | 1,801,833,299.15 | 1,631,360,478.28 | 1,801,833,299.15 | 1,631,360,478.28 |
| Export sales | 375,546,447.34 | 344,135,564.85 | 375,546,447.34 | 344,135,564.85 |
| Total | 2,177,379,746.49 | 1,975,496,043.13 | 2,177,379,746.49 | 1,975,496,043.13 |

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

The amount of revenue corresponding to performance obligations of contracts signed but not performed or not fully performed yet was RMB0 at the period-end.

5. Investment Income

Unit: RMB

| Item | Reporting Period | Same period of last year |
|--|---------------------|--------------------------|
| Investment income from disposal of held-for-trading financial assets | 6,048,202.02 | 6,671,015.98 |
| Dividend income from holding of other equity instrument investment | 5,016,960.00 | 18,163,080.00 |
| Interest income from holding of debt obligation investments | | 499,990.25 |
| Accounts receivable financing-discount interest of bank acceptance bills | -2,155,823.30 | -2,778,698.46 |
| Income from refinancing operations | | 95,937.38 |
| Gains and losses from debt restructuring | -51,260.02 | |
| Total | 8,858,078.70 | 22,651,325.15 |

XIX. 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 | 36,192,896.62 | |
| 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) | 15,437,236.88 | During the reporting period, the company recognized government subsidies amounting to RMB 19,536,041.34 in the current profit and loss. After deducting government subsidies related to assets transferred from deferred income amounting to RMB 3,409,729.46 and job stabilization subsidies amounting to RMB 689,075.00, the government subsidies recognized in non-recurring profit and loss for the current period amounted to |

| | | |
|--|----------------|--------------------|
| | | RMB 15,437,236.88. |
| Gains or losses from changes in fair value of financial assets and liabilities held by non-financial enterprises, and gains or losses from disposal of financial assets and liabilities, except for effective hedging activities related to the company's normal business operations | -13,253,234.92 | |
| Gains or losses from entrusting others with investments or asset management | 789,983.38 | |
| Reversal of impairment provisions for receivables that have undergone separate impairment testing | 567,167.68 | |
| Gains or losses from debt restructuring | -42,868.87 | |
| Other non-operating income and expenses other than the above | -1,163,570.19 | |
| Less: Income tax effects | 8,030,670.45 | |
| Non-controlling interests effects (after tax) | 249,531.51 | |
| Total | 30,247,408.62 | |

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

Applicable Not applicable

No such cases in the Reporting Period.

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

Applicable Not applicable

2. Return on Equity and Earnings Per Share

| Profit as of Reporting Period | Weighted average ROE (%) | EPS (Yuan/share) | |
|---|--------------------------|------------------|-------------|
| | | EPS-basic | EPS-diluted |
| Net profit attributable to ordinary shareholders of the Company | 1.49% | 0.0720 | 0.0720 |
| Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss | 0.60% | 0.0292 | 0.0292 |

3. Differences between Accounting Data under Domestic and Overseas Accounting Standards**(1) Differences between Disclosed Net Profits and Net Assets in Financial Report in accordance with International Accounting Standards and Chinese Accounting Standards**

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Changchai Company, Limited

The Board of Directors

14 April 2026