

Chongqing Jianshe Vehicle System Co., Ltd.

2022 Annual Report

2023-015



April 2023

I. Important Prompts, Table of Contents, and Definitions

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

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

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

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

The company had concretely described the existed factors of risks of the company in the report, of which please refer to the contents in the Report of directors concerning the possible facing risk factors in the company's future development. The company's business plan and business goal of the year do not represent the 2023-annual earnings forecast made by the company, hence whether those can be realized depending on many factors such as the market circumstance and the extent of hard working of the management team, thus there is a large extent of uncertainty, please be aware of the investment risks.

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

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- I. Annual Report carrying personal signature and seal of the Chairman of the Board.
- II. Financial Statements with signatures of the legal representative, the financial officer, and accounting manager.
- III. Auditing Report of Chongqing Jianshe Vehicle System Co., Ltd. (DHSZ[2023]No.003251).
- IV. Special explanation (No. 003785- [2023]DHHZ) on the capital occupation of the controlling shareholder and other related parties of Chongqing Jianshe Vehicle System Co., Ltd.
- V. Auditing Report on Internal Control for Chongqing Jianshe Vehicle System Co., Ltd. (DHNZ[2023]No.000267).
- VI. Special review report on the situation of deposit and loan of Chongqing Jianshe Vehicle System Co., Ltd. from the Military Equipment Finance Co., Ltd. (DHHZ[2023]No.003789).
- VII. Special verification opinion on the deduction of operating income of Chongqing Jianshe Vehicle System Co., Ltd. (DHHZ[2023]No.003784).
- VIII. The original copies of all company documents and the originals of announcements publicly disclosed on the information disclosure medium designated by the CSRC during the reporting period.

Definition

Terms to be defined	Refers to	Definition
Company, the Company, Jianmo Stock, Jianshe Vehicle B	Refers to	Chongqing Jianshe Vehicle System Co., Ltd.
Shenjianmo	Refers to	Shenzhen North Jianshe Motorcycle Co., Ltd. (predecessor of the Company)
Jianmo B	Refers to	Chongqing Jianshe Motorcycle Co., Ltd. (predecessor of the Company)
Military Equipment Group (Southern Group)	Refers to	China Military Equipment Group Co., Ltd. (China Southern Industry Group Co., Ltd.)
Military Finance Co.	Refers to	Military Equipment Group Finance Co., Ltd.
Southern Motorcycle	Refers to	Chongqing Southern Motorcycle Co., Ltd.
Jianshe Industry	Refers to	Chongqing Jianshe Industry Co., Ltd. – former State-owned Jianshe Machinery Factory, Jianshe Industry (Group) Co., Ltd.
Jianshe Group	Refers to	Jianshe Industrial (Group) Co., Ltd.
Jianshe Mechanical and Electric	Refers to	Chongqing Jianshe Mechanical and Electric Co., Ltd.
HANON,KOREA HANON	Refers to	Korea Hanon System Co., Ltd.
Jianshe HANON	Refers to	Chongqing Jianshe HANON Automobile Termal Management System Co., Ltd.
China Jialing	Refers to	China Jialing Industry Co., Ltd. (Group)
Jinan Qingqi	Refers to	Jinan Qingqi Motorcycle Co., Ltd.
Changan Auto	Refers to	Chongqing Changan Automobile Co., Ltd.
Changan Industrial	Refers to	Chongqing Changan Industrial(Group) Co., Ltd.
Yunnan Xiyi	Refers to	Yunnan Xiyi Industrial Co., Ltd.
Luoyang Northern	Refers to	Luoyang Northern Enterprise Group Co., Ltd.
Dajiang Industrial	Refers to	Chongqing Dajiang Industrial Co., Ltd.
Vehicle air conditioner	Refers to	Chognqing Jianshe Automobile Air-conditioner Co., Ltd.
Import & Export Co.	Refers to	Chongqing Northern Jianshe Import & Export Co., Ltd.
Shanghai Jianshe	Refers to	Shanghai Jianshe Motorcycle Co., Ltd.
Chongqing Jianya	Refers to	Chongqing Jianshe YAMAHA Motorcycle Co., Ltd.
Zhuzhou Jianya	Refers to	Zhuzhou Jianshe YAMAHA Motorcycle Co., Ltd.
Pingshan Taikai	Refers to	Chongqing Pingshan Taikai Carburetor Co., Ltd.
South Air International	Refers to	South Air International Co., Ltd.
Minsheng Logistics	Refers to	Chongqing Changan Minsheng APLL Logistics Co., Ltd.
Chongqing Wanyou	Refers to	Wanyou Automobile Investment Co., Ltd.
Major asset restructuring	Refers to	In 2015,The company has made an agreement to sale the 100% stake of Jianshe Mechanical and Electric Company-the company’s subsidiary funded by the liabilities and the motorcycle business related assets held by the company to Military Equipment Group.

II. Company Profile & Financial Highlights.

I . Company Information

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

II .Contact person and contact manner

	Secretary of the Board	Representative of Stock Affairs
Name	Zhang Hushan	Li Wenling
Address	No.1 Jianshe Road, Huaxi Industrial Zone, Ba'nán District, Chongqing	No.1 Jianshe Road, Huaxi Industrial Zone, Ba'nán District, Chongqing
Tel.	023-66295333	023-66295333
Fax.	023-66295333	023-66295333
E-mail.	cqjismc@jianshe.com.cn	cqjismc@jianshe.com.cn

III. Information disclosure and placed

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

IV.Changes in Registration

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

V. Other Relevant Information

CPAs engaged

Name of the CPAs	Da Hua Certified Public Accountants (LLP)
Office address	1101, Building 7, 16 Xi Si Huan Zhong Road, Haidian District, Beijing
Names of the Certified Public Accountants as the signatories	Xu Shibao, Xie Jun

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

Applicable Not applicable

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

Applicable Not applicable

VI. Summary of Accounting data and Financial index

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

Yes No

	2022	2021	Changed over last year (%)	2020
Operating revenue(Yuan)	474,114,098.08	680,118,967.08	-30.29%	740,851,845.25
Net profit attributable to the shareholders of the listed company (Yuan)	-39,733,094.69	-25,998,962.72	-52.83%	1,415,942.45
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company (Yuan)	-82,240,752.84	-29,668,201.39	-177.20%	-44,041,022.22
Net Cash flow generated by business operation (Yuan)	12,409,599.09	21,432,367.47	-42.10%	165,013,126.67
Basic earning per share(Yuan/Share)	-0.33	-0.22	-50.00%	0.012

Diluted gains per share(Yuan/Share)	-0.33	-0.22	-50.00%	0.012
Net asset earning ratio (%)	-30.52%	-16.10%	-14.42%	0.82%
	End of 2022	End of 2021	Changed over last year (%)	End of 2020
Gross assets (Yuan)	896,911,569.17	1,041,336,478.97	-13.87%	1,186,697,453.77
Net assets attributable to shareholders of the listed company (Yuan)	111,091,284.68	149,303,592.84	-25.59%	173,588,673.06

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

Yes No

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

Yes No

Items	2022	2021	Remarks
Operating income (Yuan)	474,114,098.08	680,118,967.08	RMB 1,272,403.54 for sales materials income; RMB 1,236,355.99 for Artificial support income; RMB 474,716.54 for Power energy Income and RMB 868,685.37 for other income.
Amount of operating income deduction (yuan)	3,852,161.44	16,214,107.75	RMB 1,272,403.54 for sales materials income; RMB 1,236,355.99 for Artificial support income; RMB 474,716.54 for Power energy Income and RMB 868,685.37 for other income.
Operating income after deduction(Yuan)	470,261,936.64	663,904,859.33	RMB 1,272,403.54 for sales materials income; RMB 1,236,355.99 for Artificial support income; RMB 474,716.54 for Power energy Income and RMB 868,685.37 for other income.

VII. The differences between domestic and international accounting standards

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

Applicable Not applicable

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

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

Applicable Not applicable

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

VIII. Main Financial Index by Quarters

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating revenue	122,064,712.94	117,066,749.90	113,413,771.40	121,568,863.84
Net profit attributable to the shareholders of the listed company	23,445,211.84	-10,039,273.60	-20,684,911.30	-32,454,121.63
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company	-15,884,430.93	-12,295,238.80	-21,587,216.80	-32,473,866.31
Net Cash flow generated by business operation	22,875,680.64	8,513,551.90	15,072,374.40	-34,052,007.85

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

Yes No

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

Applicable Not applicable

In RMB

Items	Amount (2022)	Amount (2021)	Amount (2020)	Note
Non-current asset disposal gain/loss(including the write-off part for which assets impairment provision is made)	40,420,431.93	1,566,473.14	-448,967.59	
Government subsidies recognized in current gain and loss(excluding those closely related to the Company's business and granted under the state's policies)	205,826.00	1,583,305.16	4,466,559.88	
The investment cost of the enterprise to obtain subsidiaries and joint ventures which is less than the fair value of the identifiable net assets of the investee when the investment is obtained			42,924,165.03	
Switch back of provision for depreciation of account receivable and contractual assets which were singly taken depreciation test	714,393.28	200,000.00	88,468.57	
Operating income and expenses other than the aforesaid items	167,143.72	319,460.37	-1,496,366.67	
Other gains/losses in compliance with the definition of non-recurring gain/loss	999,863.22			
Less: Influenced amount of income tax			76,894.55	
Total	42,507,658.15	3,669,238.67	45,456,964.67	--

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

Applicable Not applicable

None

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

Applicable Not applicable

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

III. Management Discussion & Analysis

I. Industry information of the Company during the reporting period

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

1. Overall situation of automobile industry

In 2022, although affected by many unfavorable factors such as the structural shortage of chips, the high price of power battery raw materials, and the geopolitical conflicts, under the effective pull of a series of stable growth and consumption promotion policies such as halving the purchase tax, the overall recovery of China's auto market was improved under adversity, achieved positive growth and showed strong development resilience. According to data from the China Association of Automotive Industry Statistics, the automobile production and sales in 2022 were 27.02 million units and 26.86 million units respectively-a YOY increase of 3.4% and 2.1%, maintaining a slight increase for two consecutive years. Thereinto, driven by the substantial growth of new energy vehicles, the passenger car market sold 23.566 million units for the whole year, a YOY increase of 9.69%. In 2022, the cumulative sales of new energy vehicles was 6.887 million units, a YOY increase of 95.6%, and the cumulative sales of fuel vehicles were 16.676 million units, a YOY decrease of 7.15%. The share of new energy vehicles in the passenger car market increased from 16.39% in the previous year to 29.23%, and the share of fuel vehicles in the passenger car market decreased from 83.61% in the previous year to 70.77%.

2. Analysis of automobile air conditioning compressor industry

The automotive air conditioning compressor industry closely follows the development of the automotive industry. Thereinto, the fuel vehicle compressor market is based on the huge number of fuel vehicles, yet in the next few years the non-electric compressor products will still maintain a large scale space, but with the rapid growth of new energy vehicles, it will promote the synchronous growth of the electric compressor market and gradually squeeze the traditional fuel vehicle air conditioning compressor market share, and the main fuel automobile plants will continue to certainly reduce the vehicle production in different degrees, thus the oversupply of the traditional fixed displacement compressor will be the mainstream phenomenon of the market in the coming period.

The air conditioning compressor is an important part of the automotive air conditioning system and is the power source for the refrigerant to circulate within the system. The air conditioning system of traditional fuel vehicles is driven by automobile engines to enable it works by air conditioning compressor, and the main domestic products are swash plate type, scroll type, rotary vane type and other technologies. The air conditioning system of new energy vehicles drives the air conditioning compressor to work by driving the motor. As the scroll compressor has high efficiency, and the high speed bearing capacity is comparatively better matched with the high-speed motor, thus in the future the electric scroll compressor will have a broad application prospect.

The Company's automotive air conditioning compressor products are mainly rotary vane technology, which has been enhanced in 20 years since from the introduction, digestion and absorption and has been

independently innovated. From the industry development trend, the rotary vane technology will face the ceiling, and the Company urgently needs to accelerate the digestion and introduction of new technology products such as electric vortex.

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

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

The year of 2022 is the year of the full implementation of the Company's "14th Five-Year Plan", during which the Company has faced unfavorable factors such as high temperature power curb, shortage of goods and supply in the automotive industry chain, and faced the impact of rapid and substantial transformation of the automotive market structure and the challenge of efficient transformation of scientific research achievements. Under the complex operating environment and development pressure, the Company took multiple measures to make steady progress, completed the production of 924,000 automotive air conditioning compressors and the sales of 1.198 million units, a YOY decrease of 49% and 30.8% respectively, and achieved the operating income of 474 million yuan, a YOY decrease of 30.3%.

(1) Strengthening the market tackling of tough problems and adjusting and optimizing the market structure.

The first aspect was in the compressor of new energy market. The Company successfully obtained the supply qualification of new energy electric compressor for Changan Automobile production base, and possessed the qualification to participate in the bidding of new projects and had the platform borrowing advantage in Changan market. It successfully obtained 11 designated projects of Geely Automobile and Jianghuai Songzhi. The second was the traditional market aspect of compressors. It successfully expanded 6 projects including STELLANTIS and Baoding Changan Bus Company, and continued to supplement traditional sales; Three new large-displacement customers such as GSJ in the Philippines have already achieved order delivery. The offline market achieved an increase, with 25 newly increased dealers and the achieved sales of 121,000 units, a YOY increase of 47.8%.

The third was the motorcycle parts market. The carburetor business remained basically stable, with sales of 269,000 units/sets for the whole year, a YOY decrease of 6.7%; The EFI business made substantial breakthroughs, with annual sales of 17,500 sets; the competitiveness of EFI core parts was prominent, and the annual sales volume of throttle bodies was 279,000 units/set, a YOY increase of 38.4%; The self-developed brushless oil pump completed the first market order, and the electromechanical injection system entered the customer verification stage.

(2) Improving the scientific and technological innovation system, promoting the research and development of new products and the transformation of scientific and technological achievements.

The first was to further consolidate the construction of scientific and technological innovation platforms. The Automotive Thermal Management System Research Institute was established to optimize the allocation of multi-level talent structure and strengthen the construction of scientific and technological teams. Mechanisms

such as project research transformation, scientific and technological talent management, and project incentive have been established. The in-depth promotion of industry-university-research cooperation has been carried out, a number of research results have been applied, and three technical research projects at the municipal and district levels have achieved results.

Second, the research and development of new products has achieved results. The four platform products of electric compressors have basically been built. The 36CC electric compressor completed the product design, and the 45CC electric compressor completed the design and realized the prototype assembly and evaluation, forming a 18CC, 27CC, 36CC and 45CC product lineage, covering a full range of new energy electric vehicles. The key technology of scroll compressor pump body has achieved breakthroughs, and the optimization design of profile line, dynamic balance research and optimization, and the performance improvement of electric compressors have achieved phased results. The independent research and development of the controller has achieved a product breakthrough, and the research on motor electronic control optimization matching technology has initially solved the problem of the technical neck of the core components of the electric compressor. The scientific and technological achievements have continued to emerge, and 33 patents have been applied, including 18 invention patents.

(3) Promoting the improvement of quality and efficiency, and continuously improving the level of operation and management.

The first was to further promote the action of improving the quality of economic operation. The Company vigorously implemented the 2022 quality and efficiency improvement plan, solidly promoted the "4+1" action of "stable growth, risk prevention, promotion of reform, and strong party building", and greatly improved the quality of operation and scientific management. The Company successfully passed the re-evaluation of high-tech enterprise for the fourth time, was rated as a "specialized, refined and new" enterprise in Chongqing, and successfully passed the re-evaluation of Chongqing technological innovation demonstration enterprises and obtained a good grade.

The second was to improve the management level to world-class and complete the target tasks. It vigorously promoted the modernization of the management system and management capabilities, and solidly carried out management benchmarking in 15 areas. In the past three years, it has achieved remarkable results in benchmarking and improvement, and has won 24 management achievement awards, including 4 third prizes of China National Defense Industry Enterprise Association, 6 first prizes, 5 second prizes and 4 third prizes of Chongqing Enterprise Management Modernization Innovation Achievements, 1 first prize, 2 second prizes and 2 encouragement awards of the first grassroots management innovation achievements of Ordnance Equipment Group.

Third, the lean management has been further promoted. It has implemented the lean manufacturing CSPS3.1 of Ordnance Equipment Group, which was rated as B- grade in lean evaluation of Ordnance Equipment Group, and it has built two lean benchmark lines of dynamic and static disk machine processing line and 36CC electric compressor assembly line, promoted and applied 6 lean cases and 3 best management practices, and significantly improved the lean management leadership, on-site strength and productivity.

Fourth, the quality management has reached a higher level. The construction of the quality system has been vigorously promoted, the "1+N" system was smoothly integrated and the operation was effective, and it has passed the IATF16949 certificate renewal audit, and the vehicle air conditioning company has passed the supervision and audit; The Supplier Quality Competence Certification (QJS) system has been initially established and gradually promoted; The "quality upward activity" has achieved practical results, among which the primary pass rate of compressor inspection of electric compressors and the dynamic and static disk configuration match rate have been significantly improved.

Fifth, the supply chain remained stable. The Company strengthened the stable supply, implemented special management for bottlenecks, strengthened the tracking of imported parts resources, and ensured stable production; It enhanced the capacity building of electric compressor supply, completed the development, trial production and small-batch supply of more than 30 market electric compressor projects, started the trial prototype product and sample delivery of key projects such as C673 and CPA, and initially built the procurement channels and modes of electronic components.

(4) Coordinating development and security, and preventing risks well and effectively

The Company solidly promoted the "three-year action for special rectification of production safety", and the Company's measures for the year of safety production improvement in 2022 were strong and effective, and the three-year action has been successfully concluded; It tightened and consolidated the main body responsibility, comprehensively and deeply carried out large-scale investigation and rectification of hidden dangers of safety production risks and graded risk management and control, deepened source governance, system governance and comprehensive management, and achieved the goal of zero major safety accidents.

Vehicle manufacturing, production and operation during the reporting period

Applicable Not applicable

Production and operation of auto parts during the reporting period

Applicable Not applicable

	Output			Sales volume		
	This reporting period	Same period last year	Increase or decrease compared with last year	This reporting period	Same period last year	Increase or decrease compared with last year
By part category						
Automotive air conditioner compressor	923758	1811146	-49.00%	1198092	1731479	-30.81%
According to the vehicle supporting						
Automotive air conditioner compressor				1077417	1670325	-35.50%
According to after-sales service						
Automotive air conditioner compressor				120675	61154	97.33%
Area						
Domestic	567218	1294473	-56.18%	613338	1008512	-39.18%
Overseas	356540	516673	-30.99%	584754	722967	-19.12%

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

Applicable Not applicable

First, affected by multiple factors such as high temperature power rationing and the shortage by supply chain of automobile OEMs, the Company's domestic trade and foreign trade have declined significantly.

Second, the rapid growth of new energy vehicles squeezed out the traditional fuel vehicle market, and the sales of the Company's fuel vehicle air conditioning compressor products have declined, while the electric compressor products have not yet formed an effective replacement.

Parts sales mode: The Company is mainly engaged in the production of automotive air conditioning compressors, through the sale of products to automobile manufacturers or to the after-sales service market to realize the product sales. Currently, the design production capacity of the Company's automotive air conditioning compressor product is 2.4 million units, and the actual output in 2022 is 923,800 units, with a capacity utilization rate of 38.49%; among them, the designed production capacity of electric compressors is 350,000 units, and the actual production volume in 2022 is 13,700 units.

The company conducts auto finance business

Applicable Not applicable

The company conducts new energy vehicle related business

Applicable Not applicable

III. Analysis On core Competitiveness

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

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

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

R&D capacity building: The Company has the largest and most functional experimental testing center for automotive air-conditioning compressors in Southwest China. It has imported more than 50 sets of advanced

equipment for reliability test, system test, performance test and NVH test from abroad, with a value of more than RMB 50 million, and has strong basic research capabilities, product development and design capabilities, simulation and analysis capabilities and trial production and processing capabilities. In recent years, 12 major new products in Chongqing have been approved, more than 20 provincial and ministerial level science and technology awards have been won, and more than 200 patents have been applied for, including more than 40 invention patents.

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

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

Talent team building: The Company has 70 scientific and technical personnel, including 901 R&D personnel among 10,000 employees, of which 81.43% have bachelor degree or above, and 14.29% have senior professional titles. Introduced 1 core talent and 5 mature talents of thermal management system. It has a national postdoctoral workstation with 9 postdoctoral fellows.

IV. Main business analysis

1. General

This year, the company completed a production of 923,800 units and sold 1.1981 million units for its main products, automotive air conditioner compressors, with a year-on-year decrease of 49% and 30.81% respectively. The main business income was RMB 474 million, with a year-on-year decrease of 30.29%.

From the regional perspective, the domestic sales reached 613,300 units, the sales revenue reached RMB 286 million, Domestic sales revenue accounted for 60.33% of the company's main business income. The company sold 584,800 units in foreign trade throughout the year, realized a sales income of RMB 188 million, Foreign trade sales accounted for 39.67% of the company's main business income.

From the perspective of sales model: the vehicle supporting model of automotive air conditioning compressor achieved sales revenue of 379 million yuan, accounting for 79.89% of the Company's operating income. The after-sales service market model of automotive air conditioning compressors achieved sales revenue of 30 million yuan, accounting for 6.23% of the Company's operating income. Other businesses and products achieved sales revenue of 66 million yuan, accounting for 13.88% of the Company's operating income.

From the perspective of customer structure: The total sales to the Company's top five customers was 321 million yuan, accounting for 67.71% of the Company's operating income.

2. Revenue and cost

(1) Component of Business Income

In RMB

	2022		2021		Increase /decrease
	Amount	Proportion	Amount	Proportion	
Total operating revenue	474,114,098.08	100%	680,118,967.08	100%	-30.29%
On Industry					
Auto and Motorcycle parts	470,261,936.64	99.19%	663,904,859.33	97.62%	-29.17%
Other	3,852,161.44	0.81%	16,214,107.75	2.38%	-76.24%
On products					
Auto and Motorcycle parts	470,261,936.64	99.19%	663,904,859.33	97.62%	-29.17%
Other	3,852,161.44	0.81%	16,214,107.75	2.38%	-76.24%
On Area					
Domestic	286,054,392.55	60.33%	446,501,269.49	65.65%	-35.93%
Overseas	188,059,705.53	39.67%	233,617,697.59	34.35%	-19.50%
Sub-sale model					
Vehicle supporting mode of vehicle air conditioning compressor	378,774,852.60	79.89%	586,606,478.18	86.25%	-35.43%
Vehicle air conditioning compressor after-sales service market model	29,526,845.35	6.23%	18,773,105.22	2.76%	57.28%
Other business and product market models	65,812,400.13	13.88%	74,739,383.68	10.99%	-11.94%

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

√ Applicable □ Not applicable

In RMB

	Turnover	Operation cost	Gross profit rate(%)	Increase/decrease of revenue in the same period of the previous year(%)	Increase/decrease of business cost over the same period of previous year (%)	Increase/decrease of gross profit rate over the same period of the previous year (%)
On Industry						
Auto and Motorcycle parts	470,261,936.64	448,590,807.18	4.61%	-29.17%	-21.82%	-8.97%
On products						
Auto and Motorcycle parts	470,261,936.64	448,590,807.18	4.61%	-29.17%	-21.82%	-8.97%
On Area						

Domestic	286,054,392.55	264,677,351.39	7.47%	-33.52%	-25.31%	-10.18%
Overseas	188,059,705.53	185,718,083.91	1.25%	-19.50%	-15.36%	-4.82%
Sub-sale model						
Vehicle supporting mode of vehicle air conditioning compressor	378,774,852.60	359,799,456.65	5.01%	-35.43%	-28.27%	-9.48%
Vehicle air conditioning compressor after-sales service market model	65,812,400.13	61,069,133.30	7.21%	-11.94%	-11.45%	-0.52%

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

Applicable Not applicable

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

Yes No

Classification	Items	Unit	2022	2021	Changes
Vehicle air conditioner	Sales	Ten thousand sets	119.81	173.15	-30.81%
	Production	Ten thousand sets	92.38	181.11	-49.00%
	Stock	Ten thousand sets	25.38	52.80	-51.94%

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

Applicable Not applicable

First, affected by multiple factors such as high temperature power rationing and the shortage by supply chain of automobile OEMs, the Company's domestic trade and foreign trade have declined significantly.

Second, the rapid growth of new energy vehicles squeezed out the traditional fuel vehicle market, and the sales of the Company's fuel vehicle air conditioning compressor products have declined, while the electric compressor products have not yet formed an effective replacement.

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

Applicable Not applicable

(5) Component of business cost

In RMB

Industry	Items	2022		2021		Increase/Decrease (%)
		Amount	Proportion in the operating costs (%)	Amount	Proportion in the operating costs (%)	
Industry	Direct material	354,704,487.88	78.75%	553,036,721.80	94.23%	-35.82%
Industry	Fuel and energy	9,888,828.55	2.20%	12,670,289.73	2.16%	-21.95%
Industry	Staff salary	27,582,981.67	6.12%	31,052,496.10	5.29%	-11.17%
Industry	Manufacturing cost	53,725,630.15	11.93%	64,289,680.17	10.95%	-16.43%

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

Yes No

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

Applicable Not applicable

(8) Situation of Main Customers and Main Supplier

Information of Main Customers

Total sales amount to top 5 customers (Yuan)	321,029,999.90
Proportion of sales to top 5 customers in the annual sales(%)	67.71%
Proportion of the sales volume to the top five customers in the total sales to the related parties in the year	13.06%

Information of the Company's top 5 customers

No	Name	Amount(RMB)	Proportion(%)
1	Customers 1	182,404,119.25	38.47%
2	Customers 2	61,925,471.97	13.06%
3	Customers 3	26,610,054.40	5.61%
4	Customers 4	26,446,940.20	5.58%
5	Customers 5	23,643,414.08	4.99%
Total	--	321,029,999.90	67.71%

Other explanation :

Applicable Not applicable

Chongqing Changan Automobile Co., Ltd. The company's controlling shareholder, Military Equipment Group, holds 40.70% of its shares), one of the top five customers, and its affiliated enterprises have an associated relationship with the Company. The Company and its transactions, as routine related transactions, have been submitted to the 2022 First provisional General Meeting of Shareholders for review and approval.

The company's directors, supervisors, senior managers, key technical personnel and shareholders holding more than 5% (not including the Military Group) do not direct or indirect interests in the major suppliers of the above-said suppliers.

Principal suppliers

Total purchase of top 5 Suppliers (Yuan)	127,946,861.11
Percentage of total purchase of top 5 suppliers In total annual purchase(%)	0.00%
Proportion of purchase amount from the top 5 suppliers in the total purchase amount from the related parties in the year	30.05%

Information about the top 5 suppliers

No	Name	Amount (Yuan)	Proportion
1	Suppliers 1	58,213,770.80	13.67%
2	Suppliers 2	23,785,219.55	5.59%
3	Suppliers 3	19,304,053.05	4.53%
4	Suppliers 4	13,838,564.52	3.25%
5	Suppliers 5	12,805,253.19	3.01%
Total	--	127,946,861.11	30.05%

Other explanation :

Applicable Not applicable

The company's directors, supervisors, senior managers, key technical personnel and shareholders holding more

than 5% do not direct or indirect interests in the major suppliers of the above-said suppliers.

3. Expenses

In RMB

	2022	2021	Increase/Decrease(%)	Note
Sale expenses	15,239,315.12	16,795,778.20	-9.27%	
Administration expenses	47,721,110.67	62,047,629.17	-23.09%	
Financial expenses	17,472,245.88	23,014,845.65	-24.08%	
R & D expenses	30,598,868.69	29,760,773.46	2.82%	

4. R& D Investment

√Applicable □Not applicable

Name of main R&D project	Project purpose	Project progress	Goal to be achieved	Expected impact on the future development of the Company
Technical direction of traditional compressor	Improve product performance and tackle with the upgrading and development of automobile technology; consolidate the vitality of products, deal with the upgrading of automobile consumption; consolidate product competitiveness and solve key technical problems.	First, continue to upgrade technology, and the basic research project entered the final stage at the end of the year. Second, continue to carry out design cost reduction to achieve the goal of cost reduction. Third, the market project has been achieved on schedule.	Improve refrigeration efficiency; optimize noise; and optimize manufacturing costs.	Improve the competitiveness of fix-displacement compressors and stabilize the scale position of the industry
Technical direction of electric compressor	Realize the vertical integration upgrade of product technology based on the product position and market position of traditional compressors.	The 27CC products achieve mass production targets, the 36CC products achieve small batch production, and the 45CC products achieve design finalization.	Supplement the new energy compressor product lineage.	Enhance product competitiveness and achieve large-scale breakthroughs
Technical direction of thermal management system	Upgrade the product horizontal integration, focusing on system matching and heat pump technology.	Construction and simulation of the technical architecture of heat pump air conditioning system, and establishment of enterprise thermal management system enterprise standards.	Establish the technical capability of matching testing of air conditioning systems.	With electric compressors as the core, build heat pump air conditioning system integration capabilities.
Direction of EFI system	Actively cultivate and develop new products such as EFI system and oil pump.	The EFI system achieve recognition by market customers and achieve mass sales.	Develop new products such as EFI systems and gasoline pumps to promote scale growth	Improve the competitiveness of the Company.

Company's research and development personnel situation

	2022	2021	Increase /decrease
Number of Research and Development persons (persons)	70	70	0.00%
Proportion of Research and Development persons	9.00%	8.83%	0.17%

Academic structure of R&D personnel			
Bachelor	52	50	4.00%
Master	5	2	150.00%
College	13	18	-27.78%
Age composition of R&D personnel			
Under 30 years old	23	17	35.29%
30-40 years old	17	21	-19.05%
Over 40 years old	30	32	-6.25%

The Company's R & D investment situation

	2022	2021	Increase /decrease
Amount of Research and Development Investment (Yuan)	30,598,868.69	29,760,773.46	2.82%
Proportion of Research and Development Investment of Operation Revenue	6.45%	4.38%	2.07%
Amount of Research and Development Investment Capitalization (Yuan)	0.00	0.00	0.00%
Proportion of Capitalization Research and Development Investment of Research and Development Investment	0.00%	0.00%	0.00%

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

Applicable Not applicable

The increase in master's degree personnel and the increase in R&D personnel under 30 years-old are due to the establishment of the Automotive Thermal Management System Research Institute to optimize the multi-level talent structure allocation and strengthen the construction of scientific and technological teams. In 2022, the introduction of professional and technical talents and the recruitment of college graduates were strengthened.

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

Applicable Not applicable

The proportion of total R&D investment in operating income increased from the previous year, which was firstly due to the Company's continuous increase in R&D project investment, the R&D investment in 2022 was 30.599 million yuan, an increase of 2.82% over the previous year and the second was due to the YOY decrease in operating income in 2022.

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

Applicable Not applicable

5.Cash Flow

In RMB

Items	2022	2021	Increase/Decrease(%)
Subtotal of cash inflow received from operation activities	477,842,991.85	603,828,235.81	-20.86%
Subtotal of cash outflow received from operation activities	465,433,392.76	582,395,868.34	-20.08%
Net cash flow arising from operating activities	12,409,599.09	21,432,367.47	-42.10%
Subtotal of cash inflow received from investing	153,543,148.36	1,609,454.58	9,440.07%

activities			
Subtotal of cash outflow for investment activities	26,166,782.57	12,003,935.51	117.99%
Net cash flow arising from investment activities	127,376,365.79	-10,394,480.93	1,325.42%
Subtotal cash inflow received from financing activities	732,591,828.08	716,824,318.47	2.20%
Subtotal cash outflow for financing activities	726,114,182.90	783,421,725.44	-7.32%
Net cash flow arising from financing activities	6,477,645.18	-66,597,406.97	109.73%
Net increase in cash and cash equivalents	146,256,010.86	-55,571,730.36	363.18%

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

Applicable Not applicable

The decrease in net cash flow from operating activities was due to the lower product sales and lower revenue during the year.

The increase in net cash flow from investing activities was due to the transfer of assets such as Plant 106.

The increase in net cash flow from fund-raising activities was due to the structural adjustment of fund-raising. The increase in net cash and cash equivalents was due to an increase in net cash flows from investing activities. Reasons for the significant difference between the net cash flow generated by the Company's operating activities during the reporting period and the net profit of this year

Applicable Not applicable

V. Main business analysis

Applicable Not applicable

				In RMB
	Amount	Proportion in total profit	Explanation of cause	Sustainable (yes or no)
Investment income	8,128,052.32	20.24%	The operating income of the Company's joint venture Jianshe HANON	Yes
Change in fair value, profit and loss.	0.00	0.00%		
Impairment of assets	0.00	0.00%		
Non-operating income	170,256.15	0.42%		No
Non-operating expenses	3,112.43	0.01%		No
Income from asset disposal	40,420,431.93	100.66%	Mainly due to the Company completed the transfer of its plant 106, the corresponding land use right and related ancillary machinery and equipment, and realized the asset disposal gain of 39.02 million yuan.	No
Credit impairment losses	989,437.83	2.46%		No

VI. Condition of Asset and Liabilities

1. Condition of Asset Causing Significant Change

In RMB

	End of 2022		End of 2021		Proportion increase/d decrease	Notes to the significant change
	Amount	Proportion in the total assets(%)	Amount	Proportion in the total assets(%)		
Monetary fund	179,954,522.99	20.06%	91,678,523.19	8.80%	11.26%	
Accounts receivable	113,710,214.72	12.68%	149,333,285.64	14.34%	-1.66%	
Inventories	131,860,572.93	14.70%	206,719,605.79	19.85%	-5.15%	
Long-term equity investment	210,112,321.04	23.43%	201,984,268.72	19.40%	4.03%	
Fixed assets	202,039,143.80	22.53%	216,541,481.98	20.79%	1.74%	
Construction in process	989,429.96	0.11%	1,811,125.46	0.17%	-0.06%	
Short-term loans	546,603,500.00	60.94%	493,460,000.00	47.39%	13.55%	
Contract liabilities	3,441,205.38	0.38%	2,868,604.98	0.28%	0.10%	

Overseas assets account for a relatively high proportion.

 Applicable Not applicable

2. Asset and Liabilities Measured by Fair Value

 Applicable Not applicable

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

Items	End of Book value	Reason
Monetary fund	9,959,988.94	Bank acceptance bill security deposit
Financing receivable	7,820,000.00	Pledg
Total	17,779,988.94	

VII. Investment situation

1. General

 Applicable Not applicable

Investments made in the Reporting Period (\Yuan)	Investments made in the prior year (Yuan)	Increase/Decrease(%)
29,867,100.00	16,378,740.18	82.35%

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

 Applicable Not applicable

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

 Applicable Not applicable

In RMB

Project name	Investment method	Fixed investments or not	Industry involved in investment projects	Investment amount in this reporting period	Accrued Actual Investment Amount up to the End of Reporting Period	Capital Source	Project schedule	Anticipated income	Accrued Realized Income up to the End of Reporting Period	Reasons for not Reaching the Planned Schedule and Anticipated Income	Disclosure date	Disclosure Index
Construction project of dynamic and static disk production line of electric compressor	Self-built	Yes	Automotive air conditioner compressor industry	985,200.00	8,072,200.00	Self funds	100.00%	0.00	0.00	Trial production began in May 2022	January 19, 2021	See on www.cninfo.com.cn company announcement on Announcement No.: 2021-001 and 2022-004
36CC scroll electric compressor assembly line construction project	Self-built	Yes	Automotive air conditioner compressor industry	17,958,000.00	18,083,000.00	Self funds	100.00%	0.00	0.00	It has entered small batch production	August 28, 2021	See on www.cninfo.com.cn company announcement on Announcement No.: 2021-049 and 2022-004
Electric compressor experiment ability improvement project	Self-built	Yes	Automotive air conditioner compressor industry	4,838,000.00	6,065,000.00	Self funds	100.00%	0.00	0.00	The equipment has been put into use	August 28, 2021	See on www.cninfo.com.cn company announcement on Announcement No.: 2021-049 and 2022-004
Sporadic fixed assets investment	Self-built	Yes	Automotive air conditioner compressor	6,085,900.00	6,085,900.00	Self funds	90.83%	0.00	0.00	Has been put into use	January 22, 2022	See on www.cninfo.com.cn company announcement on

t			r industry									Announcement No.: 2022-004
Total	--	--	--	29,867,100.00	38,306,100.00	--	--	0.00	0.00	--	--	--

4. Investment of Financial Asset

(1) Securities investment

Applicable Not applicable

No such cases in the Reporting Period

(2) Investment in Derivatives

Applicable Not applicable

No such cases in the Reporting Period

5. Application of the raised capital

Applicable Not applicable

No such cases in the Reporting Period

VIII. Sales of major assets and equity

1. Situation of Significant Asset Sale

Applicable Not applicable

Counterparty	Assets being sold	Sale date	Transaction price ('000 0 yuan)	Net profit contributed by the asset to the listed company from the beginning of the current period to the date of sale ('0000	Impact of the sale on the Company (Note 3)	Percentage of the net profit contributed by the asset sale to the total net profit of the listed company	Asset Sale Pricing Principle	Whether it is a related party transaction	Related relationship with counterparty (applicable to related party transactions)	Whether the property rights of the assets involved have been fully transferred	Whether all the creditor's rights and debts involved have been transferred	Whether it is implemented as planned or not, if it is not implemented as planned, the reasons and the measures the Company has taken should be explained	Disclosure date	Disclosure Index
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				yuan)										
Jianshe Industry	Buildings, land use rights and machinery and equipment	February 15, 2022	15,288	0	In order to revitalize idle assets and improve the efficiency of asset operation, the company implemented asset transfer, and the funds obtained are planned to be used to repay part of the debt, as well as to strengthen the Company's manufacturing capacity building and R&D capacity building.	-99.01%	The assessed value	Yes	Controlled by the same party	Yes	Yes	Implemented as planned	February 19, 2022	See details in the company's announcement published on securities times, Hongkong Commercial daily and http://www.cninfo.com.cn (Announcement No.:2022-015)

2.Sales of major equity

Applicable Not applicable

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

Applicable Not applicable

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

In RMB 10,000

Company Name	Company type	Sectors engaged in	Registered capital	Total assets	Net assets	Turnover	Operating profit	Net Profit
Air Conditioner Co.	Subsidiaries	Production and sales of automotive air conditioners	16000	80,368.19	19,856.18	41,014.63	-6,302.43	-6,294.47
Pingshan Taikai	Shareholding company	Production and sales of motorcycles and parts	8355	9,812.85	8,346.31	6,099.42	612.97	605.56
Jianshe HANON	Shareholding company	Production and sales of Automobile Thermal Energy Management system	42000	52,206.35	41,710.79	25,456.21	1,755.24	1,625.61

Acquirement and disposal of subsidiaries in the Reporting period

Applicable Not applicable

Note

The wholly-owned subsidiary Automotive Air Conditioning is mainly engaged in the production and sales of fixed-displacement compressors for automotive air conditioners. With the increase of market share of new energy vehicles, the fixed-displacement compressor market has further declined. In 2022, 1.1981 million air-conditioning compressors were sold, with a year-on-year decrease of 30.81%, and the operating income was RMB 410.15 million, with a year-on-year decrease of 35.63%.

The wholly-owned subsidiary Pingshan Taikai is mainly engaged in the production and sales of carburetor and parts for engines. In 2022, it made an effective breakthrough in the development and marketing of new products, achieving a sales of 270,000 carburetors, 300,000 EFI and parts, and 460,000 auto parts, with a year-on-year decrease of 7%, an Increase of 30% and an Increase of 5% respectively, and achieving an operating income of RMB 60.99 million, with a year-on-year increase of 16.85%.

The joint venture Jianshe HANON is mainly engaged in the production and sales of variable displacement compressors. Affected by the power curtailment in Chongqing and the supply chain transmission by restricted chips supply of customers, it sold RMB 254.56 million variable displacement compressors in the whole year, with a year-on-year decrease of 8.77%, achieving an operating income of RMB 254.56 million, with a year-on-year decrease of 16.98%.

X. Structured vehicle controlled by the Company

Applicable Not applicable

XI. Prospect for future development of the Company

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

From the perspective of the economic situation, China's economy will gradually shift to an innovation-driven, high-quality growth mode in the future, and the growth rate will gradually slow down. The transformation of economic growth mode will continue to support the growth of automobile sales, but the external anti-globalization supply chain crisis, as well as the triple pressure of domestic demand contraction, supply shock, and expected weakening will remain relatively large, the trend of automobile consumption may deviate from the economic growth in the short term.

From the perspective of industry development, in terms of policies, the industrial policies will continue to guide the transformation of the "new four modernizations" of the automotive industry, and new energy vehicles have formed a scale under the traction of policies such as direct subsidies and double credits. In terms of technology, the vehicle electrification and intelligent technology have become a trend and will reshape the automotive industry chain. In terms of the market, the vehicle sales in 2022 was 26.86 million units, and sales in 2023 are expected to be remain flat compared in 2022, and the new energy vehicles are expected to exceed 8 million units.

From the perspective of company development, the Company is facing a complex operating environment and development pressure. First, for the traditional compressor products, the market competition pressure is large and the scale is shrunk. Second, the core competitiveness of new energy electric compressors is not strong,

and it has not yet formed a scale effect in the mainstream passenger car market, and it cannot form an effective support for the Company's development. Third, the key core technologies still need to be vigorously tackled, and the speed of product innovation needs to be further accelerated. Fourth, the talent team structure is not excellent, there is a lack of high-end leading talents, and the task of promoting the high-quality development of the Company is arduous and long.

(II) Company development strategy

The Company unswervingly strengthens the strategic guidance and effectively promotes the steady implementation of the "136" strategy. With the vision of "building a first-class scientific and technological innovation enterprise with international competitiveness", focusing on "leading by science and technology, driven by innovation", and aiming at "multiplying scale, benefit, and efficiency", we will vigorously implement a number of measures such as "deepening reform and adjustment, leading the development of compressors, innovating and developing thermal management systems, reforming and developing parts, and strengthening party building". It will accelerate the construction of scientific and technological innovation enterprise, and realize the overall positioning of the layout and industrialization of a full range of new energy vehicle thermal management systems and compressors.

(III) Company's production and operation arrangement in 2023

In the 2023, the Company aims to achieve sales of 1.4 million automotive air conditioning compressors, including 100,000 new energy electric compressors, with an operating income of 570 million yuan. In order to achieve the annual goal, the Company will focus on the following aspects in 2023:

1. Accelerate the scientific and technological innovation, and promote the transformation and upgrading of enterprise with technological product innovation

First, the Company will strengthen the construction of the innovation system. It will optimize the development process, deepen technology benchmarking, give full play to the role of the existing "1+3+1" innovation platform, actively carry out cooperative research on new industrial technology development with universities, and improve independent innovation capabilities.

Second, it will accelerate the research and development of new products. The Company will enhance the electric compressor technology platform to ensure that 36CC, 45CC and other electric compressor products are mature and stable; Complete the integration of mass production products 18CC and 27CC and the existing technology platform; Start pre-research work on larger displacement electric compressors; Promote the market application of medium voltage autonomous controller platform products; Complete the design and development of high-voltage platform controllers; Continue to vigorously develop heat pump air conditioning system products. Accelerate the research and development of market projects, focus on Chang'an, Xiaokang, Jianghuai and other customers' market application projects, especially to ensure that Chang'an CPA project will be completed on schedule. Continue to promote the product development of the electric injection system, lay the foundation for the improvement of the emission standards of the general export machinery in 2024, and seize the market opportunity.

Third, it will accelerate the breakthroughs in key core technologies. The Company will further enhance technology research of compressor pump body technology, new profile, flexible mechanism and other aspects, and promote the breakthroughs of electric compressor core technology. Also, it will continue to carry out the systematic research on heat pump air conditioning system construction and system matching testing, the systematic research on natural and environmentally friendly working medium compressors, and build technical capabilities of automotive thermal management products. It will systematically build experimental trial production technical capabilities, strengthen experimental design and test analysis, and provide stable support for product development.

2. Do well in tackling tough problems in the market and effectively improve the market scale efficiency

First, the Company will deeply explore the domestic market. In terms of the new energy market, it will focus on Chang'an and expand the mainstream domestic new energy markets such as Great Wall and Geely; By overall coordination, it will strengthen the market services, expand the market share of Ruichi and Hongrui. In terms of traditional markets, we will strive for the implementation of new projects such as FAW-Volkswagen-Jetta and Dongfeng Nissan Xuanyi; it will focus on existing fuel markets such as Changan and Great Wall, and expand projects to achieve sales growth. In terms of offline market, it will accelerate the launch of new products, expand offline product categories, and achieve scale upgrading; The Company will optimize the dealer incentive mechanism, deepen dealer rating management, vigorously expand strategic dealers, and create an offline large customer market. In terms of parts market, Pingshan Taikai will make every effort to grasp the market expansion of carburetors and EFI systems, strengthen key large customer management, actively develop new customers, strive to seek new increments, and ensure steady growth in operating income. The Casting Machine Division will be fully committed to the development and supply of electric compressor parts, actively expand the external market, improve the structure of business segments, and focus on improving in the overall scale.

Second, the Company will use every effort to broaden the foreign trade channels. In the new energy market, we will continue to deepen the cooperative relationship with Peugeot-Fiat and make every effort to break through electric projects; With the help of Changan New Energy's overseas plan, it will accelerate the formation of the second growth point of electric products. In terms of traditional markets, we will consolidate the Peugeot market and strive for the SAIPA projects in Iran and the Proton projects in Malaysia; the Company will accelerate the speed of "going overseas" of traditional products, promote the transfer of the Company's production line, gradually expand the single trade model into an overseas localized sales model, and expand sales; Focusing on India, Southeast Asia, the Middle East and other markets, it will reconstruct the structure of foreign trade customers. In terms of offline market, we will improve the ability to expand the network of overseas dealers, expand the coverage of overseas after-sales dealers such as Taiwan Yongsheng and India's Sanden, and increase the proportion of "going overseas" sales.

3. Strengthen the management benchmarking and effectively improve the management efficiency and effectiveness

First, the Company will continue to carry out special actions to improve quality and efficiency. With the index system as the traction, we will ensure the improvement of cash flow from operating activities and improve operating profit. The Company will strengthen the overall budget management, highlight value

orientation, and promote the implementation of target responsibilities. Also, it will promote the whole value chain and the whole process of cost control, actively optimize resource input and product structure layout, and form the new growth points as soon as possible.

Second, it will continue to strengthen the joint venture control. The Company will fully fulfill the responsibilities of shareholder, and promote the common strategy, goal and value direction of both parties to the joint venture. It will actively promote the Construction Hanang's new car and modified car projects, increase synergy with Changan Automobile and develop markets outside the system, solidly promote the localization of parts, improve operation quality, and enhance the core competitiveness of enterprises.

Third, the Company will continue to deepen lean management. By continuously improving the lean production system of the whole process and the whole supply chain, it will greatly improve the production efficiency, promote the transformation and upgrading of the digital level of the production line, and build the 36CC lean demonstration production line into a demonstration production line with a high digital level; Plus, it will continue to consolidate and improve the 6S management level and create a standard manufacturing workplace, as well as promote the "N+3" model of production planning to achieve accurate planning, smooth production and economical costs.

Fourth, the Company will continue to strengthen technical management. Upon grasping the capacity building of electric product engineering, it will ensure that the 36CC electric compressor production line and the dynamic and static plate production have mass production capacity, and the controller assembly line forms mass production capacity. Furthermore, it will carry out process optimization and focus on improving the production efficiency of 18/27 electric compressor production lines and bearing housings. The Company will strictly implement process management, increase the intensity of process implementation inspection, strengthen the timeliness and effectiveness management of on-site problem handling, and ensure that the completion rate of handling problems is 100%.

Fifth, the Company will continuously improve quality management. It will promote the construction of the "1+N" quality system, carry out compliance reviews of the new energy sector, and ensure that the Company and its subsidiaries of automotive air conditioning companies successfully pass the IATF16949 quality system supervision and audit. Also, it will continue to promote the supplier quality competence certification (QJS), continuously optimize and improve QJS standards, and continuously improve supplier quality assurance capabilities. Furthermore, it will carry out quality supervision and control of the whole process of parts entering the factory, manufacturing process and finished products leaving the factory to ensure that the physical quality is controlled. We will continue to implement quality improvement activities and prioritize the plans, and continuously promote quality improvement.

Sixth, it will continue to strengthen the supply chain management. The Company will stabilize the chain, strengthen the chain, continue to optimize and adjust the traditional product supporting system, and ensure the stability of the supply chain. It will build a chain and consolidate the chain, and accelerate the construction of the new energy supply chain system, promote the collaborative development of suppliers, and build a solid and reliable CPA and other key project guarantee and supply systems, especially to establish a procurement model of electronic components with differentiate priorities, multiple channels and risk-prevention, and solidify the chain.

4. Strict risk prevention and control, and effectively improve risk prevention and control capabilities

The Company will strengthen the risk prevention and control, improve the emergency plans, strengthen process supervision, reduce risk impact, and control the occurrence of risks in view of major risks faced by the Company's market competition, product structure adjustment and business quality improvement. Meanwhile, it will improve the whole process and the whole chain risk prevention and control work system and working mechanism, and build a long-term mechanism for early detection, early warning and early disposal. Also, it will strengthen the contract performance and dispute response management to ensure that the Company's overall legal compliance risk is controllable. Upon well building the general safety system, the Company will continuously improve the level of intrinsic safety, and effectively curb the occurrence of accidents, as well as reduce environmental pollution risk points and prevent the environmental emergencies.

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

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

√ Applicable □ Not applicable

Reception time	Place of reception	Way of reception	Types of visitors received	Visitors received	Main contents discussed and information provided	Index of Basic Information on the Investigation and Survey
February 23,2022	The Company	By phone	Individual	Mr.Zhang	Q: What is the impact of the company's listing transfer of the assets such as factory buildings? A: The assets transferred by the company this time are the production site of the original motorcycle business. After the company implemented a major asset restructuring in 2015, this motorcycle production site has been idle. In order to revitalize idle assets and improve the efficiency of asset operation, the company implements asset transfer, and the funds obtained are intended to be used to repay some debts and strengthen the company's manufacturing capacity building and R&D capacity building. After the transfer of idle assets, there is no impact on the Company's current production and operation. After the transaction is completed, the transaction costs of real estate, land, etc. will be deducted from the transaction price, which after deduction will be accounted as the asset disposal income.	Register of visitors for investors of the company
March 19,2022	Chongqing	By phone	Individual	Ms.Liu	Q: Does the controlling shareholder of the company have a plan to promote the reform of B shares? A: The company is not aware of the controlling shareholder's plan for the company's B-share reform.	Register of visitors for investors of the company
May 5,2022	The Company	By phone	Individual	Mr.Xu	Q: Under the influence of the current pandemic, can the annual general meeting of shareholders be held successfully? The controlling shareholder of the company shall actively promote the securitization of high-quality assets and actively plan the reform of converting B shares into A shares. A: The annual general meeting of shareholders will be held as scheduled. Thanks for the suggestion. The company will pass the investor's suggestion to the controlling shareholder.	Register of visitors for investors of the company
July 5,2022	The Company	By phone	Individual	Mr.Xu	Q: The State-owned Assets Supervision and Administration Commission (SASAC) issued opinions on improving the quality of listed companies controlled by central enterprises. Did Jianshe Vehicle B, as a listed company controlled by central enterprises, formulate a quality improvement plan? A: The company will actively implement the quality improvement requirements of SASAC and China South Industries Group Corporation (CSGC), promote the company to improve its governance and standardized operation, strengthen the endogenous growth and innovative development of listed companies, and promote the high-quality development of listed companies with practical actions.	Register of visitors for investors of the company

November 1,2022	The Company	By phone	Individual	Investor	Q: What are the non outstanding shares in the company's share capital? A: The company's non outstanding shares belong to the promoters, and are currently held by four shareholders, including CSGC.	Register of visitors for investors of the company
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IV. Corporate Governance

I. Basic state of corporate governance

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

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

Yes No

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

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

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

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

III. Competition situations of the industry

Applicable Not Applicable

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

1. Annual General Meeting

Sessions	Type	Investor participation ratio	Meeting Date	Disclosure date	Disclosure index
The First Extraordinary shareholders' General meeting in 2022	Extraordinary shareholders' General meeting	74.45%	February 25,2022	February 26,2022	It was reviewed and approved: 1.Proposal on 2022 Annual Investment Plan. 2. Proposal on the 2022 Annual Financing Plan of Chongqing Jianshe Vehicle Air Conditioning Co., Ltd., a wholly-owned subsidiary.3.. Proposal on Estimated Daily Related Party Transactions in 2022. 4. Proposal on Estimated External Guarantee in 2022.5. Proposal on amending the <i>Articles of Association</i> .6. Proposal on amending the <i>Rules of Procedure of the Board of Directors</i> .
2021 Shareholders' general meeting	Annual General Meeting	74.45%	May 27,2022	May 28,2022	It was reviewed and approved: 1. The Work Report of the Board of Directors for 2021.2. The Work Report of Supervisors committee 2021.3. Annual Report for 2021 and its summary. 4. Profit distribution plan for 2021.5. Proposal for Hiring the Annual Financial Report Audit Agency of 2022. 6. Proposal on accepting financial services and related transactions.
The Second Extraordinary shareholders' General meeting in 2022	Extraordinary shareholders' General meeting	74.45%	November 25,2022	November 26,2022	It was reviewed and approved: Proposal on changing accounting firms.

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

Applicable Not applicable

V. Information about Directors, Supervisors and Senior Executives

1. Basic situation

Name	Positions	Office status	Sex	Age	Starting date of tenure	Expiry date of tenure	Shares held at the year-begin(share)	Amount of shares increased at the reporting period(share)	Amount of shares decreased at the reporting period(share)	Other changes increase /decrease	Shares held at the year-end(share)	Reason
Yan Xuechuan	Chairman	In office	Male	59	November 13,2020	May 31,2023	0	0	0	0	0	Not applicable
Fan Aijun	Director	In office	Male	51	February 3,2021	May 31,2023	0	0	0	0	0	Not applicable

Dong Qihong	Director	In office	Male	58	April 11,2019	May 31,2023	0	0	0	0	0	Not applicable
Shi Qingong	Director	In office	Male	50	May 28,2021	May 31,2023	0	0	0	0	0	Not applicable
Hao Lin	Director	In office	Male	59	April 29,2008	May 31,2023	0	0	0	0	0	Not applicable
Li Jiaming	Independent Director	In office	Male	57	May 22,2020	May 31,2023	0	0	0	0	0	Not applicable
Xie Fei	Independent Director	In office	Male	58	May 22,2020	May 31,2023	0	0	0	0	0	Not applicable
Song Weiwei	Independent Director	In office	Female	47	May 22,2020	May 31,2023	0	0	0	0	0	Not applicable
Liu Wei	Independent Director	In office	Male	58	May 22,2020	May 31,2023	0	0	0	0	0	Not applicable
Zhou Yongqiang	Director	Appointed	Male	50	May 25,2016	May 31,2023	0	0	0	0	0	Not applicable
Lu Xianyun	Chairman of the supervisory committee	In office	Male	58	November 27,2020	May 31,2023	0	0	0	0	0	Not applicable
Zhang Lungang	Supervisor	In office	Male	55	April 11,2019	May 31,2023	0	0	0	0	0	Not applicable
Qiao Guoan	Supervisor	In office	Male	58	April 11,2019	May 31,2023	0	0	0	0	0	Not applicable
Liao Jian	Employee supervisor	In office	Male	51	March 3,2021	May 31,2023	0	0	0	0	0	Not applicable
Su Qiang	Employee supervisor	In office	Male	36	November 29,2021	May 31,2023	0	0	0	0	0	Not applicable
Fan Aijun	GM	In office	Male	51	January 18,2021	May 31,2023	0	0	0	0	0	Not applicable
Xu Wanming	Secretary of the Commission for Discipline Inspection	In office	Male	51	August 29,2022		0	0	0	0	0	Not applicable
Tan Mingxian	Chief accountant	In office	Male	49	March 25,2019	May 31,2023	0	0	0	0	0	Not applicable
Li Yongjiang	Deputy GM	In office	Male	41	December 5,2021	May 31,2023	0	0	0	0	0	Not applicable
Zhou Yongqiang	Deputy GM	In office	Male	50	June 26,2022	May 31,2023	0	0	0	0	0	Not applicable
Yu Wenbiao	Deputy GM	Dimission	Male	56	March 25,2019	May 31,2023	0	0	0	0	0	Not applicable

Zhang Hushan	Secretary of the Board	In office	Male	35	May 17,2018	May 31,2023	0	0	0	0	0	Not applicable
Total	--	--	--	--	--	--	0	0	0	0	0	--

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

Yes No

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

.Changes of directors, supervisors and senior executives

Applicable Not applicable

Name	Positions	Types	Date	Reason
Yu Wenbiao	Deputy GM	Dismiss	May 23,2022	Due to work adjustment, he no longer holds the post of deputy general manager of the company, and is appointed as a senior consultant by the company.
Zhou Yongqiang	Director	Appointed	June 24,2023	Adjust from the position of director to the position of deputy general manager.
Zhou Yongqiang	Deputy GM	Appointed	June 26,2022	Appointed as the Deputy General Manager at the sixteenth meeting of the Ninth Board of Directors.

II. Status of service

Working experiences of current directors, supervisors, and executives

Situation by the end of 2022:

Mr. Yan Xuechuan, male, was born in September 1963, MBA, senior economist. He had served as deputy chief economist and director of the business plan department of 5618 factory; served as deputy director and deputy secretary of the party committee, secretary of the disciplinary committee, secretary of the party committee of 5618 factory; he was the director and party secretary of Hunan Huanan Optoelectronics (Group) Co., Ltd.; served as Standing member of Dandong Municipal Committee of Liaoning Province, Deputy Mayor (Temporarily held) of Dandong; served as director, party committee secretary, worker union chairman of the Company; he had served as Director, Party Committee Secretary, Disciplinary Committee Secretary, worker union Chairman and General Manager of Jianshe Mechanical and Electric. Currently, he serves as Chairman and Secretary of party committee of the Company.

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

Dong Qihong, male, was born in September 1964, bachelor degree in economic management, senior engineer. He was Former Secretary of Youth League Committee of Qingshan Machinery Factory, Deputy Director of Motorcycle Parts Branch; Deputy Minister and Minister of Personnel and Labor Department of Chongqing

Qingshan Industrial Co., Ltd., Deputy Secretary of Party Committee, Secretary of Discipline Inspection Committee, Chairman of Worker Union, Deputy General Manager, Director, Secretary of Party Committee of Chongqing Qingshan Industrial Co., Ltd; he had served as Deputy General Manager and General Manager of Chongqing Qingshan Transmission Branch of China South Industrial Automobile Co., Ltd; General Manager of Chongqing Qingshan Industrial Co., Ltd.; Deputy Director and Director of Audit and Risk Department of China South Industries Group Corporation; Chairman and Secretary of Party Committee of Baoding Tianwei Group Co., Ltd.; Inspector of Audit and Risk Department, Inspector of Supervision Department, Inspector of Discipline Inspection and Supervision Department of China South Industries Group Corporation; Supervisor of South Asset Management Company; Chairman of Chang'an Automobile Supervisory Committee; and he was Director of Construction Mechatronics. Currently, he is the director of China Jialing, director of Luoyang North, director of Jinan Qingqi and Dajing Industrial and director of the Company.

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

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

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

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

Liu Wei: Male, born in 1964, post-doctorate and professor of new product development at Manchester University of Technology, UK. Served as a lecturer, associate professor, assistant to the department head of the

First Department of Mechanical Engineering of Chongqing University, professor of the School of Mechanical Engineering of Chongqing University, deputy director of the research institute, and concurrently served as Chongqing Changan Automobile Co., Ltd., Chongqing Science and Technology Venture Capital Co., Ltd. Co., Ltd., Chongqing Angel Investment Guidance Fund Co., Ltd., Chongqing Zaisheng Technology Co., Ltd., Chongqing Electromechanical Co., Ltd., Chongqing Fuling Electric Power Industry Co., Ltd., Chongqing Three Gorges Paint Co., Ltd., and Chongqing Zhengchuan Pharmaceutical Packaging Materials Co., Ltd. are independent Director, outside director of Chongqing Iron and Steel (Group) Co., Ltd. He is currently a professor, doctoral supervisor, deputy director of the research center, and department head of the School of Economics and Business Administration of Chongqing University, and concurrently serves as an independent director of Kunming Yunnei Power Co., Ltd. and the company.

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

Lu Xianyun, male, Han nationality, was born in November 1964. He has a postgraduate degree in business administration and has the title of researcher-level senior engineer. He served as Minister of Manufacturing Department, Assistant to General Manager and Minister of Human Resources, and Deputy General Manager of Qingshan Plant, and once served as Deputy General Manager, Secretary of the Party Committee, Secretary of the Disciplinary Committee, Chairman of the Labor Union, and Director of Chongqing Qingshan Industrial Co., Ltd, and he was Secretary of the Party Committee of, Secretary of the Commission for Discipline Inspection, Chairman of the Labor Union in Chongqing Qingshan Transmission Branch. Currently, he is a supervisor of Yunnan Xiyi and the chairman of the Company's board of supervisors.

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

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

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

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

Xu Wanming, male, born in August 1971, bachelor's degree in economics from Chongqing Institute of Technology, title of senior engineer. He used to be deputy director of the organization department of the Party Committee and secretary of the party branch, deputy director of the supervision department of committee for discipline inspection and secretary of the joint party branch of discipline inspection and audit, director of human resources department and secretary of the party branch (during which he served as deputy director of the human resources section of the human resources department of CSGC) in Chang'an Industry and secretary of committee for discipline inspection of Sichuan Jian'an Industry Co., Ltd. He is currently the secretary of committee for discipline inspection of the Company.

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

Li Yongjiang, male, was born in November 1981, holding bachelor degree in mechanical engineering and automation and the senior engineer title. He used to be Deputy Section Chief of the Engine Group of Construction Group; Chief of Workshop Room 54, Deputy Chief of Machine Shop of Manufacturing Department, Director of Precision Management Office of Jianmo B Engine Business Department; Practice Section Chief of Chongqing Jianya casting section; Deputy Director of the Jianmo B press welding workshop; Deputy Minister of the production management department; Deputy Minister of the construction machinery manufacturing management

department; Deputy Division Chief of the manufacturing department of Chang'an Automobile Yubei Factory (Concurrent Post). He is currently the Vice Chairman of the Company's worker union, Minister of the party and mass work department, and Employee Supervisor. he served as Deputy General Manager of the Company.

Zhou Yongqiang, male, born in December 1972, bachelor's degree in management engineering from Chongqing Institute of Industrial Management, title of senior economist. He used to be the director of investment management section and the deputy director of investment management section in China Jialing Group, the assistant director of planning department, the deputy director and director of enterprise development department in China Jialing; General manager of Chongqing Jiufang Foundry Co., Ltd.; Assistant to general manager and director of development planning department, secretary of board of directors and deputy general manager of China Jialing; Director of Jianshe Mechanical & Electrical Equipment, Chongqing Jialing Industrial Co., Ltd. and Jinan Qingqi; Director of motorcycle reform and development section, southwest region department of Southern Group; Director of Luoyang North and the Company. He is currently the deputy general manager of the Company.

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

Office taking in shareholder companies

√Applicable □Not applicable

Names of the persons in office	Names of the shareholders	Titles engaged in the shareholders	Sharing date of office term	Expiry date of office term	Does he /she receive remuneration or allowance from the shareholder
Dong Qihong	Luoyang North	Director	October 10,2018		Yes
Dong Qihong	Jinan Qingqi	Director	December 3,2018		Yes
Dong Qihong	Dajiang Industrial	Director	November 29,2021		Yes
Shi Qingong	Luoyang North	Director	April 16,2021		Yes
Shi Qingong	Jinan Qingqi	Director	April 6,2021		Yes
Zhou Yongqiang	Southern Group Southwest Region Motorcycle Feform and Development Dept	Director of the Enterprise Development Department	July 1,2013	June 30,2022	Yes
Zhou Yongqiang	Luoyang North	Director	April 7,2016	May 30,2022	Yes
Zhang Lungang	Jianshe Industry	Chairman of the board of supervisors	November 6,2017	January 11,2023	Yes
Zhang Lungang	Yunnan Xiyi Industry Co., Ltd.	Supervisor	November 6,2017	April 6,2023	Yes
Qiao Guoan	Jianshe Industry	Supervisor	January 3,2018	January 11,2023	Yes
Lu Xianyun	Yunnan Xiyi	Supervisor	November 10,2020		Yes

Offices taken in other organizations

√Applicable □Not applicable

Names	Name of the parties	Positions	Job started	Job ended	Take remunerations from the party
Hao Lin	Chongqing Tongkang Technology Co., Ltd.	Chairman	July 1,1999		Yes
Li Jiaming	Chongqing University Assets Management Co., Ltd.	GM	November 21,2021		Yes
Xie Fei	Chongqing University of Technology School of Economics and Finance	Professor	January 4,2016		Yes
Liu Wei	Chongqing University of School of Economics and Business Administration	Professor,Ph.D, Associate Director of the research center, Head of the Department of Business Management, Ph.D	April 2,2001		Yes
Song Weiwei	Accounting School of CQUT	Professor	July 3,2000		Yes

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

□ Applicable √Not applicable

III. Remuneration to directors, supervisors and senior executives

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

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

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

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

In RMB 10,000

Name	Positions	Sex	Age	Office status	Total remuneration received from	Remuneration actually receives at the
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					the shareholder	end of the reporting period
Yan Xuechuan	Chairman	Male	59	In office	36.46	No
Fan Aijun	Director, GM	Male	51	In office	36.46	No
Dong Qihong	Director	Male	58	In office	14.91	Yes
Shi Qingong	Director	Male	50	In office	12.67	Yes
Zhou Yongqiang	Director	Male	50	In office	0	Yes
Hao Lin	Director	Male	59	In office	0	Yes
Li Jiaming	Independent Director	Male	57	In office	3.57	No
Xie Fei	Independent Director	Male	58	In office	3.57	No
Song Weiwei	Independent Director	Female	47	In office	3.57	No
Liu Wei	Independent Director	Male	58	In office	3.57	No
Lu Xianyun	Chairman of the supervisory committee	Male	58	In office	28.91	Yes
Zhang Lungang	Supervisor	Male	55	In office	23.42	Yes
Qiao Guoan	Supervisor	Male	58	In office	23.51	Yes
Liao Jian	Employee Supervisor	Male	51	In office	17.34	No
Su Qiang	Employee Supervisor	Male	36	In office	15.76	No
Xu Wanming	Secretary of the Commission for Discipline Inspection	Male	51	In office	15.67	No
Tan Mingxian	Chief accountant	Male	49	In office	33.21	No
Li Yongjiang	Deputy GM	Male	41	In office	26.69	No
Zhou Yongqiang	Deputy GM	Male	50	In office	23.69	No
Zhang Hushan	Secretary of the Board	Male	35	In office	21.68	No
Yu Wenbiao	Deputy GM	Male	56	Dimission	33.38	No
Total	--	--	--	--	378.04	--

VI. Performance of directors' duties during the reporting period

1. Information of the board meetings during the reporting period

Session	Convening date	Disclosure date	Meeting resolution
The 12th meeting of the Ninth Board of Directors	January 9,2022	January 10,2022	It was reviewed and approved: Proposal on re-adjusting the transfer price of assets such as factory buildings and land.
The 13th meeting of the Ninth Board of Directors	January 21,2022	January 22,2022	It was reviewed and approved:1. Proposal on 2021 Annual Investment Plan.2. Proposal on the 2021 Annual Financing Plan of Chongqing Jianshe Vehicle Air Conditioning Co., Ltd., a wholly-owned subsidiary.3. Proposal on Estimated Daily Related Party Transactions in 2022.4. Proposal on Estimated External Guarantee in 2022.5. Proposal on the 2022 annual training plan.6. Proposal on adjusting the organizational structure.7. Proposal on amending the Articles of Association. 8. Proposal on amending the Rules of Procedure of the Board of Directors. 9. Proposal on adjusting the members of the Remuneration and Appraisal Committee of the Ninth Board of Directors. 10. Proposal on adding members of the Nomination Committee of the Ninth Board of Directors.11. Proposal on Convening the First Extraordinary General Meeting of Shareholders in 2022.
The 14th meeting of the Ninth Board of Directors	April 28,2022	April 30,2022	It was reviewed and approved:1.The Work Report of the Board of Directors for 2021.2. The Work Report of the General Manager for 2021.3. Annual Report 2021 and Summary,4.. The dividend plan 2021.5. Evaluation Report on Internal Control in 2021.6. Summary Report on Corporate Audit of Accounting Firms in 2021 and Proposal on Renewing Financial Audit Institutions and Internal Control Audit Institutions in 2022. 7. Proposal on accepting financial services and related transactions. 8. Report on the risk assessment to the China South Industries Group Finance Co., Ltd. 9. Proposal on the 2022 annual audit plan. 10. .The First quarter Report of 2022.11. 11. Proposal on amending the Working Rules of the Strategy Committee. 12. Proposal on amending the Working Rules of the Audit Committee. 13. Proposal on amending the Working Rules of the Remuneration and Appraisal Committee. 14. Proposal on amending the Working Rules of the General Manager. 15. Proposal on amending the Administrative Measures for Authorization by the Board of Directors. 16. Proposal on formulating the Administrative Measures for Foreign Donations. 17.Proposal on Convening the General Meeting of Shareholders in 2021.
The 15th meeting of the Ninth Board of Directors	May 23,2022	May 24,2022	It was reviewed and approved: Proposal on dismissing Mr. Yu Wenbiao as Deputy General Manager.
The 16th meeting of the Ninth Board of Directors	June 26,2022	June 27,2022	Listened to the report: A report on Mr. Zhou Yongqiang's resignation as a director. Deliberated and passed: the proposal on appointing Mr. Zhou Yongqiang as the deputy general manager of the company.
The 17th meeting of the Ninth Board of Directors	August 29,2022	August 31,2022	It was reviewed and approved: Proposal for semi-annual report 2022 and its summary.2. Report on the risk assessment of the China South Industries Group Finance Co., Ltd. 3. Proposal on adjusting organizational structure.

The 18th meeting of the Ninth Board of Directors	October 27,2022	October 29,2022	It was reviewed and approved: 1.The Third quarter Report of 2022. 2. Proposal on changing accounting firms. 3. Proposal on amending the Administrative Measures for Remuneration of Managers. 4. Proposal on amending the Administrative Measures for Performance of Managers. 5. Proposal on amending the Administrative Measures for Investment in Fixed Assets. 6. Proposal on formulating the Negative List of Investment Projects. 7. Proposal on amending the Administrative Measures for Funds. 8. Proposal on amending the Salary Management System. 9. Proposal on formulating the Investor Relations Management System. 10. Proposal on Convening the Second Provisional General Meeting of Shareholders in 2022.
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2. Attendance of directors at the board meetings and the general meeting of shareholders

Attendance of directors at the board meetings and the general meeting of shareholders							
Name of director	Number of board meetings attended during the reporting period	Number of board meetings attended in person	Number of board meetings attended by means of communication	Number of board meetings attended by proxy	Number of board meetings absent from	Whether to attend the board meeting in person twice in a row	General meetings of shareholders attended
Yan Xuechuan	7	3	4	0	0	No	3
Fan Aijun	7	3	4	0	0	No	3
Dong Qihong	7	3	4	0	0	No	3
Shi Qingong	7	2	4	1	0	No	2
Hao Lin	7	3	4	0	0	No	3
Li Jiaming	7	3	4	0	0	No	3
Xie Fei	7	3	4	0	0	No	3
Song Weiwei	7	3	4	0	0	No	3
Liu Wei	7	3	4	0	0	No	3
Zhou Yongqiang	4	2	2	0	0	No	1

3. Directors' objections to related matters of the Company

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

Yes No

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

4. Other descriptions of directors' performance of duties

Whether the directors' suggestions on the Company have been adopted

Yes No

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

In 2022, the Company's directors learned about its production and operation through field visits, consulting the Company's information and listening to reporting, and paid attention to the development of the automobile industry, important customers, key suppliers, major competitors and other related situations. In their respective professional fields, they put forward professional opinions and management suggestions on its product structure adjustment and new product R&D direction. The management of the Company listened to and adopted the suggestions of the directors, and implemented them in specific work.

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

Committee name	Member information	Number of meetings convened	Convening date	Meeting content	Put forward important opinions and suggestions	Other information of duty performance	Details of objections (if any)
Audit Committee	4: Chairman of the Committee: Song Weiwei, Member: Li Jiaming, Xie Fei ,Dong Qihong	5	January 7,2022	Audit of and Opinions on the 2021 Annual Financial Statements Prepared by the Company's Finance Department; Audit of and Opinions on the Overall Audit Strategy of the 2020 Annual Financial Statements Submitted; Audit of and Opinions on the Company's Estimated Daily Related Party Transactions in 2022.	1. It is agreed to submit the 2020 annual accounting statement prepared by the Company's Finance Department to the accounting firm for preliminary review. 2. It is agree that the accounting firm should implement the audit procedures according to the above audit strategy and specific plan. 3. It is agreed to submit the <i>Proposal on Estimated Daily Related Party Transactions of the Company in 2022</i> to the Board of Directors for consideration.	Negotiate with the accounting firm to determine the time schedule of the annual financial report audit, pay attention to the progress of the audit many times during the audit, and urge the accounting firm to submit the audit report within the agreed time limit.	
			March 10,2022	Review the 2022 Audit Plan of the Company and put forward opinions.	It is agreed to submit the Company's 2022 audit plan to the Board of Directors for deliberation.		
			April 8,2022	"Review and opinions on the first draft of the Company's accounting statement and audit report in 2021"; "Review and opinions on the internal control evaluation report in 2021"; "Summary of the audit work of the accounting firm in 2021"; "Suggestions on whether to renew the employment of Zhongxingcai Guanghua Certified Public Accountants LLP and pay the audit fees in 2022"; "Review	1. It is agreed to submit the 2021 annual audit report issued by Zhongxingcai Certified Public Accountants to the Board of Directors for deliberation. 2. It is agreed to submit the 2021 internal control evaluation report to the Board of Directors for deliberation. 3. It is suggested that Zhongxingcai Guanghua Certified Public Accountants LLP shall continue to be employed to audit the financial statements and internal control of the Company in 2022. It is suggested that the audit fee for financial statements should be RMB 450,000 and the audit fee for internal control should be RMB 150,000. 4. It is agreed to accept the financial service agreement		

				and opinions on the financial service agreement provided by China South Industries Group Finance Co., Ltd."1	provided by CSGC Finance, and it is suggested that the maximum daily deposit balance of the Company and its subsidiaries in CSGC Finance should not be higher than RMB 300 million within the validity period of the agreement; The annual comprehensive credit line of CSGC Finance should not exceed RMB 560 million, and the bill discount should not exceed RMB 560 million; The accumulated interest incurred by the CSGC Finance for comprehensive credit granting, bill discounting and other credit businesses every year should not exceed RMB 30 million.		
			August 19,2022	"Review and opinions on the Company's semi-annual accounting statements in 2022", "Evaluation and opinions on semi-annual risk of CSGC Finance"	1. It is agreed to submit the Company's 2022 semi-annual accounting statements to the Board of Directors for deliberation. 2. It is considered that the risk of deposit and loan finance business between the Company and CSGC Finance is controllable.		
			October 14,2022	"Review the Company's accounting statements in the third quarter of 2022 and make comments", "Review the Company's change of accounting firm and make comments"	1. It is agreed to submit the Company's accounting statement for the third quarter of 2022 to the Board of Directors for deliberation. 2. It is agreed to re-employ Da Hua Certified Public Accountants (special general partnership) as the institution for the Company's 2022 annual financial report and internal control audit, with a term of one year and a total audit fee of RMB 550,000, and it is agreed to submit it to the Company's Board of Directors for deliberation.		
Strategy Committee	3: Chairman of the Committee: Yan Xuechuan, Member: Shi Qingong, Zhou Yongqiang, Liu Wei	3	January 7,2022	"Study and opinions on the Company's 2022 investment plan", "Study and opinions on the Company's 2022 financing plan", "Study and Opinions on the Company's 2022 expected external guarantee items"	It is agreed to submit the 2022 investment plan, 2022 financing plan and 2022 estimated external guarantee items to the Board of Directors for deliberation.		
			April 18,2022	"Study and opinions on the overall business objectives of the Company in 2022" and "Study and opinions on the profit distribution plan in 2021"	1. It is suggested that the Company's sales target for automotive air-conditioning compressors in 2022 is 2 million units, with an operating income of RMB 682 million. 2. It is suggested that the reserve fund should not be allocated or converted into share capital this year.		
			October	"Deliberate the proposal on	It is agreed to submit the revised draft of the		

			14,2022	amending the <i>Administrative Measures for Investment in Fixed Assets</i> " and "Deliberate the proposal on formulating the <i>Negative List of Investment Projects</i> ".	<i>Administrative Measures for Investment in Fixed Assets</i> and the <i>Negative List of Investment Projects</i> to the Board of Directors for deliberation.		
Nomination Committee	4: Chairman of the Committee: Li Jiaming, Member: Liu Wei, Song Weiwei, Fan Aijun	1	June 21,2022	Review the qualifications of Zhou Yongqiang as a candidate for Deputy General Manager of the Company.	The candidate is qualified and capable of performing his duties, and it is agreed to submit the application to the Board of Directors for deliberation.		
Remuneration and Assessment Committee	4: Chairman of the Committee: Xie Fei, Member: Liu Wei, Li Jiaming, Dong Qihong	2	February 18,2022	Review the performance of duties of directors and senior management in 2021, and conduct annual performance assessment	In 2021, there were 19 directors (including independent directors) and senior managers who were paid by the Company (including those who resigned). According to the achievement of the Company's main financial indicators and business objectives in 2021, combined with the assessment of the above-mentioned personnel's in-charge work indicators and their business abilities, it was considered that the salary level of the Company's directors and senior managers in this year was in line with the provisions of the Company's <i>Evaluation and Incentive System for Senior Managers</i> , and it was agreed that the Company would pay a total salary of RMB 4,176,100.		
			October 14,2022	Discuss the <i>Administrative Measures for Remuneration of Managers</i> and the <i>Administrative Measures for Performance of Managers</i> .	It is agreed to submit the revised draft of the <i>Administrative Measures for Remuneration of Managers</i> and the <i>Administrative Measures for Performance of Managers</i> to the Board of Directors for deliberation.		

VIII. The working status of the board of supervisors

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

Yes No

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

IX. Particulars about employees.

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

Number of in-service staff of the parent company (person)	183
Number of in-service staff of the main subsidiaries (person)	600
Total number of the in-service staff (person)	783
Total number of staff receiving remuneration in the current period (person)	783
The number of the parent company and the main subsidiary's retired staffs who need to bear the cost (person)	162
Professional	
Classified according by Professions	Number of persons (person)
Production	434
Sales	31
Technical	193
Financial	25
Administrative	100
Total	783
Education	
Classified according by Professions	Number of persons (person)
Mid-school or below	300
Colleges or above	210
Universities or above	254
Postgraduate or above	19
Total	783

2. Remuneration policies

The mode of piecework wage for production personnel was carried out. Sales commissions are employed to sales personnel. Some technicians implement the agreed salary model; The rest of the staff implement the broadband salary model.

3. Training plan

In 2022, the Company organized 125 training sessions throughout the year, including 77 internal training sessions and 48 external training sessions, with a total of 2,811 person-times, a total of 16,391 class hours, and an average training session of the Company's employees of 21 class hours, thus fully completing the Company's

annual training plan. It organized the on-the-job (transfer) training for and appraisal of 148 production and operation employees in this year, and issued the on-the-job operation certificate. It provided online learning platform, and opened self-learning courses in various fields for employees of the Company. By the end of the year, the average class hours per person reached 39 hours.

4. Outsourcing situation

Applicable Not applicable

X. Specification of profit distribution and capitalizing of common reserves

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

Applicable Not applicable

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

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

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

Applicable Not applicable

Profit distribution and capitalization of capital reserve during the reporting period

Applicable Not applicable

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

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

Applicable Not applicable

None

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

1. Construction and implementation of internal control

In 2022, with the goal of "strengthening internal control, preventing risks and promoting compliance", the Company organized the construction and supervision of internal control system, established and improved the internal control system of the Company oriented to risk management, and laid a solid foundation for the Company's transformation, upgrading and healthy development.

1. Construction of internal control system

(1) The Company has established a governance structure consisting of General Meeting of Shareholders, Board of Directors, Board of Supervisors, managers and various business organizations, and defined the rights and obligations of all levels. It has established the Company's articles of association, the rules of procedure of each governance body, the authorization management measures, the reporting system of major events and the management system of various businesses, etc., and strictly implemented them.

(2) The audit committee under the Board of Directors of the Company is responsible for supervising and evaluating the Company's internal control and risk management. The Audit Risk Department inspects and supervises the establishment and implementation of the Company's internal control system, the authenticity and integrity of the Company's financial information, the Finance Department is responsible for the construction of the internal control system, the Asset Management Department is responsible for compliance management, and the Board of Directors is responsible for the Company's internal control system and effective implementation. In 2022, the Company did not have any major defects in internal control of financial reporting, nor did it find any major defects in internal control of non-financial reporting.

The Company has 5 full-time internal control personnel, including 2 with intermediate titles and 3 with junior titles. According to the Company's performance management methods and regulations, the Company comprehensively evaluates the employee's performance at the end of the year, and the annual assessment of internal control personnel is Excellent.

(3) Construction and implementation of internal control system.

In 2022, the Company issued the annual work plan of the Board of Directors, which further enhanced the standardization and effectiveness of the work of the board of directors, ensured the smooth and efficient operation of the board of directors; Revised and improved seven corporate governance documents, including the Articles of Association and the Rules of Procedure of the Board of Directors, and compiled a list of rights and responsibilities ("four forms and one table"), which met the new requirements of governance improvement.

The Company comprehensively combed all business activities and control points, revised and improved relevant systems and processes to ensure the effectiveness of the Company's internal control system. In 2022, it revised and improved 96 management systems, including internal control systems in key areas such as capital, finance, bidding, procurement and sales, and effectively implemented the Company's current management system.

(4) Major risk assessment and monitoring.

The Company has strengthened daily risk monitoring, conducts annual comprehensive risk management assessment, implemented relevant responsible units, formulated major risk prevention and measures of the Company, and formed the Company's Comprehensive Risk Management Report; Set the monitoring threshold for major risks, and judged the quarterly adjustment regularly according to the actual situation.

(5) Information management and control.

The Company has set up a leading group for network security work, designated professional technicians for information technology to be responsible for the Company's information construction and security operation and maintenance, and established a relatively complete information management system. In terms of digital transformation, under the overall framework of Overall Scheme of Digital Transformation Action Plan, the Company's digital action plan is formulated in combination with the Company's information planning and intelligent manufacturing planning. From 2023, the digital transformation will be gradually promoted. At present, the Company has established information systems (CAD\CAE\CAM, PDM, ERP, TQM, MES, OA, etc.) covering product design, production management and daily office. The Company's information system covers wholly-owned subsidiaries and important fields and key links such as operation, finance, procurement, sales, R&D.

The Company strengthens the daily network technology monitoring, well ensures the safety supervision and inspection and safety protection of the Company's internal information system and the Company's extranet website, and guarantees the safe and effective operation of Company's information system.

(6) Management and control of overseas enterprises.

The Company has no overseas enterprises.

2. Supervision and evaluation of internal control system

(1) Every year, the external audit institution audits the effectiveness of the Company's internal control, and the Board of Directors issues a self-evaluation report on the Company's internal control.

(2) Supervision and evaluation of internal control system.

The Audit Risk Department of the Company worked out an evaluation plan, organized the key personnel of the Business Planning Department, Finance Department, Asset Management Department, Purchasing Department, Sales Department and other departments to divide their work according to business, carried out the self-evaluation of internal control in 2022 from January 4, 2023 to February 15, 2023, and submitted the Evaluation Report on Internal Control in 2022 to the Board of Directors (for details, please refer to CNINF on April 29, 2023, Announcement No.: 2023-017).

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

Yes No

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

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

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

1. Self-evaluation report on internal control

Disclosure date of appraisal report on internal control	April 29, 2023	
Disclosure index of appraisal report on internal control	Juchao Website: (http://www.cninfo.com.cn), Announcement No.:2023-017	
Proportion of total unit assets covered by appraisal in the total assets of the consolidated financial statements of the company	100.00%	
Proportion of total unit incomes covered by appraisal in the total business incomes of the consolidated financial statements of the company	100.00%	
Standards of Defects Evaluation		
Category	Financial Report	Non-financial Report
Qualitative standard	<p>General defects: ① Minor financial loss; ② Minor misstatement or omission of statement in terms of financial statement; ③ Minor damage of reputation caused by its negative influence in some regions. Serious defects: ① Bring some financial loss to company; ② Cause moderate misstatement or omission of statement in terms of financial statement; ③ Serious damage of reputation caused by its comparatively large-scale influence in some regions. Significant defects: ① Bring significant financial loss to company; ② Significant misstatement or omission of statement in terms of financial statement; ③ The significantly negative influence has attracted large-scale attention by the public and unrecoverable losses have been brought to company.</p>	<p>Indicator 1: General defects in company's daily operation. It's almost impossible that some specific business fails to operate normally. Other business activities and achievement of business goals will not be affected. Serious defects: It's reasonably possible that normal operations of some business may be influenced but it will not affect the sustainable operation of our company. Significant defects: it's reasonably possible that operation capacity of some business may be lost and it will endanger the company's sustainable operation. Indicator 2: Financial loss. General defects: It's almost impossible that minor financial losses may be led to company. Serious defects: It's reasonably possible that moderate financial losses may be led to company. Significant defects: It's possible that significant financial losses may be led to company. Indicator 3: Reputation of company. General defects: It's almost impossible that the negative information popular in some regions will be caused, which may further affect company's reputation. Serious defects: It's reasonably possible that the negative information popular in some regions will be caused, which may lead moderate influence to company's reputation. Significant defects: It's reasonably possible that the negative information popular in some regions will be caused, which may lead significant influence to company's reputation.</p>
Quantitative criteria	<p>Indicator: The proportion of misstatement in the overall assets. General defects: It's almost impossible that the amount of misstatement accounting for 0.05% of the overall assets or less will occur. Serious defects: It's reasonably impossible that the amount of misstatement accounting 0.05% to 1% of the overall assets will occur. Significant defects: It's reasonably possible that the amount of misstatement accounting for 1% of the overall assets or more will occur.</p>	<p>Indicator: The proportion of financial losses in the overall assets. General defects: It's almost impossible that the amount of financial losses accounting for 0.05% of overall assets or less will occur. Serious defects: It's reasonably possible that the amount of financial losses accounting for 0.05% to 1% of the overall assets will occur. Significant defects: It's reasonably possible that the amount of financial losses accounting for 1% of the overall assets or more will occur.</p>

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

2. Internal Control audit report

√ Applicable Not applicable

Review opinions in the internal control audit report	
We acknowledge that Chongqing Jianshe Vehicle System Co., Ltd. has been conducting effective internal control in all material aspects complying with “Fundamental Rules of Enterprise Internal Control” .On December 31,2022.	
Disclosure date of audit report of internal control	Disclosure
Index of audit report of internal control (full-text)	April 29,2023
Internal audit report’s opinion	Juchao Website: (http://www.cninfo.com.cn), Announcement No.:2023-032
Type of audit report on internal control	Unqualified auditor’s report
Whether there is significant defect in non-financial report	No

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

 Yes No

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

 Yes No**XV. Rectification of self-examination problems in special governance actions of listed companies**

According to the Notice on Well Ensuring the Special Self-examination of Listed Company Governance (YZJF [2020] No.367) issued by Chongqing Supervision Bureau of China Securities Regulatory Commission, the Company carried out self-examination according to the List of Special Self-examination of Listed Company Governance issued by the government service platform of China Securities Regulatory Commission, and has completed rectification for the existing problems. For details, please refer to the 2021 Annual Report.

V. Environmental & Social Responsibility

I. Significant environmental issues

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

Yes No

Policies and industry standards related to environmental protection

Environmental Protection Law of People's Republic of China, Water Pollution Prevention Law of People's Republic of China, Air Pollution Prevention Law of People's Republic of China, Noise Pollution Prevention Law of People's Republic of China, Solid Waste Pollution Prevention Law of People's Republic of China and Soil Pollution Prevention Law of People's Republic of China.

Environmental protection administrative license

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

Industrial emission standards and the specific situation of the pollutant emission involved in the production and business activities

Company or subsidiary name	Main pollutant and specific pollutant Type	Main pollutant and specific pollutant name	Emission way	Emission port number	Emission port distribution condition	Emission concentration (mg/Nm ³)	Implemented pollutant emission standards	Total emission	Verified total emission(Tons)	Excessive emission condition
Chongqing Jianshe Vehicle System Co., Ltd.	Main pollutants of wastewater, Petroleum category	Main pollutants of wastewater: COD, ammonia nitrogen, total phosphorus, PH; particular pollutants: Petroleum category	Indirect discharge: it is discharged into Zhongliangshan sewage treatment plant after reaching the Grade III standard of the <i>Integrated Wastewater Discharge Standard</i>	1	Total wastewater discharge outlet	COD: 122mg/L; petroleum: 0.14mg/L; ammonia nitrogen: 10.1mg/L; total phosphorus: 2.26mg/L; PH: 7.5-7.6	Grade III Standard of the <i>Integrated Wastewater Discharge Standard</i>	Simplified management of pollutant discharge permits, no total amount required	Simplified management of pollutant discharge permits, no total amount required	No
Chongqing Jianshe Vehicle System Co., Ltd	Waste gas: Main pollutants	Waste gas: Main pollutants: SO ₂ , nitrogen oxides, particulate matter; characteristic pollutants: None	Direct emission: The treatment meets the <i>Integrated Emission Standard of Air Pollutants</i>	1	Exhaust gas outlet of melting furnace	Nitrogen oxide: 26mg/m ³ ; particulate matter: 5.9mg/m ³ ; SO ₂ : 3mg/m ³	Limit value of main urban area of the <i>Integrated Emission Standard of Air Pollutants</i>	Simplified management of pollutant discharge permits, no total amount required	Simplified management of pollutant discharge permits, no total amount required	No
Vehicle air conditioner	Main pollutants of wastewater, total zinc	Main pollutants of wastewater: COD, ammonia nitrogen, total phosphorus, PH particular pollutants: total zinc	Indirect discharge: it is discharged into Zhongliangshan sewage treatment plant after reaching the Grade III standard of the <i>Integrated Wastewater Discharge Standard</i>	1	Total wastewater discharge outlet	COD: 128mg/L petroleum: 0.31mg/L ammonia nitrogen: 9.96mg/L total phosphorus: 3.12mg/L PH: 7.5-7.6 total zinc: 0.12mg/L	Grade III Standard of the <i>Integrated Wastewater Discharge Standard</i>	Simplified management of pollutant discharge permits, no total amount required	Simplified management of pollutant discharge permits, no total amount required	No
Vehicle air	Waste gas: Main	Waste gas: Main	Direct emission: The treatment	6	Outlet of phosphating	Nitrogen oxide:	Limit value of main urban	Simplified management	Simplified management	No

conditioner	pollutants: hydrogen chloride, xylene	pollutants: nitrogen oxides, particulate matter; characteristic pollutants: hydrogen chloride, xylene	meets the <i>Integrated Emission Standard of Air Pollutants</i>		production line 1, outlet of phosphating production line 2, outlet of tin plating production line, surface treatment line, outlet of shot peening workshop and outlet of PTFE production line	3mg/m ³ , particulate matter: 6.7mg/m ³	area of the <i>Integrated Emission Standard of Air Pollutants</i>	of pollutant discharge permits, no total amount required	of pollutant discharge permits, no total amount required	
Chongqing Pingshan Taikai Carburetor Co., Ltd	Main pollutants of wastewater	Main pollutants of wastewater: PH, COD, BOD5, suspended solids, petroleum, animal and vegetable oils, ammonia nitrogen.	Direct discharge: it reaches the first-class standard of <i>Integrated Wastewater Discharge Standard</i> after treatment and is discharged into Huangxi River.	1	Total waste water outlet	PH: 8.16-8.21; COD: 79; BOD5: 16.4; Suspended matter:14; Petroleum:0.31mg/ L; Animal and vegetable oil: 0.54 mg/L; Ammonia nitrogen:7.64mg/L	Grade I standard of <i>Integrated Wastewater Discharge Standard</i>	Implement registration for filing, fill in the pollutant discharge registration form, do not need to apply for a pollutant discharge permit, with total amount not required	Implement registration for filing, fill in the pollutant discharge registration form, do not need to apply for a pollutant discharge permit, with total amount not required	No
Chongqing Pingshan Taikai Carburetor Co., Ltd	Waste gas: Main pollutants:	Main pollutants: nitrogen oxides, sulfur dioxide and particulate matter.	Direct discharge: it meets the <i>Integrated Atmospheric Discharge Standard</i> after treatment	1	Exhaust port of die casting machine	Nitrogen oxide:3L, particulate matter:9.6mg/m ³ , sulfur dioxide:3L; The data with "L" indicates that the concentration of the pollutant is lower than the method detection limit, and the detection limit is 3 mg/m ³ .	Limits on Main Urban Area in <i>Comprehensive Atmospheric Emission Standard</i>	Implement registration for filing, fill in the pollutant discharge registration form, do not need to apply for a pollutant discharge permit, with total amount not required	Implement registration for filing, fill in the pollutant discharge registration form, do not need to apply for a pollutant discharge permit, with total amount not required	No

The treatment of the pollutants

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

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

Emergency plan for emergency environmental incidents

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

Environmental self-monitoring program

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

According to the monitoring results shown in the Monitoring Report (YJ (J) Zi [2022] No. WT572) and (YJ (J) Zi [2022] No. WT571) issued on March 31, 2022, and the Monitoring Report (FL (J) Zi [2022] No. WT3025) issued on October 27, 2022, the emissions of wastewater, organized waste gas, unorganized waste gas and noise produced by the Company and its wholly-owned subsidiaries, namely Vehicle Air Conditioning Company and Pingshan Taikai Company, all meet the relevant emission standards.

Investment in environmental governance and protection and the relevant payment of environmental protection tax

In 2022, the Company's taxable pollutants are air pollutants, and the actual total amount of environmental protection tax paid is RMB 11,607.

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

Applicable Not applicable

First, vigorously develop the thermal management industry of new energy vehicles, and realize large-scale market sales of new energy electric compressor products. Second, vigorously develop the green low-carbon parts industry, adapt to the requirements of emission upgrading, and actively develop and cultivate the low-carbon competitiveness of new products. Third, strengthen the green design of products, implement the green design through the whole life cycle of products, strengthen the tracking of carbon footprint of products, select green low-

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

Administrative penalties for environmental problems during the reporting period

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

Other environmental information that should be disclosed

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

Other Environmental Related Information

See the foregoing for details.

II. Social responsibilities

(1) Protection of shareholders' equity

The company always insists on fair treatment to all investors, protects the legitimate rights and interests of shareholders, especially small and medium shareholders, and actively creates conditions to attract small and medium shareholders to participate in major decisions of the company. During the reporting period, the Board of Directors convened 3 general meetings of shareholders by providing on-site voting and online voting, and the shares held by shareholders participating in voting accounted for more than 74.45% of the total shares of the company.

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

(II) Protection of employee rights and interests

The Company respects and safeguards employees' rights and interests, and is committed to promoting employees' all-round development, realizing the common promotion of employees' personal value and enterprise value, and striving to benefit the majority of employees from the achievements of enterprise reform and development. First, adhere to the democratic management system. Set up employee directors and employee supervisors to participate in the Company's decision-making and supervision, establish a democratic

management system with employee congresses as the basic form, and support employees to participate in enterprise management. In 2022, the Company held one employee representative meeting, one model worker symposium and four employee representative symposiums, and widely listened to employees' opinions and suggestions on the Company's development, and implemented or replied to 73 items one by one. Second, continue to make factory affairs public. The Company made use of the newspaper of Jianshe Shares and OA collaborative office platform to disclose the matters that employees should know in a timely manner, and disclosed 170 major matters involving the vital interests of employees throughout the year.

Third, pay attention to the basic guarantee for employees. The Company paid "five insurances and one fund" for employees on time, with an accumulated annual total of RMB 25.68 million, and bought 704 critical illness insurance for employees, with a premium of RMB 21,100. It improved the company's system of helping and consoling, and consoled 92 employees with difficulties, sick and hospitalized employees and their relatives throughout the year; cared for female workers and children, and helped 536 people by carrying out activities such as condolence, assisting students in the golden autumn and reading companionship; and carried out cool-off activities in summer and offered holiday condolences to 2,502 people, with a total condolence amount of RMB 640,200. Fourth, care for employees' health. The Company strengthened occupational health management, carried out emergency rescue knowledge training and occupational health publicity, and regularly carried out occupational hazard factors detection in workplaces. It organized 346 workers exposed to harm to take pre-job, on-the-job and off-the-job occupational health examination, distribute cool drinks and heatstroke prevention drugs, and paid a total of RMB 82,000. Fifth, pay attention to employee growth and talent cultivation. The Company organized 125 training sessions throughout the year, with a total of 2,811 person-times, and a total class hour of 16,391. It strengthened the training and use of young cadres, and the proportion of cadres in the "post-80s" has increased to 45.8%.

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

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

Second, improve and upgrade the product quality, adhere to the value orientation of "Quality First", vigorously carry forward the "Artisan Spirit" and continue to pursue quality excellence. In 2022, the Company continued to promote the construction of "1+N" quality system and successfully passed the IATF16949 system renewal audit. It has initially set up and gradually popularized the supplier quality competency certification (QJS) system. The "quality improvement activity" has achieved practical results, in which the first pass rate of helium inspection of electric compressors and the success rate of dynamic and static disk matching have been significantly improved.

(IV) Environmental protection and sustainable development

The Company aims at green development, establishes employees' awareness of environmental protection, actively fulfills environmental responsibility and practices the concept of low-carbon life. First, vigorously develop the thermal management industry of new energy vehicles, and realize large-scale market sales of new

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

(V) Public relations and social welfare undertakings

In 2022, the Company actively participated in activities such as consumption poverty alleviation of unsalable agricultural and sideline products, consumption assistance of central enterprises, and special consumption assistance in Yanshan County, Yunnan Province, and realized an assistance total of RMB 67,700. It actively promoted employment and poverty alleviation. In combination with the annual recruitment plan, the Company actively participated in activities such as school recruitment by the state, participated in 7 double-election meetings, received more than 250 resumes, interviewed more than 45 people and admitted 15. It actively responded to the call of young cadres between CSIC Group and Honghe Prefecture, Yunnan Province, and received one cadre from Maitreya City, Honghe Prefecture, for temporary exchange for a period of six months.

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

For details, please refer to "Public Relations and Social Welfare" in "II(5). Social Responsibility" in this section.

VI. Important Events

I. Commitments to fulfill the situation

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

Applicable Not applicable

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

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

Applicable Not applicable

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

Applicable Not applicable

No such cases in the reporting period.

III. Illegal provision of guarantees for external parties

Applicable Not applicable

No such cases in the reporting period.

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

1. Change of accounting policy

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

On December 31, 2021, the Ministry of Finance issued Interpretation No.15 of Accounting Standards for Business Enterprises (CK [2021] No.35, hereinafter referred to as "Interpretation No.15"), which explained the

"accounting treatment for the external sales of products or by-products produced by enterprises before the fixed assets reach the intended serviceable state or during the R&D process (hereinafter referred to as Trial Sales)" and "Judgment on loss contract", which were implemented since January 1, 2022. The implementation of Interpretation No.15 of Accounting Standards for Business Enterprises has no impact on the Company.

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

On December 13, 2022, the Ministry of Finance issued Interpretation No.16 of Accounting Standards for Business Enterprises (CK [2022] No.31, hereinafter referred to as Interpretation No.16). Among the three accounting treatments of Interpretation No.16, "The deferred income tax related to assets and liabilities arising from a single transaction is not applicable to the accounting treatment of initial recognition exemption" will come into effect on January 1, 2023, allowing enterprises to advance from the year of publication. The Company did not implement the accounting treatment related to this matter in advance this year; The contents of "accounting treatment of income tax impact on dividends related to financial instruments classified as equity instruments by issuers" and "accounting treatment of enterprises changing cash-settled share-based payment into equity-settled share-based payment" shall come into force as of the date of promulgation. The implementation of Interpretation No.16 of Accounting Standards for Business Enterprises has no impact on the Company.

2. Changes in accounting estimates

The main accounting estimates have not changed during the reporting period.

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

Applicable Not applicable

No such cases in the reporting period.

VIII. Engagement/Disengagement of CPAs

CPAs currently engaged

Domestic CPA	Da Hua Certified Public Accountants (LLP)
Reward for domestic CPA (RMB '0,000)	40
Successive years the domestic CPA has been providing service to the Company	1
Name of CPAs from the domestic CPA firm	Xu Shibao, Xie Jun
Continuous life of auditing service for domestic accounting firm	1 year, 1 year

Has the CPAs been changed in the current period

Yes No

Whether to hire an accounting firm during the audit

Yes No

Whether the change of accounting firm has fulfilled the examination and approval procedures

Yes No

Detailed Explanation of the Change of Employment and Change of Accounting Firm

The Company held the eighteenth meeting of the Ninth Board of Directors on October 27, 2022, and deliberated and passed the Proposal on Changing Accounting Firms. On November 25, 2022, with the approval of the second extraordinary general meeting of shareholders in 2022, it was agreed to re-employ Dahua Certified Public Accountants (special general partnership) as the Company's auditing agency for financial accounting report and internal control in 2022, with a term of one year and an audit fee of RMB 550,000, including the audit fee for financial accounting report of RMB 400,000/year, and the audit fee for internal control of RMB 150,000/year. The explanation is as follows:

(I) The situation of the former accounting firm and the audit opinions of the previous year

The former accounting firm of the Company is Zhongxing Caiguanghua Certified Public Accountants (special general partnership), which has provided audit services for the Company for five consecutive years. In 2021, Zhongxing Caiguanghua Certified Public Accountants issued a standard unqualified audit report for the Company. The Company did not dismiss the former accounting firm after entrusting the former accounting firm to carry out some audit work.

(II) Reasons for changing accounting firm

Zhongxing Caiguanghua Certified Public Accountants adheres to the principle of independent audit in the course of practice, and earnestly performs the due duties of an auditor. In view of the fact that Zhongxing Caiguanghua Certified Public Accountants has provided audit services for the Company for five consecutive years, in order to ensure the independence and objectivity of the Company's audit work, the Company no longer hired it as the auditor for 2022, and hired Da Hua Certified Public Accountants (LLP) as the auditor for the Company's financial report and internal control for one year.

(III) Communication between the Company and the former accounting firm

The Company communicated with Zhongxing Caiguanghua Certified Public Accountants in advance on this change of accounting firm. According to the relevant provisions of China Standard on Auditing No.1153-Communication between Predecessor and Successor Auditors, the Company agreed that Da Hua Certified Public Accountants and Zhongxing Caiguanghua Certified Public Accountants should fully communicate, and

both parties have actively well ensured communication and cooperation on the change of accounting firms, and have not raised any objection to the change of accounting firms.

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

Applicable Not applicable

Da Hua Certified Public Accountants (LLP) is engaged the auditor of internal control system for the current year. With payment of RMB 150,000 for its service.

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

Applicable Not applicable

X. Relevant Matters of Bankruptcy Reorganization

Applicable Not applicable

No such cases in the reporting period.

XI. Matters of Important Lawsuit and Arbitration

√ Applicable □ Not applicable

General information	Involved amount (RMB '0,000)	Provision	Progress	Decisions and effects	Execution of decisions	Disclosure date	Index to disclosed information
Chongqing HYOSOW have failed to pay Vehicle Air Conditioning Company, a full-owned subsidiary of the Company for the air conditioner compressors. The Vehicle Air Conditioning Company filed a lawsuit with Chongqing Yubei District People's Court in November 2018, who held a hearing on July 11, 2019. The Company received the "Civil Judgment of Chongqing Yubei District People's Court" on August 6, 2019 ((2018) Y0112 MC, No. 24010), where the "General Rules for Purchase of Parts and Materials" signed by the Company and Chongqing HYOSOW was cancelled. Chongqing HYOSOW returned 4,017 sets of goods to the Vehicle Air Conditioning Company, and paid 12,325,044.85 yuan and loss of capital occupation.	1,232.5	No	The trial ends	The Company has fully accrued bad debts in 2018. The company was ruled in favor of the case, and the case has been closed.	In 2020, 947 compressors have been recovered	August 16, 2019	See details in the company's announcement published on securities times, Hongkong Commercial daily and http://www.cninfo.com.cn (Announcement No.:2019-070)
The Company's wholly-owned subsidiary- Automotive Air Conditioning Company-sued in the People's Court of Xiangyang High-tech Zone for a dispute over the sale and purchase contract, demanding that Hubei Meiyang Automobile Industry Co., Ltd pay 1,408,800 yuan in arrears and return 260 compressors. According to the civil judgment of the Min Chu No. 3234-(2019) E 0691 on November 19, 2020, the defendant shall pay the air-conditioning company 1,408,800 yuan for goods and interest losses, and return 260 compressors.	154.32	No	The trial ends	The Company has fully accrued bad debts of 1.4088 million in 2020. Min Chu No. 3234-(2019) E 0691 The company was ruled in favor of the case, and the case has been closed.	In March 2021, it applied for compulsory execution, 260 compressors have been recovered, As there is no other property to enforce, the final ruling of the court was received in June 2022, and the case has been closed.	April 30, 2021	www.cninfo.com.cn . Announcement No.:2021-017
The Company filed a lawsuit to the court of Jiujiang Economic and Technological Development Zone in Jiangxi Province due to the dispute over the sales contract, demanding Jiangxi Zhicheng Automobile Co., Ltd and its Jingdezhen branch to pay 1,380,600 yuan for the goods.	138.06	No	The trial ends	Reached a mediation agreement Min Chu No. 3234-(2019) E 0691 The company was ruled in favor of the case. and the	All of the mediation agreements have been performed	April 30, 2022	www.cninfo.com.cn . Announcement No.:2022-024

				case has been closed.			
The Company's wholly-owned subsidiary, Vehicle Air Conditioning Company, filed a lawsuit in Chongqing No. 5 Intermediate People's Court against Ran Ping, Luo Fangqing, Zhang Ye, Changzhou Kangpurui Automobile Air Conditioning Co., Ltd, Chongqing Yuxian Sanji Auto Parts Co., Ltd, and Chongqing Dongdian Refrigeration Equipment Co., Ltd for infringement of technical secrets. After the Chongqing court filed the case, it was transferred to the Suzhou Intermediate People's Court due to jurisdictional issue.	100	No	Suzhou Intermediate People's Court due to jurisdictional issues. Suzhou Intermediate People's Court Case No. (2021) S 05 MC No.305; and the case has been closed.	The trial will be held on April 8, 2021.	Not judged	April 28, 2020	www.cninfo.com.cn. Announcement No.:2020-024
The Company filed a lawsuit in the People's Court of Shunqing District, Nanchong City due to the sales contract dispute, requesting Sichuan Tianxi Automotive Air Conditioning Co., Ltd to pay 51,100 yuan for the goods.	5.11	No	The trial ends	A mediation agreement No. 1111Minchu1302 Chuan(2022) has been reached, The trial ends	it applied for compulsory execution	April 30, 2022	www.cninfo.com.cn. Announcement No.:2022-024
Liu Bi, a retiree of the Company, sued the Company for compensation of 189,100 yuan due to a work-related injury dispute.	18.91	No	After the first and second instance judgments, the ruling rejected his claims (first instance No. 28344Min Chu0113Yu (2021), second instance No. 4081Min Zhong05Yu (2022) and the	The trial ends	The trial ends	April 30, 2022	www.cninfo.com.cn. Announcement No.:2022-024

				case has been closed. The company was ruled in favor of the case.				
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XII. Situation of Punishment and Rectification

Applicable Not applicable

No such cases in the reporting period.

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

Applicable Not applicable

XIV. Material related transactions

1. Related transactions in connection with daily operation

Applicable Not applicable

Related parties	Relationship	Type of trade	Subjects of the related transactions	Principle of pricing the related transactions	Price of trade	Amount of trade (RMB '0,000)	Ratio in similar trades	Trading limit approved (RMB '0,000)	Whether over the approved limited or not (Y/N)	Way of payment	Market price of similar trade available	Date of disclosure	Index of information disclosure
Jianshe Industrial	Under same control	Purchase of raw materials from the Related person	Energy	Fair Market Price	200	84	0.18%	200	No	Cash	200	January 22,2022	www.cninfo.com.cn.An nouncement No.:2022-006

China Changan Automobile Group Co., Ltd. And its affiliated Enterprises	Under same control	Sales of goods	Sale of finished parts and components	Market Price	15000	6,193	13.06%	15,000	No	Bill+Cash	15000	January 22,2022	The same as above
Zhuzhou Jianya	Joint venture of controlling shareholder	Sales of goods	Spare parts sales	Market Price	1200	1,297	2.73%	1,200	No	Cash	1200	January 22,2022	The same as above
Zhuzhou Jianya	Joint venture of controlling shareholder	Sales of goods	Spare parts sales	Market Price	40	0	0.00%	40	No	Cash	40	January 22,2022	The same as above
South Air International	Joint venture of controlling shareholder	Sales of goods	Spare parts sales	Market Price	50	0	0.00%	50	No	Cash	50	January 22,2022	The same as above
Jianshe HANON	Joint venture	Sales of goods	Spare part sales	Market Price	1000	178	0.37%	1,000	No	Cash	1000	January 22,2022	The same as above
Jianshe Mechanical and Electric	Under same control	Sell products and commodities to related persons	Energy	Market Price	50	9	0.89%	50	No	Cash	50	January 22,2022	The same as above
Jianshe HANON	Joint venture	Sales of goods	Energy	Market Price	1300	2	0.20%	1,300	No	Cash	1300	January 22,2022	The same as above
Jianshe Industry	Under same control	Sales of goods	Energy	Market Price	50	2	0.20%	50	Yes	Cash	50	January 22,2022	The same as above
Jianshe Industry	Under same control	Services	Test fee	Market Price	100	44	0.09%	100	No	Cash	100	January 22,2022	The same as above
Minsheng Logistics And its affiliated Enterprise	Joint venture of controlling shareholder	Services	Acceptance of warehousing services	Market Price	400	45	2.95%	400	No	Cash	400	January 22,2022	The same as above
Southwest Ordnance Chongqing Institute of Environmental Protection Co., Ltd.	Under same control	Services	Services	Market Price	200	151	3.30%	200	No	Cash	200	January 22,2022	The same as above
Changan	Under same	Services	Accept	Market	100	84	5.51%	100	No	Bill+Cash	100	January	The same as

Automobile Group Co., Ltd. And its affiliated Enterprises	control		maintenance	Price								22,2022	above
Total				--	--	8,089	--	19,690	--	--	--	--	--
Details of any sales return of a large amount				None									
Give the actual situation in the report period where a forecast had been made for the total amounts of routine related-party transactions by type to occur in the current period(if any)				<p>The estimated total amount of "purchasing raw materials from related parties" is RMB 2 million, and the actual amount incurred is RMB 840,000. The difference between the actual amount and the estimated amount at the beginning of the year is -58%.</p> <p>The estimated total amount of "selling products and commodities to related parties" is RMB 186.9 million, and the actual amount incurred is RMB 76.81 million. The difference between the actual amount and the estimated amount at the beginning of the year is -58.90%.</p> <p>The estimated total amount of "accepting labor services provided by related parties" is RMB 8million, and the actual amount incurred is RMB 3.24 million. The difference between the actual amount and the estimated amount at the beginning of the year is -59.50%.</p>									
Reason for any significant difference between the transaction price and the market reference price (if applicable)				Not applicable									

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

Applicable Not applicable

No such cases in the reporting period.

3. Related-party transitions with joint investments

Applicable Not applicable

No such cases in the reporting period.

4. Contact of related credit and debt

Applicable Not applicable

Whether there is non operating related debt and debt

Yes No

Not-existent

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

Applicable Not applicable

Deposit business

Related party	Relationship	Maximum daily deposit limit(RMB '0,000)	Deposit interest rate range	Beginning balance(RMB B '0,000)	The amount of this period		Ending balance(RMB B '0,000)
					Total deposit amount (RMB '0,000)	Total amount is withdrawn for this period(RMB '0,000)	
Military Equipment Group Finance Company	Be controlled by the same party	30,000	0.35%	6,730.37	189,639.82	179,680.48	16,689.71

Loan business

Related party	Relationship	Loan limit(RMB '0,000)	Loant interest rate range	Beginning balance(RMB B '0,000)	The amount of this period		Ending balance(RMB B '0,000)
					Total loan amount of the current period(RMB	Total repayment amount of the current	

					'0,000)	period(RMB '0,000)	
Military Equipment Group Finance Company	Be controlled by the same party	45,000	3.915-4.35%	27,325	51,580	37,755	41,150

Credit extension or other financial services

Related party	Relationship	Business type	Total amount(RMB '0,000)	Actual amount incurred(RMB '0,000)
Military Equipment Group Finance Company	Be controlled by the same party	Credit	56,000	45,000
Military Equipment Group Finance Company	Be controlled by the same party	Other	56,000	0

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

Applicable Not applicable

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

7. Other significant related-party transactions

Applicable Not applicable

In order to revitalize idle assets and improve the efficiency of asset operation, the Company publicly listed to transfer the Company's 106 workshop, the corresponding land use rights and the related ancillary machinery and equipment through the Chongqing United Assets and Equity Exchange. This asset transfer project was listed on the Chongqing United Assets and Equity Exchange for three rounds from November 2, 2021 to February 9, 2022, and was finally transferred to the Company's related party-Construction Industry. On February 15, 2022, the two parties signed the "Asset transaction contract for Chongqing Construction Automobile System Co., Ltd.'s overall transfer project of housing, land use rights, above-ground structures, and waste equipment", confirmed that the transfer price was the public listing price of 152.88 million yuan. On April 25, 2022, the two parties completed the delivery of all transfer assets. After the completion of this transaction, the income from asset disposal increased by RMB 39.02 million (it's a non-recurring profit and loss item).

The website to disclose the interim announcements on significant related-party transactions

Description of provisional announcement	Date of disclosing provisional announcement	Description of the website for disclosing provisional announcements
Announcement of Resolutions of the 8th Meeting of	August 28,2021	See details in the company's

the Ninth Board of Directors		announcement published on securities times, Hongkong Commercial daily and http://www.cninfo.com.cn .Announcement No.:2021-043
Announcement on Transfer of Plant and Land Assets	August 28,2021	Announcement No.:2021-048
Announcement of Resolutions of the 9th Meeting of the Ninth Board of Directors	October 11,2021	Announcement No.:2021-052
Announcement on the public listing for transfer of plant and land assets	October 11,2021	Announcement No.:2021-054
Asset evaluation report of 106 workshop and land use right real estate project planned to disposal by Chongqing Construction Automobile System Co., Ltd.	October 11,2021	Announcement No.:2021-057
Asset evaluation report of the project for 66 (sets) of equipment planned to disposal by Chongqing Jianshe Automobile System Co., Ltd	October 11,2021	Announcement No.:2021-058
Asset evaluation Instruction of 106 workshop and land use right real estate project planned to disposal by Chongqing Jianshe Automobile System Co., Ltd.	October 11,2021	Announcement No.:2021-059
Asset evaluation Instruction of the project for 66 (sets) of equipment planned to disposal by Chongqing Construction Automobile System Co., Ltd	October 11,2021	Announcement No.:2021-060
Announcement of the resolution of the second extraordinary general meeting of shareholders in 2021	October 11,2021	Announcement No.:2021-062
Announcement of Resolutions of the 11th Meeting of the Ninth Board of Directors	December 6,2021	Announcement No.:2021-068
Announcement of Resolutions of the 12th Meeting of the Ninth Board of Directors	January 10,2022	Announcement No.:2022-001
Progress Announcement on the public listing for transfer of plant and land assets	February 19,2022	Announcement No.:2022-015
Progress Announcement on the public listing for transfer of plant and land assets	February 24,2022	Announcement No.:2022-016
Progress Announcement on the public listing for transfer of plant and land assets	May 11,2022	Announcement No.:2022-050

XV. Significant contracts and execution

1. Entrustments, contracting and leasing

(1) Entrustment

Applicable Not applicable

No such cases in the reporting period.

(2) Contracting

Applicable Not applicable

No such cases in the reporting period.

(3) Leasing

Applicable Not applicable

No such cases in the reporting period.

2. Significant Guarantees

Applicable Not applicable

InRMB10,000

Guarantee of the Company for the controlling subsidiaries (Exclude controlled subsidiaries)										
Name of the Company	Relevant disclosure date/No. of the guaranteed amount	Amount of Guarantee	Date of happening (Date of signing agreement)	Actual amount of guarantee	Guarantee type	Guaranty (If any)	Counter-guarantee (If any)	Guarantee term	Complete implementation or not	Guarantee for associated parties (Yes or no)
Total amount of approved external guarantee in the report period(A1)			0	Total actually amount of external guarantee in the report period(A2)			0			
Total amount of approved			0	Total actually amount of			0			

external guarantee at the end of the report period(A3)				external guarantee at the end of the report period(A4)						
Guarantee of the company for its subsidiaries										
Name of the Company	Relevant disclosure date/No. of the guaranteed amount	Amount of Guarantee	Date of happening (Date of signing agreement)	Actual amount of guarantee	Guarantee type	Guaranty (If any)	Counter-guarantee (If any)	Guarantee term	Complete implementation or not	Guarantee for associated parties (Yes or no)
Vehicle air conditioner	January 19,2021	1,771	January 15,2021	1,771	Joint liabilities			12 months	Yes	No
Vehicle air conditioner	January 19,2021	1,750	July 15,2021	1,750	Joint liabilities			6 months	Yes	No
Vehicle air conditioner	January 19,2021	5,000	March 5,2021	5,000	Joint liabilities			12 months	Yes	No
Vehicle air conditioner	January 19,2021	2,000	April 9,2021	2,000	Joint liabilities			12 months	Yes	No
Vehicle air conditioner	January 19,2021	2,549	April 23,2021	2,549	Joint liabilities			12 months	Yes	No
Vehicle air conditioner	January 19,2021	3,450	May 13,2021	3,450	Joint liabilities			12 months	Yes	No
Vehicle air conditioner	January 19,2021	2,000	June 11,2021	2,000	Joint liabilities			12 months	Yes	No
Vehicle air conditioner	January 19,2021	1,750	December 9,2021	1,750	Joint liabilities			7 months	Yes	No
Vehicle air conditioner	January 19,2021	2,501	December 14,2021	2,501	Joint liabilities			6 months	Yes	No
Vehicle air conditioner	January 22,2022	1,000	September 17,2021	1,000	Joint liabilities			12 months	Yes	No
Vehicle air conditioner	January 22,2022	2,600	April 20,2022	2,600	Joint liabilities			12 months	No	No
Vehicle air conditioner	January 22,2022	1,949	April 27,2022	1,949	Joint liabilities			12 months	No	No
Vehicle air conditioner	January 22,2022	1,250	May 10,2022	1,250	Joint liabilities			12 months	No	No
Vehicle air conditioner	January 22,2022	2,000	May 17,2022	2,000	Joint liabilities			12 months	No	No
Vehicle air conditioner	January 22,2022	1,460	May 23,2022	1,460	Joint liabilities			12 months	No	No
Vehicle air conditioner	January 22,2022	2,501.35	June 14,2022	2,501.35	Joint liabilities			12 months	No	No
Vehicle air conditioner	January 22,2022	1,750	June 29,2022	1,750	Joint liabilities			12 months	No	No
Total of guarantee to subsidiaries approved in the report term (B1)		61,000		Total of guarantee to subsidiaries actually occurred in		13,510				

Total of guarantee to subsidiaries approved as of the report term (B3)		61,000	the report term (B2)	Total of balance of guarantee actually provided to the subsidiaries as of end of report term (B4)	13,510					
Guarantee of the subsidiaries for its subsidiaries										
Name of the Company	Relevant disclosure date/No. of the guaranteed amount	Amount of Guarantee	Date of happening (Date of signing agreement)	Actual amount of guarantee	Guarantee type	Guaranty (If any)	Counter-guarantee (If any)	Guarantee term	Complete implementation or not	Guarantee for associated parties (Yes or no)
Total of guarantee to subsidiaries approved in the report term (C1)		0	Total of guarantee to subsidiaries actually occurred in the report term (C2)		0					
Total of guarantee to subsidiaries approved as of the report term (C3)		0	Total of balance of guarantee actually provided to the subsidiaries as of end of report term (C4)		0					
The Company's total guarantee(i.e.total of the first three main items)										
Total guarantee quota approved in the reporting period (A1+B1+C1)	61,000	Total amount of guarantee actually incurred in the reporting period (A2+B2+C2)		13,510						
Total guarantee quota already approved at the end of the reporting period (A3+B3+C3)	61,000	Total balance of the actual guarantee at the end of the reporting period (A4+B4+C4)		13,510						
The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+B4+C4) %				121.61%						
Including:										
Amount of guarantees provided for shareholders, the actual controller and their related parties (D)		0								

Amount of debt guarantees provided directly or indirectly for entities with a liability-to-asset ratio over 70% (E)	13,510
Proportion of total amount of guarantee in net assets of the company exceed 50% (F)	79,554,358
Total amount of the three kinds of guarantees above (D+E+F)	13,510
Explanations about joint and several liability for repayment in respect of undue guarantee(if any)	None
Explanation about external guarantee violating established procedure if any)	None

3. Situation of Entrusting Others for Managing Spot Asset

(1) Situation of Entrusted Finance

Applicable Not applicable

Not-existent

(2) Situation of Entrusted Loans

Applicable Not applicable

Not-existent

4. Other significant contract

Applicable Not applicable

Not-existent

XVI. Explanation on other significant events

Applicable Not applicable

1. Explanation of the Company's uncovered losses amounting to one-third of the total paid-in share capital

As audited by Da Hua Certified Public Accountants (LLP), as of December 31, 2022, the cumulative amount of undistributed profit in the Company's consolidated statement was -1,095,779,478.64 yuan, the Company's uncovered loss was -1,095,779,478.64 yuan, the Company's total paid-in capital was 119,375,000.00 yuan, and the Company's uncovered loss exceeded one-third of the total paid-in capital.

The reason for the formation of uncovered losses: From the late nineties of last century to the beginning of this century, the Company's original main motorcycle business was affected by the sharp decline in the domestic motorcycle industry, and the Company's performance suffered losses for many years. After the Company's uncovered loss exceeded one-third of the total paid-in share capital firstly occurred at the end of 1998, the Company had accumulated a relatively high undistributed profit (-1,095,779,478.64 yuan) until the end of 2022, and the uncovered loss has been in a situation all the time that it has exceeded one-third of the total paid-in share capital (470 million yuan or 119 million yuan).

2. Major matters already disclosed in the current year

Name	Date of disclosure	Website for disclosure
Announcement on amending the Articles of Association	January 22, 2022	http://www.cninfo.com.cn . Announcement No.:2022-008
Announcement on amending the Rules of Procedure of the Board of Directors	January 22, 2022	http://www.cninfo.com.cn . Announcement No.:2022-010
Announcement on adjusting organizational structure	January 22, 2022	http://www.cninfo.com.cn . Announcement No.:2022-013
Announcement on accepting financial services and related transactions	April 30, 2022	http://www.cninfo.com.cn . Announcement No.:2022-036
Announcement on amending the Working Rules of the Strategy Committee	April 30, 2022	http://www.cninfo.com.cn . Announcement No.:2022-036

Announcement on amending the Working Rules of the Audit Committee	April 30,2022	http://www.cninfo.com.cn .Announcement No.:2022-037
Announcement on amending the Working Rules of the Remuneration and Appraisal Committee	April 30,2022	http://www.cninfo.com.cn .Announcement No.:2022-038
Announcement on amending the Working Rules of the General Manager	April 30,2022	http://www.cninfo.com.cn .Announcement No.:2022-039
Announcement on amending the Administrative Measures for Authorization by the Board of Directors	April 30,2022	http://www.cninfo.com.cn .Announcement No.:2022-040
Announcement on adjusting organizational structure	August 31,2022	http://www.cninfo.com.cn .Announcement No.:2022-065
Announcement on changing accounting firms	October 29,2022	http://www.cninfo.com.cn .Announcement No.:2022-074
Management system for investor relations	October 29,2022	http://www.cninfo.com.cn .Announcement No.:2022-076

XVII. Significant event of subsidiary of the Company

Applicable Not applicable

Vehicle Air Conditioning Company, a wholly-owned subsidiary of the Company, provides lubricating oil service for air conditioning compressor assembly in the supporting business for customers of the main machinery factory. In view of this, the automotive air conditioning company applied to the Chongqing Municipal Bureau of Industry and Commerce to increase the "lubricating oil sales" item in its business scope, and completed the change registration and renewed its business license on April 14, 2023.

VII. Change of share capital and shareholding of Principal Shareholders

I. Changes in share capital

1. Changes in share capital

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

Reasons for share changed

Applicable Not applicable

Approval of Change of Shares

Applicable Not applicable

Ownership transfer of share changes

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

2. Self-defined Chapter

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

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

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

3. Change of shares with limited sales condition

Applicable Not applicable

II. Issuing and listing

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

Applicable Not applicable

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

Applicable Not applicable

3. About the existing employees' shares

Applicable Not applicable

III.Shareholders and actual controlling shareholder

1. Number of shareholders and shareholding

							In Shares	
Total number of common shareholders at the end of the reporting period	7,029	Total shareholders at the end of the month from the date of disclosing the annual repor	6,991	The total number of preferred sha holders voting rights restored at period-end(if any)(See Notes 8)	0	Total preferred shareholders at the end of the month from the date of disclosing the annual report(if any)(See Notes 8)	0	
Particulars about shares held above 5% by shareholders or top ten shareholders								
Shareholders	Nature of shareholder	Proportion of shares held (%)	Number of shares held at period -end	Changes in reporting period	Amount of restricted shares held	Amount of un-restricted shares held	Number of share pledged/frozen	
							State of share	Amount
China Military Equipment Group Co., Ltd.	State-owned legal person	71.13%	84,906,250	0	84,906,250.00	0		
Gu Zuocheng	Domestic natural person	1.89%	2,261,000	0	2,218,750.00	42,250		
Anhui Hengsheng Investment Development Co., Ltd.	Domestic non-state-owned legal person	1.47%	1,750,000	0	1,750,000.00	0		
Xu Yuanhui	Domestic natural person	0.81%	967,999	54000	0	967,999		
Liu Dan	Domestic natural person	0.74%	880,376	-100	0	880,376		
Chen Xinqiang	Domestic natural person	0.51%	612,400	0	0	612,400		
CORE PACIFIC-YAMAICHI INTERNATIONAL (H.K.) LIMITED	Overseas Legal person	0.51%	605,650	61500	0	605,650		
Zhang Meilan	Domestic natural person	0.43%	513,560	0	0	513,560		
Feng Yonghui	Domestic natural person	0.42%	500,000	0	500,000	0		
Chen Houping	Domestic natural person	0.36%	423,800	239	0	423,800		
Strategic investor or general legal person becoming top-10 ordinary shareholder due to rights issue (if any) (See Note 3)		Not applicable						

Related or acting-in-concert parties among shareholders above	There isn't any associated relationship between the sponsoring shareholder and the other shareholders among the top-10 list. None of them are regarded as 'Acting in concert' in accordance with 'The rules of information disclosure on change of shareholding.' Foreign shareholders are unknown for their condition of 'Associated relationship' and 'Acting in concert'.		
Above shareholders entrusting or entrusted with voting rights, or waiving voting rights	Not applicable		
Top 10 shareholders including the special account for repurchase (if any) (see note 10)	Not applicable		
Top 10 holders of unconditional shares			
Name of the shareholder	Amount of unconditional shares held at end of period	Category of shares	
		Category of shares	Amount
Xu Yuanhui	967,999	Foreign shares placed in domestic exchange	967,999
Liu Dan	880,376	Foreign shares placed in domestic exchange	880,376
Chen Xinqiang	612,400	Foreign shares placed in domestic exchange	612,400
CORE PACIFIC-YAMAICHI INTERNATIONAL (H.K.) LIMITED	605,650	Foreign shares placed in domestic exchange	605,650
Zhang Meilan	513,560	Foreign shares placed in domestic exchange	513,560
Chen Houping	423,800	Foreign shares placed in domestic exchange	423,800
Li Jianping	422,500	Foreign shares placed in domestic exchange	422,500
Lv Gang	418,099	Foreign shares placed in domestic exchange	418,099
Zhang Long	351,577	Foreign shares placed in domestic exchange	351,577
Liu Guosheng	345,575	Foreign shares placed in domestic exchange	345,575
Action-in-concert among top 10 non-restricted current share holders, top 10 non-restricted current share holders and top 10 shareholders	There is no affiliated relationship between the top ten non-restricted tradable shareholders and the controlling shareholder China Military Equipment Group Co., Ltd. nor do they belong to the consistent actors stipulated in the Administrative Measures for the Acquisition of Listed Companies; it is unknown to the company whether there is an affiliated relationship between the top ten non-restricted tradable shareholders as well as between the top ten non-restricted tradable shareholders and the other top ten shareholders, or whether they are included in the consistent actors stipulated in the Administrative Measures for the Acquisition of Listed Companies.		
Top 10 ordinary shareholders conducting securities margin trading (if any) (see note 4)	Not applicable		

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

Yes No

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

2. Controlling shareholder

Nature of Controlling Shareholders: Central State-owned Holdings

Type of Controlling Shareholders: Legal person

Name of the Controlling shareholder	Legal representative/ Leader	Date of incorporation	Organization code	Principal business activities
China Military Equipment Group Co., Ltd.	Xu Xianpng	June 29, 1999	91110000710924929L	Investment, operation and management of state-owned assets: research and development, production, guarantee and service of weapons and equipment; Research and development, manufacturing, sales and comprehensive services of vehicles, electrical equipment, photoelectric information and products and their equipment, mechanical equipment, engineering and construction machinery, chemical materials (except hazardous chemicals), fire fighting equipment, medical and environmental protection equipment, metal and nonmetal materials and their products.
Equity of other domestic/foreign listed company with share controlling and share participation by controlling shareholder in reporting period	As of December 31, 2022 Shares held and controlled by other domestic and overseas listed companies directly or indirectly: 1. 40.70% by Chongqing Changan Automobile Co., Ltd.(Stock code:000625); 2. 45.40 by Baoding Tianwei Baobian Electric Co., ltd(Stock code: 600550); 3.41.03% by Jiangling Motors Corporation, Ltd (Stock code:000550); 4. 37.40% by Hunan Tianyan Machinery Co., Ltd(Stock code: 600698); 5. 49.94% by Haerbin Automobile Power Co., Ltd.; 6.42.00 by Costar Group Co., Ltd.(Stock Code002189); 7. 55.61% by Yunnan Xiyi Industry Co., Ltd(Stock code:002265); 8. 25.44% by Chongqing Minsheng Logistic Co., Ltd(Stock code:1292.HK); 9.70.35% by Hubei Huangqiang High-Tech Co., Ltd.(Stock; 688151)			

Change of holding shareholder

Applicable Not applicable

No such cases in the reporting period.

3. Information about the controlling shareholder of the Company

Actual controller nature: Central state owned Assets Management t

Actual controller type: Legal person

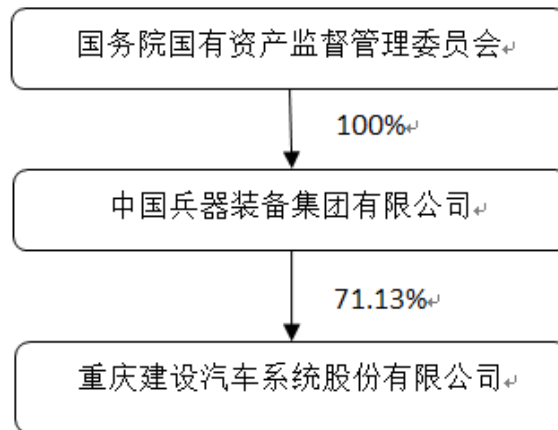
Name of the controlling shareholder	Legal representative/person in charge	Date of establishment	Organization code	Principal business activities
State-owned Assets Supervision and administration Commission of the State Council	Director of SASAC		Not applicable	Not applicable
Situation of domestic and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

Changes of the actual controller in the reporting period

Applicable Not applicable

No Changes of the actual controller in the reporting period

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



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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

IV. Specific implementation of share repurchase during the reporting period

Progress in implementation of share repurchase

Applicable Not applicable

Implementation progress of reducing repurchased shares by centralized bidding

Applicable Not applicable

VIII. Situation of the Preferred Shares

Applicable Not applicable

The Company had no preferred shares in the reporting period.

IX. Corporate Bond

Applicable Not applicable

CHONGQING JIANSHE VEHICLE SYSTEM CO., LTD.

AUDITOR'S REPORT

DHSZ [2023] NO. 003251

Da Hua CPAs LLP

Chongqing Jianshe Vehicle System Co., Ltd.
Auditor's Report and Financial Statements

(From January 1, 2022 to December 31, 2022)

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Auditor's Report

DHSZ [2023] No. 003251

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

I. Opinion

We have audited the accompanying financial statements of Chongqing Jianshe Vehicle System Co., Ltd.(hereinafter referred to as "the Company"), which comprise the consolidated balance sheet and the parent company's balance sheet as at December 31, 2022, the consolidated income statement and the parent company's income statement, the consolidated statement of cash flows and the parent company's statement of cash flows, and the consolidated statement of changes in shareholders' equity and the parent company's statement of changes in shareholders' equity for the year ended December 31, 2022 as well as the notes to the relevant financial statements.

In our opinion, the financial statements attached are prepared, in all material respects, in accordance with the Accounting Standards for Business Enterprises, and fairly present the Company's consolidated financial position and parent company's financial position as at December 31, 2022 and its consolidated operating results and cash flows and parent company's operating results and cash flows for the year then ended.

II. Basis for Opinion

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

III. Key Audit Matters

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

We determine to communicate the following key audit matters in the auditors' report.

(I) Revenue recognition

1. Descriptions of key audit matters

Please refer to Note 3.33 and Note 5.32 of the consolidated financial statements for the accounting policies and book amount related to revenue recognition of the Company.

The main business of the Company is the production and sales of automobile air-conditioning compressors, provision of supporting services for automotive OEMs. As revenue is one of key performance indicators of the Company, we regard the Company's revenue recognition as a key audit matter.

2. How our audit addressed the matter

Significant audit procedures implemented for the revenue recognition include:

- (1) We obtained the internal control system related to the Company's sales cycle, analyzed its rationality and tested its operational effectiveness.
- (2) Obtained the main sales contract, checked the cooperation mode, main contract terms and settlement mode, and made a comparison with the revenue recognition policy actually implemented by the Company;
- (3) Obtained the detailed list of sales revenue and costs, and executed the analysis program for the changes of sales revenue and gross profit margin;
- (4) Conducted detail tests and sampled sales contract, customer billing notice, customer acceptance certificate and bank receipt, etc. for check;
- (5) Implemented the revenue cut-off tests, and checked the sales revenue confirmed before and after the balance sheet date, customer acceptance list and customer billing notice;
- (6) Selected samples of the ending balance of accounts receivable and the current income for certification.

Based on the audit procedures executed, we believe that the revenue recognition of the Company meets accounting policies.

IV. Other Information

The Management of the Company shall be responsible for other information. The other information comprises the information covered in the 2022 annual report of the Company, but excludes the financial statements and our auditor's report.

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

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

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of the other information, we are required to report that fact. However, we have nothing to report in this regard.

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

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the audit 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.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
3. Evaluate the appropriateness of accounting policies used by and the reasonableness of accounting estimates and related disclosures made by the Management.
4. Conclude on the appropriateness of the Management's use of the going-concern assumption. Meanwhile, according to the audit evidence acquired, the management comes to conclusion on matters which may cause significant misgiving against the going-concern ability of the Company or whether the said situation exists material uncertainty or not. If we conclude that a material uncertainty exists, we are required to, in our auditors' report, draw attention of the users of reports to the related disclosures in the financial statements; if such disclosures are inadequate, we should modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the financial statements' overall presentation, structure and contents, and whether the financial statements fairly represent the underlying transactions and events.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit, and bear interests' full responsibility for our audit opinion.

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

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

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

Da Hua CPAs LLP

**Certified Public Accountant of China:
(Engagement Partner)
Xu Shibao**

**Certified Public Accountant of China:
Xie Jun**

Beijing, China

April 27, 2023

Consolidated Balance Sheet

As at December 31, 2022

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

(Amounts are expressed in RMB unless otherwise stated)

Assets	Note 5	Balance as at December 31, 2022	Balance as at December 31, 2021
Current assets:			
Monetary funds	5.1	179,954,522.99	91,678,523.19
Financial assets held for trading			
Derivative financial assets			
Notes receivable	5.2		2,220,000.00
Accounts receivable	5.3	113,710,214.72	149,333,285.64
Receivables financing	5.4	17,548,591.75	29,250,840.86
Advances to suppliers	5.5	4,024,366.02	7,228,480.93
Other receivables	5.6	1,720,044.17	1,431,664.33
Inventories	5.7	131,860,572.93	206,719,605.79
Contract assets			
Assets held for sale	5.8		104,982,996.11
Non-current assets maturing within one year			
Other current assets	5.9	1,468,399.16	4,585,170.16
Total current assets		450,286,711.74	597,430,567.01
Non-current assets:			
Creditor's right investments			
Other creditor's right investments			
Long-term receivables			
Long-term equity investments	5.10	210,112,321.04	201,984,268.72
Other equity instrument investments			
Other non-current financial assets	5.11		
Investment properties			
Fixed assets	5.12	202,039,143.80	216,541,481.98
Construction in progress	5.13	989,429.96	1,811,125.46
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	5.14	11,801,504.95	13,580,639.04
Development expenses			
Goodwill			
Long-term deferred expenses	5.15	70,280.65	116,978.77
Deferred income tax assets	5.16	5,752,057.03	6,060,617.99
Other non-current assets	5.17	15,860,120.00	3,810,800.00
Total non-current assets		446,624,857.43	443,905,911.96
Total assets		896,911,569.17	1,041,336,478.97

(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)

Legal Representative:

Accounting Principal:

Head of the Accounting Department:

Consolidated Balance Sheet (Continued)

As at December 31, 2022

Prepared by: Chongqing Jianshe Vehicle
System Co., Ltd.(Amounts are expressed in
RMB unless otherwise stated)

Liabilities and shareholders' equity	Note 5	Balance as at December 31, 2022	Balance as at December 31, 2021
Current liabilities:			
Short-term borrowings	5.18	546,603,500.00	493,460,000.00
Financial liabilities held for trading		-	-
Derivative financial liabilities		-	-
Notes payable	5.19	30,379,988.94	160,670,000.00
Accounts payable	5.20	171,190,476.10	190,292,444.13
Advances from customers			
Contract liabilities	5.21	3,441,205.38	2,868,604.98
Employee compensation payable	5.22	8,529,392.78	20,944,522.89
Taxes and surcharges payable	5.23	16,649,704.07	15,134,121.83
Other payables	5.24	7,566,872.62	6,766,954.83
Liabilities held for sale			
Non-current liabilities maturing within one year			
Other current liabilities	5.25	447,356.63	372,918.65
Total current liabilities		784,808,496.52	890,509,567.31
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: preferred stocks			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee compensation payable			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities	5.16	1,011,787.97	1,523,318.82
Other non-current liabilities			
Total non-current liabilities		1,011,787.97	1,523,318.82
Total liabilities		785,820,284.49	892,032,886.13
Shareholders' equity			
Share capital	5.26	119,375,000.00	119,375,000.00
Other equity instruments			
Including: preferred stocks			
Perpetual bonds			
Capital reserves	5.27	958,565,294.29	958,565,294.29
Less: treasury stock			
Other comprehensive income	5.28	9,800.00	9,800.00

Special reserves	5.29	3,234,669.03	1,713,882.50
Surplus reserves	5.30	125,686,000.00	125,686,000.00
Undistributed profits	5.31	-1,095,779,478.64	-1,056,046,383.95
Total equity attributable to shareholders of the parent company		111,091,284.68	149,303,592.84
Minority equity			
Total shareholders' equity		111,091,284.68	149,303,592.84
Total liabilities and shareholders' equity		896,911,569.17	1,041,336,478.97
(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)			
Legal Representative: Accounting Principal: Head of the Accounting Department:			

Consolidated Income Statement

For the Year Ended December 31, 2022

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

(Amounts are expressed in RMB unless otherwise stated)

Item	Note 5	Year 2022	Year 2021
I. Operating revenue	5.32	474,114,098.08	680,118,967.08
Less: Operating costs	5.32	450,395,435.30	586,901,822.80
Taxes and surcharges	5.33	3,754,824.57	6,707,375.25
Selling and distribution expenses	5.34	15,239,315.12	16,795,778.20
General and administrative expenses	5.35	47,721,110.67	62,047,629.17
Research and development expenses	5.36	30,598,868.69	29,760,773.46
Financial expenses	5.37	17,472,245.88	23,014,845.65
Including: interest expenses		20,216,911.43	24,231,685.81
Interest income		1,640,888.48	1,562,787.46
Plus: Other income	5.38	1,205,689.22	1,583,305.16
Investment income ("-" for losses)	5.39	8,128,052.32	15,770,549.70
Including: income from investment in associates and joint ventures		8,128,052.32	15,770,549.70
Gains from derecognition of financial assets measured at amortized cost			
Gains from net exposure hedging ("-" for losses)			
Gains from changes in fair value ("-" for losses)			
Losses from credit impairment ("-" for losses)	5.40	989,437.83	-318,331.09
Losses from asset impairment ("-" for losses)	5.41		17,064.89
Gains from disposal of assets ("-" for losses)	5.42	40,420,431.93	1,566,473.14
II. Operating profits ("-" for losses)		-40,324,090.85	-26,490,195.65
Plus: Non-operating revenue	5.43	170,256.15	319,658.55
Less: Non-operating expenses	5.44	3,112.43	198.18
III. Total profits ("-" for total losses)		-40,156,947.13	-26,170,735.28
Less: Income tax expenses	5.45	-423,852.44	-171,772.56
IV. Net profit ("-" for net loss)		-39,733,094.69	-25,998,962.72
Including: net profit of the combinee under the business combination under common control before the business combination			

(I) Classified by operating sustainability			
Net profit from continued operation ("-" for net loss)		-39,733,094.69	-25,998,962.72
Net profit from discontinued operation ("-" for net loss)			
(II) Classified by ownership			
Net profit attributable to owners of the parent company ("-" for net loss)		-39,733,094.69	-25,998,962.72
Minority interest income ("-" for net loss)			
V. Other comprehensive income, net of tax			
Other comprehensive income, net of tax, attributable to owners of the parent company			
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1 Net Changes in re-measurement of the defined benefit plan			
2 Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3 Changes in fair value of other equity instrument investments			
4 Changes in the fair value of the company's own credit risk			
5 Others			
(II) Other comprehensive income that will be reclassified into profit or loss			
1 Other comprehensive income that can be transferred to profit or loss under the equity method			
2 Changes in fair value of other creditor's right investments			
3 Amount of financial assets reclassified into other comprehensive income			
4 Provision for credit impairment of other creditor's right investments			
5 Cash flow hedging reserve			
6 Differences arising from translation of foreign-currency financial statements			
7 Disposal of the investment income generated by subsidiaries in a package before the loss of control			
8 Other assets converted into investment properties measured using the fair value model			
9 Others			
Other comprehensive income, net of tax attributable to minority shareholders			
VI. Total comprehensive income		-39,733,094.69	-25,998,962.72
Total comprehensive income attributable to owners of the parent company		-39,733,094.69	-25,998,962.72
Total comprehensive income attributable to minority shareholders			
VII. Earnings per share:			
(I) Basic earnings per share		-0.33	-0.22
(II) Diluted earnings per share		-0.33	-0.22

(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)

Legal Representative: Accounting Principal: Head of the Accounting Department:

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2022

Prepared by: Chongqing Jianshe Vehicle System Co., Ltd. (Amounts are expressed in RMB unless otherwise stated)

Item	Note 5	Year 2022	Year 2021
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		455,186,338.69	573,159,596.26
Refund of taxes and surcharges		10,282,411.62	20,826,397.73
Cash received from other operating activities	5.46	12,374,241.54	9,842,241.82
Sub-total of cash inflows from operating activities		477,842,991.85	603,828,235.81
Cash paid for goods purchased and services received		320,316,578.74	432,450,100.21
Cash paid to and on behalf of employees		107,843,217.38	111,795,006.58
Cash paid for taxes and surcharges		15,295,146.76	13,624,159.14
Cash paid for other operating activities	5.46	21,978,449.88	24,526,602.41
Sub-total of cash outflows from operating activities		465,433,392.76	582,395,868.34
Net cash flows from operating activities		12,409,599.09	21,432,367.47
II. Cash flows from investing activities:			
Cash received from disinvestment			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		153,543,148.36	1,609,454.58
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities			
Sub-total of cash inflows from investing activities		153,543,148.36	1,609,454.58
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		26,166,782.57	12,003,935.51
Cash paid for investments			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		26,166,782.57	12,003,935.51
Net cash flows from investing activities		127,376,365.79	-10,394,480.93
III. Cash flows from financing activities:			
Cash received from absorption of investments			
Including: cash received by subsidiaries from investment by minority shareholders			
Cash received from borrowings		650,903,500.00	673,010,000.00
Cash received from other financing activities	5.46	81,688,328.08	43,814,318.47
Sub-total of cash inflows from financing activities		732,591,828.08	716,824,318.47
Cash paid for debts repayments		597,760,000.00	733,460,000.00

Cash paid for distribution of dividends and profits or payment of interest		20,216,911.43	24,166,086.12
Including: dividends and profits paid to minority shareholders by subsidiaries			
Cash paid for other financing activities	Note 46	108,137,271.47	25,795,639.32
Sub-total of cash outflows from financing activities		726,114,182.90	783,421,725.44
Net cash flows from financing activities		6,477,645.18	-66,597,406.97
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		-7,599.20	-12,209.93
V. Net increase in cash and cash equivalents		146,256,010.86	-55,571,730.36
Plus: beginning balance of cash and cash equivalents		23,738,523.19	79,310,253.55
VI. Ending balance of cash and cash equivalents		169,994,534.05	23,738,523.19

(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)

Legal Representative: Accounting Principal: Head of the Accounting Department:

[Note 1]: "Net cash received from the disposal of subsidiaries and other business units" shall be presented at the net amount of cash received from the disposal price, minus the cash and cash equivalents held by the subsidiary or other business units and related disposal expenses. If the net amount is negative, the amount should be filled in the item "Cash paid for other investing activities". If the amount of cash or cash equivalents held by subsidiaries or other business units disposed of is significant, a separate item of decrease in cash due to disposal of subsidiaries shall be added for presentation.

[Note 2]: "Net cash paid to acquire subsidiaries and other business units" present the net amount of the cash part paid for the purchase price of the subsidiaries and other business units obtained by the enterprise, minus the cash and cash equivalents held by subsidiaries or other business units. If the net amount is negative, the amount should be presented in the item "Cash received from other investment activities". If the amount of cash or cash equivalents held by subsidiaries or other business units obtained is significant, a separate item of "cash received from acquisition of subsidiaries" shall be added for presentation.

Consolidated Statement of Changes in Shareholders' Equity

For the Year Ended December 31, 2022

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

(Amounts are expressed in RMB unless otherwise stated)

Item	Year 2022											
	Equity attributable to the shareholders of parent company										Minority equity	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits		
Preferred stock	Perpetual bonds	Others										
I. Balance as at December 31, 2021	119,375,000.00				958,565,294.29		9,800.00	1,713,882.50	125,686,000.00	-1,056,046,383.95		149,303,592.84
Plus: changes in accounting policies												
Adjustments for correction of accounting errors in prior year												
Business combination under common control												
Others												
II. Balance as at January 1, 2022	119,375,000.00				958,565,294.29		9,800.00	1,713,882.50	125,686,000.00	-1,056,046,383.95		149,303,592.84
III. Increase/decrease in 2022							-	1,520,786.53		-39,733,094.69		-38,212,308.16
(I) Total comprehensive income							-			-39,733,094.69		-39,733,094.69
(II) Capital contributed or reduced by shareholders												

1. Common stock contributed by shareholders												
2. Capital contributed by the holders of other equity instruments												
3. Amounts of share-based payments recognized in shareholders' equity												
4. Others												
(III) Profit distribution												
1. Withdrawal of surplus reserves												
2. Profit distributed to shareholders												
3. Others												
(IV) Internal carry-forward of shareholders' equity												
1. Conversion of capital reserves into paid-in capital												
2. Conversion of surplus reserves into share capital												
3. Surplus reserves offsetting losses												
4. Carry-forward of changes in the defined benefit plan for retained earnings												
5. Carry-forward of other comprehensive income for retained earnings												
6. Others												
(V) Special reserves								1,520,786.53				1,520,786.53
1. Amount withdrawn in 2022								2,673,873.52				2,673,873.52
2. Amount used in 2022								-1,153,086				-1,153,086

								6.99				99
(VI) Others												
IV. Balance as at December 31, 2022	119,375,000.00				958,565,294.29		9,800.00	3,234,669.03	125,686,000.00	-1,095,779,478.64		111,091,284.68
(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)	<p>Legal Representative: _____ Accounting Principal: _____ Head of the Accounting Department: _____</p>											

Consolidated Statement of Changes in Shareholders' Equity

For the Year Ended December 31, 2022

(Amounts are expressed in RMB unless otherwise stated)

Item	Year 2021											
	Equity attributable to shareholders of the parent company										Minority equity	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits		
	Preferred stock	Perpetual bonds	Others									
I. Balance as at December 31, 2021	119,375,000.00				958,565,294.29		9,800.00		125,686,000.00	-1,030,047,421.23		173,588,673.06
Plus: changes in accounting policies												
Adjustments for correction of accounting errors in prior year												
Business combination under common control												
Others												
II. Balance as at January 1, 2022	119,375,000.00				958,565,294.29		9,800.00		125,686,000.00	-1,030,047,421.23		173,588,673.06

III. Increase/decrease in 2022									1,713,88 2.50		- 25,998,962 .72		- 24,285,08 0.22
(I) Total comprehensive income											- 25,998,962 .72		- 25,998,96 2.72
(II) Capital contributed or reduced by shareholders													
1. Common stock contributed by shareholders													
2. Capital contributed by the holders of other equity instruments													
3. Amounts of share-based payments recognized in shareholders' equity													
4. Others													
(III) Profit distribution													
1. Withdrawal of surplus reserves													
2. Profit distributed to shareholders													
3. Others													
(IV) Internal carry-forward of shareholders' equity													
1. Conversion of capital reserves into paid-in capital													
2. Conversion of surplus reserves into share capital													
3. Surplus reserves offsetting losses													
4. Carry-forward of changes in the defined benefit plan for retained earnings													
5. Carry-forward of other comprehensive income for retained earnings													

6. Others												
(V) Special reserves								1,713,882.50				1,713,882.50
1. Amount withdrawn in 2022								2,710,546.82				2,710,546.82
2. Amount used in 2022								-996,664.32				-996,664.32
(VI) Others												
IV. Balance as at December 31, 2022	119,375,000.00				958,565,294.29		9,800.00	1,713,882.50	125,686,000.00	-1,056,046,383.95		149,303,592.84
(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)												

Parent Company's Balance Sheet

As at December 31, 2022

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

(Amounts are expressed in RMB unless otherwise stated)

Assets	Note 12	Balance as at December 31, 2022	Balance as at December 31, 2021
Current assets:			
Monetary funds		19,632,308.54	2,146,167.36
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	12.1	3,266,890.00	3,152,475.45
Receivables financing			440,000.00
Advances to suppliers		2,796,181.98	2,465,664.66
Other receivables	12.2	1,345,740.08	1,153,592.45
Inventories		3,992,120.63	2,084,284.76
Contract assets			
Assets held for sale			104,982,996.11
Non-current assets maturing within one year			
Other current assets		26,885.79	1,523,292.88
Total current assets		31,060,127.02	117,948,473.67
Non-current assets:			
Creditor's right investments			
Other creditor's right investments			
Long-term receivables			
Long-term equity investments	12.3	409,157,764.99	401,029,712.67
Other equity instrument investments			
Other non-current financial assets			
Investment properties			
Fixed assets		27,476,448.18	30,608,778.01
Construction in progress			16,637.17
Productive biological assets			
Oil and gas assets			
Right-of-use assets			

Intangible assets			
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets		135,600.00	
Total non-current assets		436,769,813.17	431,655,127.85
Total assets		467,829,940.19	549,603,601.52

(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)

Legal Representative:

Accounting Principal:

Head of the Accounting Department:

Parent Company's Balance Sheet (Continued)

As at December 31, 2022

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

(Amounts are expressed in
RMB unless otherwise stated)

Liabilities and shareholders' equity	Note 12	Balance as at December 31, 2022	Balance as at December 31, 2021
Current liabilities:			
Short-term borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable		148,575,684.59	165,209,294.49
Advances from customers			
Contract liabilities		177,064.96	159,843.70
Employee compensation payable		4,008,918.72	6,044,727.21
Taxes and surcharges payable		15,529,178.05	15,021,233.16
Other payables		273,461,451.21	355,521,343.12
Liabilities held for sale			-
Non-current liabilities maturing within one year			
Other current liabilities		23,018.42	20,779.68
Total current liabilities		441,775,315.95	541,977,221.36
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: preferred stocks			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee compensation payable			

	Estimated liabilities			
	Deferred income			
	Deferred income tax liabilities			
	Other non-current liabilities			
Total non-current liabilities				
Total liabilities			441,775,315.95	541,977,221.36
Shareholders' equity				
	Share capital		119,375,000.00	119,375,000.00
	Other equity instruments			
	Including: preferred stocks			
	Perpetual bonds			
	Capital reserves		958,565,294.29	958,565,294.29
	Less: treasury stock			
	Other comprehensive income		9,800.00	9,800.00
	Special reserves		430,254.50	612,361.09
	Surplus reserves		125,686,000.00	125,686,000.00
	Undistributed profits		-1,178,011,724.55	-1,196,622,075.22
Total shareholders' equity			26,054,624.24	7,626,380.16
Total liabilities and shareholders' equity			467,829,940.19	549,603,601.52

(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)

Legal Representative: Accounting Principal: Head of the Accounting Department:

Parent Company's Income Statement

For the Year Ended December 31, 2022

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

(Amounts are expressed in RMB unless otherwise stated)

Item		Note 12	Year 2022	Year 2021
I. Operating revenue		12.4	255,751,276.44	505,387,254.89
	Less: Operating costs	12.4	259,112,698.56	509,519,813.11
	Taxes and surcharges		565,321.94	2,476,585.14
	Selling and distribution expenses		390,581.47	415,349.38
	General and administrative expenses		28,175,164.70	35,954,807.78
	Research and development expenses		12,161.64	98,668.74
	Financial expenses		-1,437,911.62	658,011.46
	Including: interest expenses			765,967.92
	Interest income		132,857.64	64,826.78
	Plus: Other income		990,023.53	59,403.42
	Investment income ("-" for losses)	12.5	8,128,052.32	15,770,549.70
	Including: income from investment in associates and joint ventures		8,128,052.32	15,770,549.70
	Gains from derecognition of financial assets measured at amortized cost			
	Gains from net exposure hedging ("-" for			

	losses)			
	Gains from changes in fair value ("-" for losses)			
	Losses from credit impairment ("-" for losses)			237,752.50
	Losses from asset impairment ("-" for losses)			
	Gains from disposal of assets ("-" for losses)	40,420,431.93		1,598,662.50
II. Operating profits ("-" for losses)		18,471,767.53		-26,069,612.60
	Plus: Non-operating revenue	138,583.14		202,347.24
	Less: Non-operating expenses			
III. Total profits ("-" for total losses)		18,610,350.67		-25,867,265.36
	Less: Income tax expenses			
IV. Net profit ("-" for net loss)		18,610,350.67		-25,867,265.36
	(I) Net profit from continued operation ("-" for net loss)	18,610,350.67		-25,867,265.36
	(II) Net profits from discontinued operation ("-" for net losses)			
V. Other comprehensive income, net of tax				
(I) Other comprehensive income that cannot be reclassified into profit or loss				
1.	Net Changes in re-measurement of the defined benefit plan			
2.	Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3.	Changes in fair value of other equity instrument investments			
4.	Changes in the fair value of the Company's own credit risk			
5.	Others			
(II) Other comprehensive income that will be reclassified into profit or loss				
1.	Other comprehensive income that can be transferred to profit or loss under the equity method			
2.	Changes in fair value of other creditor's right investments			
3.	Amount of financial assets reclassified into other comprehensive income			
4.	Provision for credit impairment of other creditor's right investments			
5.	Cash flow hedging reserve			
6.	Differences arising from translation of foreign-currency financial statements			
7.	Disposal of the investment income generated by subsidiaries in a package before the loss of control			
8.	Other assets converted into investment properties measured using the fair value model			
9.	Others			
VI. Total comprehensive income		18,610,350.67		-25,867,265.36
VII. Earnings per share:				
	(I) Basic earnings per share			
	(II) Diluted earnings per share			

(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)

Legal Representative: Accounting Principal: Head of the Accounting Department:

Parent Company's Statement of Cash Flows

For the Year Ended December 31, 2022

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

(Amounts are expressed in RMB unless otherwise stated)

Item	Note 12	Year 2022	Year 2021
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		144,583,207.21	168,800,813.85
Refund of taxes and surcharges			
Cash received from other operating activities		6,939,605.77	6,232,085.99
Sub-total of cash inflows from operating activities		151,522,812.98	175,032,899.84
Cash paid for goods purchased and services received		149,508,190.51	150,998,598.56
Cash paid to and on behalf of employees		34,840,152.31	37,808,659.45
Cash paid for taxes and surcharges		9,780,875.37	5,495,048.13
Cash paid for other operating activities		7,407,611.52	9,559,906.59
Sub-total of cash outflows from operating activities		201,536,829.71	203,862,212.73
Net cash flows from operating activities		-50,014,016.73	-28,829,312.89
II. Cash flows from investing activities:			
Cash received from disinvestment			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		153,507,597.36	1,609,454.58
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities			
Sub-total of cash inflows from investing activities		153,507,597.36	1,609,454.58
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		1,890,939.45	4,506,429.25
Cash paid for investments			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		1,890,939.45	4,506,429.25
Net cash flows from investing activities		151,616,657.91	-2,896,974.67
III. Cash flows from financing activities:			
Cash received from absorption of investments			
Cash received from borrowings			15,000,000.00
Cash received from other financing activities		233,343,500.00	365,599,500.00

Sub-total of cash inflows from financing activities		233,343,500.00	380,599,500.00
Cash paid for debts repayments			15,000,000.00
Cash paid for distribution of dividends and profits or payment of interest			765,967.92
Cash paid for other financing activities		317,460,000.00	332,000,115.42
Sub-total of cash outflows from financing activities		317,460,000.00	347,766,083.34
Net cash flows from financing activities		-84,116,500.00	32,833,416.66
IV. Effect of fluctuation in exchange rate on cash and cash equivalents			
V. Net increase in cash and cash equivalents		17,486,141.18	1,107,129.10
Plus: beginning balance of cash and cash equivalents		2,146,167.36	1,039,038.26
VI. Ending balance of cash and cash equivalents		19,632,308.54	2,146,167.36

(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)

Legal Representative:

Accounting Principal:

Head of the Accounting Department:

Parent Company's Statement of Changes in Shareholders' Equity

For the Year Ended December 31, 2022

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

(Amounts are expressed in RMB unless otherwise stated)

Item	Year 2022										
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total shareholders' equity
		Preferr ed stock	Perpetual bonds	Others							
I. Balance as at December 31, 2021	119,375,000.00	-			958,565,294.29	-	9,800.00	612,361.09	125,686,000.00	-1,196,622,075.22	7,626,380.16
Plus: changes in accounting policies											
Adjustments for correction of accounting errors in prior year											
Others											
II. Balance as at January 1, 2022	119,375,000.00				958,565,294.29		9,800.00	612,361.09	125,686,000.00	-1,196,622,075.22	7,626,380.16
III. Increase/decrease in 2022								-182,106.59		18,610,350.67	18,428,244.08
(I) Total comprehensive income										18,610,350.67	18,610,350.67
(II) Capital contributed or reduced by shareholders											

1. Common stock contributed by shareholders											
2. Capital contributed by the holders of other equity instruments											
3. Amounts of share-based payments recognized in shareholders' equity											
4. Others											
(III) Profit distribution											
1. Withdrawal of surplus reserves											
2. Profit distributed to shareholders											
3. Others											
(IV) Internal carry-forward of shareholders' equity											
1. Conversion of capital reserves into paid-in capital											
2. Conversion of surplus reserves into share capital											
3. Surplus reserves offsetting losses											
4. Carry-forward of changes in the defined benefit plan for retained earnings											
5. Carry-forward of other comprehensive income for retained earnings											
6. Others											
(V) Special reserves								-			-
								182,106			182,10
								.59			6.59
1. Amount withdrawn in 2022								118,560			118,56
								.72			0.72
2. Amount used in 2022								-			-
								300,667			300,66
								.31			7.31
(VI) Others											

IV. Balance as at December 31, 2022	119,375,000.00				958,565,294.29		9,800.00	430,254.50	125,686,000.00	-1,178,011,724.55	26,054,624.24
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(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)

Legal Representative:

Accounting Principal:

Head of the Accounting Department:

Parent Company's Statement of Changes in Shareholders' Equity

For the Year Ended December 31, 2022

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

(Amounts are expressed in RMB unless otherwise stated)

Item	Year 2021										
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total shareholders' equity
		Preferred stock	Perpetual bonds	Others							
I. Balance as at December 31, 2021	119,375,000.00				958,565,294.29		9,800.00		125,686,000.00	-1,170,754,809.86	32,881,284.43
Plus: changes in accounting policies											
Adjustments for correction of accounting errors in prior year											
Others											
II. Balance as at January 1, 2022	119,375,000.00				958,565,294.29		9,800.00		125,686,000.00	-1,170,754,809.86	32,881,284.43
III. Increase/decrease in 2022								612,361.09		-25,867,265.36	-25,254,904.27
(I) Total comprehensive income										-25,867,265.36	-25,867,265.36

(II) Capital contributed or reduced by shareholders											
1. Common stock contributed by shareholders											
2. Capital contributed by the holders of other equity instruments											
3. Amounts of share-based payments recognized in shareholders' equity											
4. Others											
(III) Profit distribution								-			
1. Withdrawal of surplus reserves											
2. Profit distributed to shareholders											
3. Others											
(IV) Internal carry-forward of shareholders' equity											
1. Conversion of capital reserves into paid-in capital											
2. Conversion of surplus reserves into share capital											
3. Surplus reserves offsetting losses											
4. Carry-forward of changes in the defined benefit plan for retained earnings											
5. Carry-forward of other comprehensive income for retained earnings											
6. Others											
(V) Special reserves								612,361.09			612,361.09
1. Amount withdrawn in 2022								851,766.65			851,766.65
2. Amount used in 2022								-239,405.56			-239,405.56
(VI) Others											

IV. Balance as at December 31, 2022	119,375,000.00				958,565,294.29		9,800.00	612,361.09	125,686,000.00	-1,196,622,075.22	7,626,380.16
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(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)

Legal Representative:

Accounting Principal:

Head of the Accounting Department:

Chongqing Jianshe Vehicle System Co., Ltd.
Notes to the Financial Statements
For the Year Ended December 31, 2022

1 Company profile

1.1 The Company's place of registration, organizational form and address of headquarters

Chongqing Jianshe Vehicle System Co., Ltd. (hereinafter referred to as "the Company"), whose original name was Chongqing Jianshe Motorcycle Co., Ltd., was established in July 1995 by Jianshe Industry (Group) Co., Ltd. and China North Industries Shenzhen Corp. The unified social credit code/registration No. of the Company is 915000007474824231. The Company was listed on the Shenzhen Stock Exchange in July 1995.

On December 27, 2017, the Company announced that it had completed the relevant industrial and commercial registration procedures for the change of its full name in Chinese, and obtained the Notice of Approval of Change Registration from Chongqing Administration for Industry and Commerce (YGSWZBD [2017] No.1206-1), the renewed Business License and the approval documents of Shenzhen Stock Exchange. The company name was changed from Chongqing Jianshe Motorcycle Co., Ltd. to Chongqing Jianshe Vehicle System Co., Ltd. The abbreviation of the Company was changed from "Jianmo B" to "Jianche B", and the company stock code 200054 remained unchanged.

The former controlling shareholder, Chongqing Jianshe Mechanical & Electrical Equipment Co., Ltd. (hereinafter referred to as "Jianshe Mechanical & Electrical"), concluded the Equity Transfer Agreement of State-owned Listed Companies with China South Industries Group Corporation (hereinafter referred to as "CSGC") on October 22, 2018, that is, Jianshe Mechanical & Electrical agreed to transfer 84,906,250 shares of its state-owned legal person shares to CSGC, accounting for 71.13% of the total share capital of the Company.

The Company received the Jianchen Letter of Confirmation for Securities Transfer Registration issued by China Securities Depository and Clearing Co., Ltd., Shenzhen Branch on December 21, 2018, and the registration formalities for the equity transfer under this agreement have been completed at China Securities Depository and Clearing Co., Ltd., Shenzhen Branch. Chongqing Jianshe Mechanical & Electrical Equipment Co., Ltd. no longer holds the shares of the Company, and CSGC has become the controlling shareholder of the Company, holding 84,906,250 shares of the Company, accounting for 71.13%. The shares are legal person shares of the sponsor.

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

As of December 31, 2022, the total share capital cumulatively issued by the Company was 119,375,000 shares. The registered capital was RMB119,375,000. Its place of registration is No.1 Jianshe Avenue, Huaxi Industrial Park, Banan District, Chongqing. The address of the headquarters is in Banan District, Chongqing. Legal representative: Yan Xuechuan.

1.2 Business nature and main business activities of the Company

Business scope of the Company: general items: research and development, processing and manufacturing of motorcycles, auto parts, accessories and mechanical products and related technical services, design and manufacturing of tooling and molds and related technical services (excluding those items subject to special national provisions); research and development, production and sales of motorcycle engines; research, development and processing of mechanical and electrical products, household appliances, bicycles and environmental protection products; import, wholesale, retail and commission agency (except

for auction) of similar goods (except special goods) of the above products.
The Company operates in the manufacturing industry.

1.3 Scope of consolidated financial statements

The Company has a total of 2 subsidiaries included in the scope of consolidation in 2022. See Note 7 Equity in other entities for details. There was no change in the entities included in the scope of consolidated financial statements in the current period compared with the previous period.

1.4 Approval and disclosure of the financial statements

The financial statements were approved by the board of directors of the Company for disclosure on April 27, 2023.

2 Preparation basis for financial statements

2.1 Basis for the preparation of the financial statements

According to actually occurred transactions and events, the Company conducts the recognition and measurement in accordance with the Accounting Standards for Business Enterprises - Basic Standards and all the specific accounting standards for enterprise, Application Guidance to the Accounting Standards for Business Enterprises, the interpretation of the Accounting Standards for Business Enterprises and other relevant provisions (hereinafter referred to as the "Accounting Standards for Business Enterprises"). On this basis, the Company prepares the financial statements in combination with the disclosure provisions of *the Rules for the Compilation and Submission of Information Disclosure by Companies Offering Securities to the Public No. 15 - General Requirements for Financial Reports* (revised in 2014) issued by the China Securities Regulatory Commission.

2.2 Going concern

The Company has assessed the going-concern ability for 12 months as of the end of the reporting period, and has no matter or situation bringing material doubt to the going-concern ability. Therefore, the financial statements are prepared on the basis of going-concern assumption.

2.3 Accounting basis and measurement principle

The Company's accounts are prepared on an accrual basis. Except for investment properties and certain financial instruments measured at fair value, the measurement of items in the financial statements is made at the historical cost. In case of asset impairment, the corresponding provision for impairment should be made according to relevant provisions.

3 Principal accounting policies and accounting estimates

3.1 Statement on compliance with Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises, and truly and completely reflect relevant information of the Company during the reporting period, such as financial position, operation results and cash flows.

3.2 Accounting period

The accounting year is from January 1 to December 31 in calendar year.

3.3 Operating cycle

The operating cycle refers to the cycle from the Company's purchase of assets for processing to the realization of cash or cash equivalents. The Company takes 12 months as an operating cycle, and as the classification standard for the liquidity of assets and liabilities.

3.4 Functional currency

RMB is adopted as the functional currency.

3.5 Accounting treatment methods for business combinations under common control and not under common control

3.5.1 If the terms, conditions and economic impact of the transactions during the business combination realized by stages meet one or more of the following circumstances, the multiple transactions will be subject to accounting processing as a package deal:

- (1) The transactions are concluded at the same time or under the consideration of mutual effect;
- (2) These transactions as a whole can reach a complete business result;
- (3) The occurrence of a transaction depends on that of other transaction or more; and/or
- (4) A single transaction is uneconomical but it is economical when considered together with other transactions.

3.5.2 Business combination under common control

For assets and liabilities obtained through business combination by the Company, they are measured at the book value of the assets and liabilities (including the goodwill formed by the acquisition of the combined party by the ultimate controller) in the consolidated financial statements of the ultimate controller on the combination date. The stock premium in capital reserves is adjusted according to the difference between the book value of net assets acquired through combination and the book value of consideration paid for the combination (or total par value of shares issued). If the stock premium in capital reserves is insufficient to cover the difference, the remaining amount will be charged against retained earnings.

Where there is contingent consideration and it is required to recognize estimated liabilities or assets, the capital reserve (capital premium or stock premium) is adjusted according to the difference between the estimated liabilities or assets and subsequent consideration, if any; if the capital reserve is insufficient, the retained earnings shall be adjusted.

The business combination not under common control finally realized through multiple transactions belongs to a package of transactions, the Company should account for various transactions as a transaction with control; if not belong to a package of transactions, the capital reserve will be adjusted at the difference between the initial investment cost of the long-term equity investment on the combination date and the sum of the book value of the long-term equity investment before combination and the book value of the consideration newly paid by shares acquired on the date when the control is obtained; and if the capital reserve is insufficient for write-downs, the retained earnings will be adjusted. For equity investments held before the combination date, other comprehensive income measured at equity method or confirmed by financial instruments and measured at accounting guidelines will not be accounted for until on disposal of such investment, and its accounting treatment will be made by using the same basis for the investee to directly dispose the relevant assets or liabilities; changes in other owners' equity other than net profit or loss, other comprehensive income and profit distribution in net asset of the investee recognized by using the equity method will not be accounted for until on disposal of such investment, and then be carried forward to the current profit or loss.

3.5.3 Business combination not under common control

The acquisition date refers to the date on which the Company actually obtains control of the acquiree, that is, the date on which the acquiree's control over net assets or production and operation decisions is transferred to the Company. The Company generally believes that the control has been transferred of all the following conditions are met simultaneously:

- ① The Company's combination contract or agreement has been approved by the internal authorities of the Company.
- ② Where the business combinations matters shall be approved by the relevant national competent departments, the approval has been obtained.
- ③ The necessary property rights transfer formalities have been handled.
- ④ The Company has paid most of the combination price and has the ability to repay the remaining payment in a planned way.
- ⑤ The Company actually has taken control of the acquiree's financial and operating policies and enjoys the corresponding benefits and bears the corresponding risks.

The Company shall, on the acquisition date, measure the assets surrendered and liabilities incurred or assumed as a consideration of business combination at their fair values. The difference between the fair value and their book value will be included into the current profit or loss.

The Company recognizes the difference of the combination cost in excess of the fair value of the net identifiable assets acquired from the acquiree as goodwill, and recognizes the difference of the combination cost in short of the fair value of the net identifiable assets acquired from the acquiree in the current profit or loss after review.

If the business combination not under common control realized through multiple transactions and by stages belongs to a package of transactions, the Group should account for various transactions as a transaction with control; if not belong to a package of transactions, and equity investment held before the date of combination is accounted for at equity method, the sum of book value of investment in equity of the acquiree held by the acquirer before the acquisition date and the added investment costs on the acquisition date is recognized as the initial investment cost of such investment; for other comprehensive income recognized from accounting of the equity investments held before acquisition date and under the equity method, accounting treatment should be made by using the same basis for the investee to directly dispose the relevant assets or liabilities on disposal of such investment. If equity investment held before the combination date is recognized by financial instruments and measured according to measurement standards, the sum of book value of investment in equity on the combination date and the added investment costs is recognized as the initial investment cost on the combination date. The difference between the fair value and the book value of previously held equity and the cumulative change in fair value originally recognized in other comprehensive income will be fully transferred to the current investment income on the date of combination.

3.5.4 Related expenses for business combination

The intermediary expenses including expenses on audit, legal service, and evaluation and consultation for business combination and other directly relevant expenses are included in the current profit or loss when they occur; the transaction expenses on issuing equity securities for business combination may be directly included in equity transactions and be offset from equity.

3.6 Preparation method of consolidated financial statements

3.6.1 Consolidation scope

The scope of consolidation for the Company's consolidated financial statements is determined on the basis of control, and all its subsidiaries (including the independent subject that is under control of the Company) are included in the consolidated financial statements.

3.6.2 Procedures for consolidation

The Company prepares the consolidated financial statements based on financial statements of itself and its subsidiaries and according to other relevant information. Upon the preparation of consolidated financial statements, the Company shall take the enterprise group as a whole accounting entity, and reflects the overall financial position, operating results and cash flows of the enterprise group in accordance with relevant requirements for recognition, measurement and presentation as stated in the Accounting Standards for Business Enterprises as well as uniform accounting policies.

All the subsidiaries within the scope of consolidation for the consolidated financial statements adopt the same accounting policies and accounting periods as those of the Company. If the accounting policies or accounting periods of a subsidiary are different from those of the Company, the consolidated financial statements of the subsidiary, upon preparation, will be adjusted according to the accounting policies and accounting periods of the Company.

When preparing the consolidated financial statements, the impacts of the Company and its subsidiaries or the internal transactions between the subsidiaries on the consolidated balance sheet, consolidated income statement, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity shall be offset. If assessments for the same transaction from the enterprise group's consolidated financial statements and the Company or its subsidiaries as the accounting entity are not the same, such transaction will be adjusted from the enterprise group.

The share of owners' equity, current net profit or loss and current comprehensive income of subsidiaries attributable to minority owners are respectively and separately presented under the owner's equity in the consolidated balance sheet, the net profit in the consolidated income statement, and the total comprehensive income in the consolidated income statement. If the current loss shared by a minority shareholder of a subsidiary exceeds the balances arising from the shares enjoyed by the minority shareholder in the owners' equity of the subsidiary at the beginning of the period, minority equity will be written down accordingly.

For the subsidiaries acquired through business combination under common control, adjustment to their financial statements is made based on the book values of its assets and liabilities (including goodwill formed in the acquisition of these subsidiaries by the ultimate controller) as presented in the financial statements of the ultimate controller.

For the subsidiaries acquired through business combination not under common control, adjustments to their financial statements are made based on the fair values of net identifiable assets on the acquisition date

(1) Increase of subsidiaries or business

During the reporting period, where the Company acquired subsidiaries or business from the business combination under common control, the beginning balance in the consolidated balance sheet is adjusted; the revenue, expenses and profits of the newly acquired subsidiaries or business from the beginning of the period for business combination to the end of the reporting period are included in the consolidated income statement; the cash flows of the same for the aforesaid period are included in the consolidated statement of cash flows. Relevant items in the comparative financial statements of the subsidiaries are adjusted accordingly, as if the reporting entity after the business combination exists as of the time when the ultimate controller has the control.

Where control can be exercised on the investee under common control for additional investment or other reasons, adjustment is made as if all parties involved in the combination exist at the beginning of the control by the ultimate controller. Equity investments held before the control over the combined party is obtained, the related profits or losses, other comprehensive income as well as other changes in net assets recognized from the later between the date when the original equity is obtained and the date when the acquirer and the acquiree are under common control to the combination date will respectively write down the beginning retained earnings or the current profit or loss during the period for comparing financial statements.

During the reporting period, if the Company acquired subsidiaries or business from the business combination not under common control, the beginning balance in the consolidated balance sheet will not be adjusted. The revenue, expenses and profits of the newly acquired subsidiaries or business from the acquisition date to the end of the reporting period will be included in the consolidated income statement; the cash flows of the same for the aforesaid period will be included in the consolidated statement of cash flows.

Where the Company can control the investee not under common control for additional investments, it shall re-measure equity of the acquiree held before the acquisition date at the fair value of such equity on the acquisition date and include the difference between the fair value and book value in the current investment income. Where equity of the acquiree held before the acquisition date involves in other comprehensive income accounted for under equity method and other changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution, the relevant other comprehensive income and other changes in owners' equity shall be transferred to the investment income in the year which the acquisition date falls in, except for other comprehensive income from changes arising from re-measurement of net liabilities or net assets of defined benefit plan by the investee.

(2) Disposal of subsidiaries or business
1) General treatment methods

During the reporting period, where the Company disposes a subsidiary or business, the revenues, expenses and profits of the subsidiary or business from the beginning period to the disposal date shall be included in the consolidated cash flow statement; cash flows of the subsidiary or the business from the beginning period to the disposal date shall be included in the consolidated cash flow statement.

When the Company loses the control over the investee due to disposal of partial equity investment or other reasons, the remaining equity investment after the disposal should be remeasured by the Company at the fair value thereof on the date of losing the control. The difference between the sum of the equity disposal consideration and the fair value of the remaining equity and the sum of the share calculated at the original shareholding ratio in net assets enjoyed in the original subsidiary and continuously calculated from the acquisition date or combination date and the goodwill will be included in the investment income for the period where the control is lost. Other comprehensive incomes associated with the equity investments of the original subsidiary, or the changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution, shall be transferred into investment income of the period when control is lost, except for other comprehensive income from the change in net liability or net asset due to the investor's re-measurement of defined benefit plan.

2) Disposal of subsidiaries by stages

If the control is lost due to disposal of the equity investments in subsidiaries through multiple transactions by stages, and the terms, conditions and economic impact of the transactions related to the disposal of equity investments in subsidiaries meet one or more of the following circumstances, it usually indicates that multiple transactions will be subject to accounting processing as a package deal:

- A. The transactions are concluded at the same time or under the consideration of mutual effect;
- B. These transactions as a whole can reach a complete business result;
- C. The occurrence of a transaction depends on that of other transaction or more; and/or
- D. A single transaction is uneconomical but it is economical when considered together with other transactions.

Where various transactions of disposal of equity investments in subsidiaries until loss of the control belong to a package deal, accounting treatment shall be made by the Company on the transactions as a transaction to dispose subsidiaries and lose the control; however, the difference between each disposal cost and net asset share in the subsidiaries corresponding to each disposal of investments before loss of the control should be recognized as other comprehensive income in the consolidated financial statements and should be transferred into the current profit or loss at the loss of the control.

If the disposal of equity investment in subsidiaries and other transactions until the control loses are not package transactions, before the control loses, related policies governing the partial disposal of equity investments in subsidiaries without losing control will apply; when the control loses, general accounting method for the disposal of subsidiaries will govern.

- (3) Purchase of minority equity of subsidiaries
The share premium in the capital reserves under the consolidated balance sheet will be adjusted at the difference between the long-term equity investment acquired by the Company for the purchase of minority interest and the share of net assets calculated constantly from the acquisition date (or combination date) according to the newly increased shareholding ratio. If the share premium is insufficient to offset, retained earnings will be adjusted.
- (4) Partial disposal of equity investments in subsidiaries without losing control
The equity premium of capital reserves in the consolidated balance sheet will be adjusted according to the difference between the disposal price obtained for partial disposal of long-term equity investments in subsidiaries in the case of not lose control and the share of net assets of subsidiaries calculated from the acquisition date or the combination date corresponding to the disposal of long-term equity investments; if the equity premium of capital reserves is insufficient, the retained earnings will be adjusted.

3.7 Classification of joint venture arrangements and accounting treatment methods of joint operation

3.7.1 Classification of joint venture arrangements

According to the structure, legal form, terms of joint arrangement, other relevant facts and circumstances, the Company divides the joint venture arrangements into joint operation and joint ventures.

Joint venture arrangements that have not been reached through separate entities are classified as joint operations; joint venture arrangements that have been reached through separate entities are generally classified as joint ventures; however, there is conclusive evidence that the joint venture arrangements that meet any of the following conditions and comply with the relevant laws and regulations shall be classified as joint operations:

- (1) the legal form of the joint venture arrangement indicates that the joint venturer has rights and obligations for the relevant assets and liabilities respectively in the arrangement;
- (2) the contract terms of the joint venture arrangement indicates that the joint venturer has rights and obligations for the relevant assets and liabilities respectively in the arrangement;
- (3) other relevant facts and circumstances indicate that the joint venturer has rights and obligations for the relevant assets and liabilities respectively in the arrangement, and if the joint venturer enjoys almost all the outputs related to the joint venture arrangement, the settlement of the liabilities in the arrangement continues to depend on the support from the joint venturer.

3.7.2 Accounting treatment methods of joint operation

The Company recognizes the following items related to its share of benefits in the joint operation and conduct accounting treatment in accordance with relevant accounting standards for business enterprises:

- (1) Assets it solely holds and its share of jointly-held assets based on its percentage;
- (2) Liabilities it solely assumes and its share of jointly-assumed liabilities based on its percentage;
- (3) Revenues from sale of output enjoyed by it from the joint operation;

- (4) Revenues from sale of output from the joint operation based on its percentage; and
- (5) Separate costs and costs for the joint operation based on its percentage.

Where the Company, invests assets in or sells assets to the joint operation (excluding the assets constituting business), before such assets are sold to a third party via the joint operation, the Company shall only recognize the part in the profits and losses arising from such transaction attributable to other party to the joint operation. If the assets invested or sold meet the asset impairment losses stipulated in *the Accounting Standards for Business Enterprises No. 8 – Impairment of Assets*, the Company shall confirm the losses in full.

Where the Company, purchases assets from the joint operation (excluding the assets constituting business), before such assets are sold to a third party, the Company shall only recognize the part in the profits and losses arising from such transaction attributable to other party to the joint operation. If the assets purchased meet the asset impairment losses stipulated in *the Accounting Standards for Business Enterprises No. 8 – Impairment of Assets*, the Company shall recognize the losses according the shares it shall assumed.

Where the Company does not enjoy joint control to the joint operation, if it enjoys the related assets of the joint operation and assumes the related liabilities, accounting treatment shall be subject to the above principles; otherwise, accounting treatment shall be carried out according to the relevant accounting standards for business enterprises.

3.8 Recognition criteria of cash and cash equivalents

For the purpose of preparing the statement of cash flows, the term "cash" refers to the cash on hand and the unrestricted deposit of the Company. The term "cash equivalents" refers to short-term (maturing within three months from the acquisition date) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3.9 Foreign currency transactions and translation of foreign currency statements

3.9.1 Foreign currency transactions

At the initial recognition, foreign currency transactions are translated into RMB for recording purpose using the current average exchange rate at the spot rate on the transaction date.

The foreign currency monetary items on the balance sheet date are translated at the spot exchange rate on the balance sheet date. The exchange differences arising therefrom, except for the exchange difference from foreign currency special loans related to the acquisition and construction of assets that meet the capitalization conditions treated in accordance with the capitalization principle of borrowing expenses, are included in the current profit or loss. The foreign currency non-currency items calculated on historical cost basis are still translated at spot rate on the date of transaction, not changing the amount of its recording currency.

Foreign currency non-monetary items measured at fair value shall be translated into RMB at the spot exchange rates on the day when the fair value is determined. The difference between the functional currency and previous functional currency after translation is taken as fair value changes (including fluctuation in exchange rate) and included in the current profit or loss or recognized as other comprehensive income.

3.10 Financial instruments

When the Company becomes a party to a financial instrument contract, a financial asset or financial liability should be recognized.

Effective interest method refers to the method of calculating the amortized cost of a financial asset or financial liability and of apportioning interest income and interest expenses in relevant accounting periods.

Effective interest rate refers to the interest rate used to discount the estimated future cash flows of financial asset or financial liability during the expected duration into the book balance of such financial asset or the amortized cost of such financial liability. When determining the effective interest rate, the Company will estimate the expected cash flows pursuant to all contractual terms of financial assets or financial liabilities (including prepayment, contract renewal, call option and other similar options) and without regard to expected credit losses.

The amortized cost of a financial asset or financial liability is the amount initially recognized for that financial asset or financial liability less the principal repaid, plus or minus the cumulative amortization of the difference between the amount initially recognized and the amount at maturity using the effective interest method, less the cumulative loss allowance (for financial assets only).

3.10.1 Classification, recognition and measurement of financial assets

The Company, according to the business model of managing financial assets and the contractual cash flow characteristics of financial assets, classifies financial assets into:

- (1) Financial assets measured at amortized cost.
- (2) Financial assets measured at fair value through other comprehensive income.
- (3) Financial assets measured at fair value through the current profit or loss.

Financial assets are measured at their fair values at the initial recognized. However, if the accounts receivable or notes receivable arising from the sales of goods or rendering of services fail to cover the significant financing component or the financing component over one year will not be taken into account therefor, the initial measurement will be made at the transaction price.

Transaction expenses related to financial assets measured at fair value through current profit or loss are directly included in the current profit or loss, and those related to financial assets in other kinds are included in the initially recognized amounts of such financial assets.

Subsequent measurement of financial assets depends on their classification: When and only if the Company changes its business model for managing financial assets, all relevant financial assets affected can be reclassified.

- (1) Financial assets classified to be measured at amortized cost
Where the contractual terms of a financial asset provide that the only cash flows arising on a specific date are payments of principal and interest based on the principal amount outstanding, and the business model for managing the financial asset is to collect the contractual cash flows, the Company classifies the financial asset as a financial asset measured at amortized cost. The Company's financial assets classified to be measured at amortized cost include monetary funds, notes receivable and accounts receivable, other receivables, long-term receivables and creditor's right investment.

The Company recognizes the interest income of such financial assets at effective interest method and subsequently measures them at the amortized cost. Gains and losses arising from impairment, derecognition or modification should be included in the current profit or loss. Except for the following cases, the Company calculates interest income based on the book balance of financial asset multiplied by the effective interest rate:

- 1) For purchased or original financial assets that have suffered credit impairment, from the initial recognition, the interest income is determined by the Company based on the amortized cost of the financial asset and the effective interest rate adjusted by credit.
 - 2) For purchased or original financial assets that have not suffered credit impairment but have suffered credit impairment in the subsequent period, the interest income is determined by the Company based on the amortized cost of the financial asset and the effective interest rate. If the financial instrument has no credit impairment due to the improvement of its credit risk in the subsequent period, the Company will determine the interest income based on the book balance of financial asset multiplied by the effective interest rate.
- (2) Financial assets classified to be measured at fair value through other comprehensive income

Where the contractual terms of the financial assets stipulate that the cash flow generated on a specific date is only the payment for the principal and the interest based on the outstanding principal amount, and the business model for managing the financial asset aims at collecting contractual cash flows and selling such financial asset, the Company classifies the financial asset as the financial asset measured at fair value through other comprehensive income.

Interest income from such financial assets will be recognized by using the effective interest method. Except that the interest income, impairment losses and exchange differences are recognized as the current profit or loss, changes in other fair values are included in other comprehensive income. When a financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income should be transferred from other comprehensive income and included in the current profit or loss.

Notes receivable and accounts receivable measured at fair value through other comprehensive income are presented as the receivables financing, while other financial assets are presented as other creditor's right investments; in which, other creditor's right investments maturing within one year as of the balance sheet date are presented as the non-current assets maturing within one year, and other creditor's right investments originally maturing within one year are presented as other current assets.

- (3) Financial assets designated to be measured at fair value through other comprehensive income
- At the initial recognition of the financial assets designated to be measured at fair value through other comprehensive income, the Company may irrevocably designate the equity instrument investments not held for trading as financial assets measured at fair value through other comprehensive income on a basis of individual financial asset.

The changes in the fair value of such financial assets are included in other comprehensive income, and no provision for impairment is required. At the derecognition of such financial assets, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to retained earnings. During the period when the Company holds the investment in equity instrument, the Company's right to receive dividends has been established. Revenues from dividends are recognized and included in the current profit or loss when economic benefits related to the dividends are likely to flow into the Company and the amount of the same can be measured reliably. The Company presents such financial assets in other investment in equity instruments.

If the investment in equity instrument meets one of the following conditions, it belongs to the financial assets measured at fair value through the current profit or loss: the purpose of the acquisition of the financial assets is mainly for selling in the near future; at the initial recognition, it is a part of the identifiable financial asset instrument portfolio under the centralized management, and there is the objective evidence that a short-term profit model actually existed in the near future; it belongs to derivative instruments (except for those meeting the definition of a financial guarantee contract and designated as effective hedging instruments).

- (4) Financial assets classified to be measured at fair value through the current profit or loss

The financial assets, not qualified for being classified to be measured at amortized cost or fair value through other comprehensive income, and not designated to be measured at fair value through other comprehensive income, are classified as financial assets measured at fair value through the current profit or loss.

Such financial assets are subsequently measured by the Company at fair value. Gains or losses from changes in fair value as well as dividends and interest income related to such financial liabilities are included in the current profit or loss.

The Company presents such financial assets in the financial assets held for trading and other non-current financial assets according to their liquidity.

- (5) Financial assets designated to be measured at fair value through the current profit or loss

At the initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Company may irrevocably designate such financial assets as financial assets measured at fair value through the current profit or loss on a basis of individual financial asset.

Where a mixed contract includes one embedded derivative or more, and the main contract does not belong to any financial asset mentioned above, the Company may designate such mixed contract in whole as the financial instrument measured at fair value through the current profit or loss. Except that:

- 1) The embedded derivative will not materially change the cash flow of the mixed contract.

- 2) At the initial confirmation on whether the similar mixed contract need to be split, it takes little analysis to make clear that the embedded derivative contained in such mixed contract should not be split. If the right to repayment in advance of embedded loans allows the holder to make the repayment of loans in advance at the amount close to the amortized cost, such right to repayment in advance should not be split.

Such financial assets are subsequently measured by the Company at fair value. Gains or losses from changes in fair value as well as dividends and interest income related to such financial liabilities are included in the current profit or loss.

The Company presents such financial assets in the financial assets held for trading and other non-current financial assets according to their liquidity.

3.10.2 Classification, recognition and measurement of financial liabilities

The Company classifies the financial instruments or their components as financial liabilities or equity instruments at the time of the initial recognition, in accordance with contractual terms of financial instruments issued and economic substance reflected and not only legal form, in combination with the definition of financial liabilities and equity instruments. Upon initial recognition, financial liabilities are classified into: financial liabilities measured at fair value through current profit or loss, other financial liabilities and derivative instruments designated as effective hedging instruments.

Financial liabilities are measured at their fair values at the initial recognition. For financial liabilities measured at fair value through the current profit or loss, the relevant transaction expenses are directly included in the current profit or loss; for other types of financial liabilities, the relevant transaction expenses are included in the initial recognition amount.

Subsequent measurement of financial liabilities depends on the classification thereof:

- (1) Financial liabilities measured at fair value through the current profit or loss
Such financial liabilities include the financial liabilities held for trading (including the derivative instruments belong to financial liabilities) and financial liabilities designated to be measured at fair value through the current profit or loss at initial recognition.

Financial liabilities meeting one of the following conditions belong to the financial liabilities held for trading: the purpose of bearing relevant financial liabilities is mainly for sales or repurchase the near future; such financial liabilities belong to the portfolio of identifiable financial instruments under centralized management, and there is the objective evidence that any enterprise has adopted the short-term profiting manner recently; such financial liabilities belong to other derivative instruments than those designated to be the effective hedging instruments and those complying with financial guarantee contracts. Financial liabilities held for trading (including derivative instruments belonging to financial liabilities) are subsequently measured at fair value. Except for hedge accounting, all changes in fair value are included in the current profit or loss.

At the initial recognition, in order to provide more relevant accounting information, the Company irrevocably designates the financial liabilities meeting one of the following conditions as financial liabilities measured at fair value through the current profit or loss:

- 1) Such designation can eliminate or significantly reduce the accounting mismatch.

- 2) According to the enterprise risk management or investment strategies specified in formal written documents, the management and performance evaluation of financial liability portfolios or portfolios of financial assets and financial liabilities is carried out based on fair value, and the report to key officer in the enterprise is made based on such management and performance evaluation.

The Company makes subsequent measurement of such financial liabilities at fair value. Except that the changes in fair value caused by changes in the Company's own credit risk are included in other comprehensive income, other changes in fair value are included in the current profit or loss. Unless the changes in fair value caused by changes in the Company's own credit risk are included in other comprehensive income or will amplify the accounting mismatch in profit or loss, the Company includes all changes in fair value (including the affected amount of changes in its own credit risk) in the current profit or loss.

(2) Other financial liabilities

The financial liabilities other than the following ones, are classified by the Company as the financial liabilities measured at amortized cost, and are subsequently measured at the at amortized cost by using the effective interest method. Gains or losses on derecognition or amortization are included in the current profit or loss.

- 1) Financial liabilities measured at fair value through the current profit or loss.
- 2) Financial liabilities arising from such situation that the transfer of financial assets fails to meet the conditions for derecognition or the financial assets are continuously transferred.
- 3) Financial guarantee contracts that do not fall into the first two circumstances of this article, and loan commitments that do not fall into 1) circumstance of this article at the rate lower than the market interest rate.

Financial guarantee contracts refer to contracts that require the issuer to pay a specific amount to the contract holder who has suffered a loss when a specific debtor fails to repay the debt in accordance with clauses for the original or modified debt instrument upon maturity. As for the financial guarantee contracts of financial liabilities that are not designated to be measured by fair value through the current profit or loss, upon the initial recognition, they are measured at the amount of provision for losses or the balance of initially recognized amount deducting accumulated amortization amount during the guarantee period.

3.10.3 Derecognition of financial assets and financial liabilities

- (1) Financial assets are derecognized when they meet one of the following conditions, that is, they will be written off from their accounts or the balance sheet:
 - 1) The contractual rights for collecting the cash flows of such financial assets are terminated.
 - 2) Such financial assets have been transferred, meeting the requirement for derecognition of financial assets.
- (2) Derecognition criteria of financial liabilities

When the present obligation of any financial liability is relieved in all or in part, the financial liability should be derecognized in all or in part.

Where the Company enters into an agreement with a creditor so as to substitute the original financial liability by undertaking the new financial liability, and the new financial liability and the original financial liability are substantially different in terms of the contract clauses or the Company has substantially changed the contract clauses for the original financial liability (or any part thereof), the original financial liability should be derecognized while the new financial liability should be recognized. Meanwhile, the difference between the book value and the considerations paid (including non-cash assets surrendered or new financial liabilities assumed) should be included in the current profit or loss.

Where the Company redeems a part of its financial liabilities, the Company should allocate the entire book value of the financial liabilities based on the proportions of fair values of the financial liabilities continuously recognized and the financial liabilities derecognized on the redemption date in the entire fair value. The difference between the book value allocated for the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered and the new liabilities assumed) should be included in the current profit or loss.

3.10.4 Recognition basis and measurement method of the transfer of financial assets

At the transfer of financial assets, the Company should evaluate the degree in reserving risks and rewards related to the ownership of the financial assets, and make relevant treatment respectively based on the following circumstances:

- (1) If nearly all of the risks and rewards related to the ownership of the financial assets have been transferred, the Company will derecognize such financial assets, and recognize the right and obligation generates or reserved in the course of transfer as an asset or a liability.
- (2) If nearly all of the risks and rewards related to the ownership of the financial assets have been reserved, the Company will continuously recognize the financial assets.
- (3) If the Company neither transfers nor reserves nearly all of the risks and rewards related to the ownership of the financial assets (i.e., other circumstances than item (1) or (2) herein), the Company will make relevant treatments in the following circumstances based on whether it has reserved the control over financial assets:
 - 1) If the Company fails to reserve the control over the financial assets, it will derecognize such financial assets, and separately recognize the right and obligation generating or reserved in the course of transfer as an asset or a liability.
 - 2) If the Company reserves the control over the financial asset, it will continue to recognize relevant financial assets based on the degree of continuous involvement in transferred financial assets; and recognize relevant liabilities accordingly. The degree of continuous involvement in transferred financial assets refers to the degree in undertaking the risk in fair value change of or reward for the transferred financial assets by the Company.

In determining whether the transfer of a financial asset meets the above derecognition conditions of financial assets, the principle of substance over form will be adopted. The Company divides the transfer of financial assets into overall transfer and partial transfer.

- (1) Where the entire transfer of financial assets meets the derecognition conditions, the difference of the following two amounts is included in the current profit or loss:
 - 1) The book value of the transferred financial assets on the date of derecognition.
 - 2) The sum of the consideration received from the transfer of financial assets and the amount of the derecognized part corresponding to the accumulated amount of the changes in fair value originally and directly recorded into other comprehensive income (financial assets involving transfer refer to the financial assets measured at fair value through other comprehensive income).
- (2) If the partial transfer of financial assets overall satisfies the criteria for derecognition, the entire book value of the transferred financial assets should be split into the derecognized part and continuously-recognized part (in such case, the reserved service assets should be deemed as a part of the continuously-recognized financial assets) according to their respective fair value on the transfer date and the difference between the following two amounts should be included in the current profit or loss:
 - 1) The book value of the derecognized financial assets on the date of derecognition.
 - 2) The sum of the consideration received for the derecognized part and the amount of the derecognized part corresponding to the accumulated amount of the changes in fair value originally included in other comprehensive income (financial assets involving transfer refer to the financial assets measured at fair value through other comprehensive income).

Where the transfer of financial assets does not meet the derecognition criteria, the financial assets shall continue to be recognized, and the consideration received will be recognized as a financial liability.

3.10.5 Determination method for the fair value of financial assets and financial liabilities

The fair value of a financial asset or financial liability, for which there is an active market, is determined at the price quoted in the active market, unless the financial asset has a restricted period for assets. For the financial assets with a restricted period for sales of assets, the fair value is determined at prices quoted in the active market deducting the amount of compensation for risks borne by the market participant, as they are unable to sell such financial assets in the open market within the specified period. The price quoted in the active market includes the quoted price for relevant assets or liabilities that are easy to regularly obtain from exchanges, dealers, brokers, industry groups, pricing agencies or regulators, and it can represent the market transaction that actually and frequently occur on the basis of fair transaction.

For financial assets initially obtained or derived or financial liabilities assumed, their fair values are determined based on the market transaction price.

The fair value of a financial asset or financial liability, for which there is no active market, is determined by using valuation techniques. At the time of valuation, the Company adopts the techniques that are applicable in the current situation and supported by enough available data and other information, selects the input values that are consistent with the features of assets or liabilities as considered by market participants in relevant asset or liability transactions, and gives priority to use relevant observable input values as soon as possible. The unobservable input values may be used only when the observable input values are unable or impractical to be obtained.

3.10.6 Impairment of financial instruments

The Company, based on the expected credit loss, made the impairment accounting treatment for financial assets classified to be measured as at amortized cost, financial assets classified to be measured at fair value through other comprehensive income, lease receivables, contract assets and financial guarantee contracts, and recognized the loss provisions thereof.

The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and discounted at the original actual interest rate and all cash flows expected to be received by the Company, that is, the present value of all cash shortages. The financial assets purchased by the Company or originated with credit impairment should be discounted at the actual interest rate upon credit adjustment of financial assets.

For the purchased or original financial assets with credit impairment, the provision for losses is made on the balance sheet date based on the accumulated changes in the expected credit loss over the whole duration after the initial recognition. On each balance sheet date, the amount of change in the expected credit loss over the whole duration is included in the current profit or loss as impairment gain or loss. Even through the expected credit loss over the whole duration determined on such balance sheet date is less than the expected credit loss reflected via the estimate of cash flows at the initial recognition, the favorable change in expected credit loss is recognized as impairment gain.

For other financial assets than the financial assets adopting the simplified measurement method and the purchased or original financial assets with credit impairment, the Company makes assessment on each balance sheet date on whether the credit risk of relevant financial instrument has increased significantly after the initial recognition, makes the provision for loss thereof, and recognizes the expected credit loss and changes thereof:

- (1) If the credit risk of a financial instrument has not increased significantly since the initial recognition, standing at the stage I, the Company will measure the provision for the expected credit loss of the financial instrument for the reserved next 12 months, and calculate the interest income based on the book balance of the financial instrument and the effective interest rate.
- (2) If the credit risk of a financial instrument has increased significantly without credit impairment since the initial recognition, standing at the stage II, the Company will measure the provision for the expected credit loss of the financial instrument during the whole duration, and calculate the interest income based on the book balance of the financial instrument and the effective interest rate.

- (3) If the financial instrument has had the credit impairment since the initial recognition, standing at the stage III, the Company will measure the provision for the expected credit loss of the financial instrument during the entire duration, and calculates the interest income based on the amortized cost of the financial instrument and the effective interest rate.

The amount increased or reversed of provision for credit loss on financial instruments are included in the current profit or loss as the impairment loss or gain. Except for financial assets classified to be measured at fair value through other comprehensive income, the provision for credit loss is used to offset the book balance of financial assets. For financial assets classified to be measured at fair value through other comprehensive income, the Company recognizes its provision for credit loss in other comprehensive income, without reducing the book value of such financial assets presented in the balance sheet.

In the previous accounting period, the Company has measured the provision for loss at the amount equivalent to the expected credit loss in the whole duration. However, on the current balance sheet date, if the financial instrument no longer belongs to the circumstance under which the credit risk has significantly increased since initial recognition, the Company will measure the provision for loss of the financial instrument at an amount equivalent to the expected credit loss in the next 12 months on the current balance sheet date, and the amount reversed of provision for loss arising therefrom is included in the current profit or loss as impairment gains.

- (1) Credit risk has increased significantly
The Company, by use of reasonable and evidence-based forward-looking information, determines whether the credit risk of the financial instrument has increased significantly by comparing the default risk of the financial instrument on the balance sheet date with that on the initial recognition date. For financial guarantee contracts, when the Company implements the provisions on impairment of financial instruments, the date when the Company becomes a party to the irrevocable commitment is taken as the initial recognition date.

The Company will consider the following factors when assessing whether the credit risk has increased significantly:

- 1) Whether the debtor's operating results have changed significantly or are expected to change significantly;
- 2) Whether the debtor's regulatory, economic or technical environment has undergone significant adverse changes;
- 3) Whether the value of the collateral used as debt pledge or the quality of guarantee or credit enhancement provided by any third party has had significant changes that are expected to reduce the economic motivation of the debtor to repay within the period specified in the contract or affect the probability of default;
- 4) Whether the debtor's expected performance and repayment behavior have changed significantly;
- 5) Whether the Company's credit management methods for the financial instrument have changed.

If the Company judges that the financial instrument only has a lower credit risk on the balance sheet date, it will assume that the credit risk of such financial instrument has not increased significantly since the initial recognition. If the default risk of a financial instrument is low, the borrower's ability to perform its contractual cash flow obligations in a short term will be strong, and even if the economic situation and operating environment are adversely changed over a long period, it will not necessarily reduce the borrower's ability to perform its contractual cash flow, and such financial instrument is considered to have a lower credit risk.

(2) Financial assets with credit impairment

When one or more events that adversely affect the expected future cash flows of a financial asset occur, the financial asset becomes a financial asset with credit impairment. Evidence that credit impairment has occurred in financial assets includes the following observable information:

- 1) The issuer or debtor suffers severe financial difficulties;
- 2) The debtor breaches the relevant contract terms, such as default or delay in the interest payment or principal repayment;
- 3) The creditor gives concessions to the debtor in any other circumstances for economic or contractual considerations relating to the financial difficulties of the debtor;
- 4) The debtor is likely to go bankrupt or carry out other financial restructuring;
- 5) The financial difficulties of the issuer or the debtor have caused the active market of the financial asset to disappear; and
- 6) Purchasing or originating a financial asset at a substantial discount that reflects the fact that a credit loss has occurred.

Credit impairment of financial assets may be caused by the joint action of multiple events, and may not be caused by separately identifiable events.

(3) Determination of expected credit loss

In assessing the expected credit loss, based on the expected credit loss on financial instruments upon the individual and portfolio assessment, the Company may consider reasonable and evidence-based information about past events, current conditions and future economic conditions.

The Company classifies financial instruments into different portfolios based on the common credit risk characteristics. Common credit risk characteristics adopted by the Company include: types of financial instruments, aging portfolio, etc. For the individual assessment criteria and portfolio credit risk characteristics of relevant financial instruments, please refer to the accounting policies for relevant financial instruments.

The Company determines the expected credit losses of related financial instruments according to the following methods:

- 1) For financial assets, the credit loss refers to the present value of the difference between the contractual cash flow receivable and the expected cash flow.

- 2) For leasing receivables, the credit loss is the present value of the difference between the contract cash flow collected and the cash flow expected to be collected by the Company.
- 3) For financial guarantee contracts, the credit loss refers to present value of the difference between the estimated payment to be paid by the Company for the credit losses incurred by the contract holder and the Company's amount receivable from the contract holder, debtor or any other party.
- 4) For financial assets that have suffered the credit impairment on the balance sheet date, and the credit impairment does not be caused by the purchase of or generating from such financial assets, the credit loss refers to the difference between the book balance of the financial asset and the present value of the estimated future cash flows discounted at the original effective interest rate.

Factors reflected via the method adopted by the Company for the measurement of the expected credit loss of financial instrument include: Unbiased probability weighted average amount determined by assessing a series of possible results; the time value of money; unnecessary additional cost which should not be paid on the balance sheet date or the reasonable and well-founded information on the previous matters which can be obtained by effort, the current conditions and the forecast of future economic conditions.

- (4) Write-down of financial assets
If the Company no longer reasonably expects that the contractual cash flow of the financial asset can be fully or partially recovered, the book balance of the financial asset will be directly written down. Such write-down constitutes the derecognition of relevant financial assets.

3.10.7 Offset of financial assets and financial liabilities

Financial assets and financial liabilities are respectively presented in the balance sheet without the mutual offset. However, if they meet the following conditions at the same time, they will be presented in the balance sheet at the net amount after offset:

- (1) The Company has the legal right to offset the recognized amount, and such right is currently executable; and
- (2) The Company intends to make settlement at net amount, or to realize such financial assets and liquidate such financial liabilities at the same time.

3.11 Notes receivable

See the Note 3.10.6 "Impairment of financial instruments" for the determination method and accounting treatment method adopted by the Company for the expected credit loss of notes receivable.

If the Company fails to assess the sufficient evidence for expected credit loss at the reasonable cost for any individual financial instrument, the Company should, by reference to the historical experience in credit loss and in light of the current conditions and the judgment on the future economic conditions, divide notes receivable into several portfolios based on the credit risk characteristics, to calculate the expected credit loss on the basis of portfolio. Portfolios are determined based on:

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Portfolio name	Basis for portfolio determination	Provision method
Portfolio of risk-free bank acceptance bill		The provision for bad debts is made with reference to historical credit loss experience, in combination with current conditions and expectations of future economic conditions.
Commercial acceptance bills	By acceptance unit rating	Based on the historical experience in credit loss and in light of the current situation and the prediction of future economic position, preparing the comparison table of expected credit loss ratios over aging and the whole duration of these notes receivable to calculate the expected credit loss.

3.12 Accounts receivable

For accounts receivable, whether or not they contain significant financing components, the Company always measures the loss reserves according to the amount equivalent to the expected credit loss in the whole duration. The increase or reversal of loss reserves thus arising therefrom shall be included in the current profit or loss as the impairment loss or profit.

The Company determines expected credit loss on a single basis for accounts receivable for which there is objective evidence that credit impairment has occurred and for which there is a reasonable assessment of expected credit loss individually.

The Company combines the accounts receivable according to similar credit risk characteristics (aging), and based on all reasonable and supportable information (including forward-looking information), makes provision for the bad debts of accounts receivable according to the aging and lifetime expected credit loss comparison table.

See the Note 3.10.6 "Impairment of financial instruments" for the determination method and accounting treatment method adopted by the Company for the expected credit loss of accounts receivable.

3.13 Receivables financing

Notes receivable classified as measured at fair value through other comprehensive income with maturities within one year (inclusive) from the date of initial recognition are presented as receivables financing; and those with maturities of more than one year from the date of initial recognition are presented as other creditor's right investments. See the Note (XI) for its relevant accounting policies.

3.14 Other receivables

See the Note 3.10.6 "Impairment of financial instruments" for the determination method and accounting treatment method adopted by the Company for the expected credit loss of other receivables.

If the Company fails to assess the sufficient evidence for expected credit loss at the reasonable cost for any individual financial instrument, the Company should, by reference to the historical experience in credit loss and in light of the current conditions and the judgment on the future economic conditions, divide other receivable into several portfolios based on the credit risk characteristics, to calculate the expected credit loss on the basis of portfolio. Portfolios are determined based on:

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Portfolio name	Basis for portfolio determination	Provision method
Portfolio 1: Receivables from related parties within the scope of consolidation		The provision for bad debts is made with reference to historical credit loss experience, in combination with current conditions and expectations of future economic conditions.
Portfolio 2 (Aging portfolio)	Nature of payment	Based on the historical experience in credit loss and in light of the current situation and the prediction of future economic position, preparing the comparison table of expected credit loss ratios over aging and the whole duration to calculate the expected credit loss.

3.15 Inventories

3.15.1 Classification of inventories

Inventories refer to the finished goods or commodities to be sold, goods in the process of production, materials and suppliers used in the process of production or rendering of services, held by the Company during the routine business activities. Inventories mainly include raw materials, revolving materials, goods in process, stock commodities, goods dispatched, etc.

3.15.2 Method of measuring inventories

At the acquisition of inventories, the Company makes the initial measurement at cost, including the purchase cost, processing cost and others. The inventories are measured by the weighted-average system when dispatched.

3.15.3 Determining basis of net realizable value of inventories and accrual method for inventory provision

After the comprehensive check of the inventories at the end of the period, the provision for inventory depreciation is made or adjusted at their costs or net realizable values, whichever are lower. In the normal production and operation process, for merchandise inventories for direct sale, including finished goods, stock commodities and materials for sale, their net realizable values are recognized at the estimated selling prices minus the estimated selling expenses and the relevant taxes and surcharges; for material inventories required to be processed, their net realizable values are recognized at the estimated selling prices of finished goods minus estimated costs until completion, estimated selling expenses and relevant taxes and surcharges. For inventories held to under any sales contract or service contract, their net realizable values are calculated based on the contract price. If the quantity of inventories held by the Company is more than that ordered in sales contract, the net realizable value of the excess inventories will be calculated based on general selling price.

The provision for inventory depreciation is made on an individual basis at the end of the period. For inventories with large quantities and relatively low unit prices, the provision for inventory depreciation is made on a category basis. For inventories related to the product portfolios manufactured and sold in the same area, of which the final usage or purpose is identical or similar thereto, and which is difficult to separate from other items for measurement purposes, the provision for inventory depreciation is made on a portfolio basis.

If the previous factor rendering the write-down of the inventory value has been eliminated, the amounts written down will be recovered, and reversed in the amount of provision for depreciation of inventories, and the reversed amounts will be included in the current profit or loss.

3.15.4 Inventory system

Inventory system of the inventories is perpetual inventory system.

3.15.5 Amortization method for low-cost consumables and packaging materials

- (1) One-off write-off method is adopted for low-cost consumables.
- (2) Revolving packaging materials shall be included in costs by several times according to expected number of uses.

3.16 Contract assets

If the Company enjoys the right to charge consideration as it has transferred goods to relevant customer, and the right depends on other factors except for the time lapses, such right will be recognized as the contract asset. The unconditional right (only depending on the time lapses) to charge consideration from the customer, possessed by the Company, is separately presented as receivables.

See the Note 3.10.6 "Impairment of financial instruments" for the determination method and accounting treatment method adopted by the Company for the expected credit loss of contract assets.

3.17 Held for sale

3.17.1 Recognition criteria for classification as held for sale

The Company recognizes non-current assets or disposal groups that meet both of the following conditions as components held for sale:

- (1) According to the general practice for selling such kind of asset or disposed asset portfolio in the similar transaction, the asset or portfolio can be immediately sold in the prevailing circumstance;
- (2) The sale of the asset or portfolio is very likely to happen, which means that the Company has made a resolution for one selling plan and had acquired decided purchase commitment, and it is estimated that the sale will be completed within one year.

The determined purchase commitment refers to the legally binding purchase agreement signed by and between the Company and other parties. The agreement covers significant clauses in aspects such as transaction price and time and sufficiently severe breaches and penalty, making slim possibility for the agreement being re-adjusted or canceled.

3.17.2 Accounting method for held for sale

If the Company does not provide depreciation or amortization for non-current assets or disposal groups held for sale and the book value is higher than the net amount of fair value less disposal expenses, the Company shall write down the book value to the net amount of fair value less disposal expenses, and the written down amount shall be recognized as an asset impairment loss and included in the current profit or loss, while providing for the impairment of assets held for sale.

For non-current assets or disposal groups that are classified as held for sale on the acquisition date are measured at the lower of the initial measurement amount assuming they are not classified as held for sale or the net fair value less disposal expenses.

The above principles apply to all non-current assets, except for investment real estate that is subsequently measured using the fair value model, biological assets that are measured using the net of fair value less disposal costs, assets formed from staff emoluments, deferred income tax assets, financial assets that are governed by the relevant accounting standards for financial instruments, and rights arising from insurance contracts that are governed by the relevant accounting standards for insurance contracts.

3.18 Other creditor's right investments

See the Note 3.10.6 "Impairment of financial instruments" for the determination method and accounting treatment method adopted by the Company for the expected credit loss of other creditor's right investments.

3.19 Long-term receivables

See the Note 3.10.6 "Impairment of financial instruments" for the determination method and accounting treatment method adopted by the Company for the expected credit loss of long-term receivables.

3.20 Long-term equity investments

3.20.1 Determination of initial investment cost

- (1) For the specific accounting policies for long-term equity investments acquired through business combination, see the Note 3.5 "Accounting treatment methods for business combinations under common control and not under common control".
- (2) Long-term equity investments acquired by other means

For long-term equity investments acquired from cash payment, the initial investment cost is the actually paid purchasing cost. The initial investment cost includes expenses, taxes and other necessary expenses directly related to obtaining the long-term equity investment;

For the long-term equity investment acquired from issuing equity securities, the initial investment cost is the fair value of the issued equity securities; transaction expenses on the issue or acquisition of the own equity instruments are deducted from the equity if they are directly attributable to the equity transaction.

On the premise that non-monetary asset trade is of commercial nature and the fair value of the asset traded in or out can be measured reliably, the initial cost of a long-term equity investment traded in with non-monetary asset should be determined based on the fair value of the asset traded out, unless any unambiguous evidence indicates that the fair value of the asset traded in is more reliable; as to the non-monetary asset trade not meeting the aforesaid premise, the book value of the asset traded out and relevant taxes and surcharges payable should be recognized as the initial cost of the long-term equity investment.

The initial investment cost of the long-term equity investment acquired through the debt restructuring is determined based on the fair value thereof.

3.20.2 Subsequent measurement and recognition of gains and losses

- (1) Cost method
For the long-term equity investments where the Company may have the control over investees, the cost method is adopted for accounting, the measurement is made based on the initial investment cost and the cost is adjusted via the additional investment or the divestment.

Except for the actual price paid for acquisition of investment or the cash dividends or profits contained in the consideration and declared but not yet distributed, the Company recognizes the current investment income based on the cash dividends or profits enjoyed by the Company and declared to be distributed by the investee.

(2) Equity method

The Company accounts for the long-term equity investments in associates and joint ventures by the equity method; some equity investments in associates therein indirectly held via the risk investment organization, mutual fund, trust company or the similar entity including the investment-linked insurance fund are measured at fair through the profit or loss.

If the initial investment cost of any long-term equity investment is in excess of the share of fair value of the net identifiable assets in the investee when the investment is made, the difference will not be adjusted to the initial cost of long-term equity investment; if the cost of initial investment is in short of the share of the fair value of the net identifiable assets in the investee when the investment is made, the difference will be included in the current profit or loss.

After the acquisition of the long-term equity investment, the Company should, based on its attributable share of the net profit or loss and other comprehensive income realized by the investee, respectively recognize the investment income and other comprehensive income, and simultaneously adjust the book value of the long-term equity investment; and should, in the light of the profits or cash dividends the investee declares to distribute, calculate the attributable part and accordingly reduce the book value of the long-term equity investment. As to any change in owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution, the Company should adjust the book value of the long-term equity investment and include such change in the owners' equity.

The Company should, based on the fair values of the investee's various identifiable assets at the time when relevant investment is made, recognize its share of the investee's net profits or losses, after adjusting the investee's net profit. The Company calculates its attributable share in the profit or loss from the unrealized internal transactions between the Company and its associates or joint ventures based on its attributable percentage and offset such share, and determines the investment income on that basis.

When the Company confirms that it should share losses incurred in the investee, treatment should be done in following sequence: first, writing down the book value of long-term equity investments. Secondly, where the book value thereof is insufficient to cover the share of losses, investment losses are recognized to the extent of book value of other long-term equities which form net investment in the investee in substance and the book value of long-term receivables shall be reduced. Finally, after all the above treatments, if the Company is still responsible for any additional liability in accordance with the provisions stipulated in the investment contracts or agreements, the Company will recognize an estimated liability based on its expected obligations, and include the estimated liability in the current investment loss.

Where the investee realizes profit during the following period, the Company make treatment for the profit after deducting such profit with the unrecognized loss-sharing amount in the order inverse to that mentioned above, i.e. writing off the recognized book balance of estimated liabilities and reversing the book value of other long-term equity substantially constituting the net investment in the investee and the book value of long-term equity investment, and recognizing the investment income after such reversal.

3.20.3 Conversion of the accounting method for long-term equity investments

- (1) Conversion from the measurement at fair value to the accounting by the equity method

Where the equity investment originally held by the Company, having no control or common control over or the significant impact on the investee and subject to the accounting treatment made according to the standards for recognition and measurement of financial instruments may have the significant influence on or the common control over the investee on account of additional investment and other reasons but cannot control the investee, the sum of fair value of originally held equity investment determined according to the *Accounting Standards for Business Enterprises No. 22 -- Recognition and Measurement of Financial Instruments* and the cost of newly-added investment should be taken as the initial investment cost of such equity investment calculated by the equity method.

The difference between the initial investment cost calculated by the equity method and the share calculated in the new shareholding ratio determined after the additional investment and enjoyed in the fair value of the investee's net identifiable assets on the date of additional investment (the latter is higher) should be used to adjust the book value of the long-term equity investment and included in the non-operating revenue for the current period.

- (2) Conversion from the measurement at fair value or accounting by the equity method to the accounting by the cost method

Where the equity investment originally held by the Company, having no control or common control over or the significant impact on the investee and subject to the accounting treatment made according to the standards for recognition and measurement of financial instruments, or the long-term equity investment originally held by the Company in associates and joint ventures may control the investee not under common control on account of such reasons as additional investment, at the preparation of the individual financial statements, the initial investment cost of such investment under the accounting by the cost method should be recognized at the sum of the book value of originally held equity investment and the cost of the newly-added investment.

For other comprehensive income that is recognized from the equity investment held before the acquisition date by using the equity method, the accounting treatment should be made on the basis the same as that for the direct disposal of related assets or liabilities by the investee at the disposal of such equity investment.

Where the equity investments held before the acquisition date are subject to the accounting treatment made according to the *Accounting Standards for Business Enterprises No. 22 -- Recognition and Measurement of Financial Instruments*, the accumulated changes in fair value originally included in other comprehensive income should be transferred in the current profit or loss when the accounting therefor is made by the cost method.

- (3) Conversion from accounting by the equity method to the measurement at fair value

In case the Company loses the common control over or the significant influence on the investee due to the disposal of part of equity investments or other reasons, the remaining equity after the disposal should be accounted for according to the *Accounting Standards for Business Enterprises No. 22 -- Recognition and Measurement of Financial Instruments*, and the difference between the fair value and the book value on the date of the loss of common control or significant influence should be included in the current profit or loss.

As to other comprehensive income recognized based on measurement of the original equity investment under the equity method, accounting treatment shall be made on the same basis as would be required if the investee had directly disposed of the assets or liabilities related thereto when measurement under the equity method is terminated.

- (4) Conversion from the cost method to the equity method

In case the Company loses the control over the investee due to the disposal of part of equity investment and other reasons, in the preparation of the individual financial statements, if the remaining equity has the common control over or significant influence on the investee, the accounting by the equity method should be made, and the adjustment should be made as if the remaining equity had been accounted for by the equity method at acquisition.

- (5) Conversion from the cost method to the measurement at fair value

In case the Company loses the control over the investee due to the disposal of part of equity investments or other reasons, in the preparation of individual financial statements, the remaining equity after disposal fails to have the common control over or the significant influence on the investee, the accounting treatment should be made according to the *Accounting Standards for Business Enterprises No. 22 -- Recognition and Measurement of Financial Instruments*, and the difference between the fair value and the book value thereof on the date of the loss of control should be included in the current profit or loss.

3.20.4 Disposal of long-term equity investments

For the disposal of long-term equity investments, the difference between the book value and the actual price thereof should be included in the current profit or loss. Where a long-term equity investment is accounted for under the equity method, accounting treatment should be made on the part that is originally included in other comprehensive income according to corresponding ratio by using the same basis for the investee to directly dispose of the relevant assets or liabilities when the investments are disposed of.

In case the terms, conditions and economic impact of the transactions related to the disposal of equity investments in subsidiaries meet one or more of the following circumstances, multiple transactions should be taken as a package deal for accounting treatment:

- (1) The transactions are concluded at the same time or under the consideration of mutual effect;
- (2) These transactions as a whole can reach a complete business result;
- (3) The occurrence of a transaction depends on that of other transaction or more; and/or

- (4) A single transaction is uneconomical but it is economical when considered together with other transactions.

Where the control over the original subsidiaries is lost due to the disposal of part of equity investments or other reasons, not belonging to a package deal, relevant accounting treatment should be made respectively for the individual financial statements and the consolidated financial statements:

- (1) In the individual financial statements, for disposal of equity, the difference between book value and the actual purchase price should be included in the current profit and loss. The remaining equity after the disposal that can exercise common control or exert significant influence over the investee shall be accounted for in the equity method, and such remaining equity shall be adjusted as if it had been accounted for in the equity method since the time of acquisition; the remaining equity after disposal that cannot exercise common control or exert significant influence over the investee shall be subject to accounting treatment according to the relevant provisions of the *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*, and the difference between the fair value on the date when the control is lost and the book value shall be included into the current profit or loss.
- (2) In the consolidated financial statements, for various transactions before loss of the control over the subsidiaries, the difference between the proceeds from disposal and the share of net assets of subsidiaries enjoyed the Company (continuously calculated from the acquisition date or the combination date) corresponding to the disposal of long-term equity investments, shall be charged against capital reserves (share premium); when the capital reserves is insufficient to offset, the retained earnings shall be adjusted. When the Company loses the control over the subsidiaries, the remaining equity will be re-measured at its fair value on the date of loss of the control. The difference of total amount of the consideration from disposal of equities plus the fair value of the remaining equities less the shares calculated at the original shareholding ratio in net asset of the original subsidiary which are continuously calculated as of the acquisition date is included in the investment income of the period at the loss of control and at the same time offset the goodwill. Other comprehensive income associated with the equity investments of the original subsidiary, is transferred into investment income of the period when control is lost.

Where the transactions of disposal of equity investments in subsidiaries until the loss of control over belong to a package of transactions, and the transactions will be accounted for as a transaction of disposal of equity investments in subsidiaries until the loss of control; individual financial statements and consolidated financial statements will be respectively accounted for:

- (1) In the individual financial statements, the difference between each disposal cost and book value of long-term equity investments corresponding to each disposal of equity before loss of the control should be recognized as other comprehensive income and should be transferred into the current profit or loss on the loss of the control.
- (2) In the consolidated financial statements, the difference between each disposal cost and net asset share in the subsidiaries corresponding to each disposal of investments before loss of the control should be recognized as other comprehensive income and should be transferred into the current profit or loss on the loss of the control.

3.20.5 Judgment criteria for joint control and significant influence

If the Company jointly controls an arrangement with other participants in accordance with the relevant agreement, and the decision-making of activities having a significant impact on the return on the arrangements is required to be unanimously agreed by participants sharing control, which is deemed that the Company and other participants jointly control an arrangement, such arrangement belongs to joint venture arrangement.

If joint venture arrangements are made by a separate entity, the Company is entitled to the net assets of such separate body according to relevant agreement, such separate entity is joint venture and measured at the equity method. If the Company is not entitled to the net assets of such separate entity according to relevant agreement, such separate entity is joint venture and the Company confirms the projects relating to share in interest of joint operation, and conduct accounting treatment in accordance with the related provisions of the Accounting Standards for Business Enterprises.

Significant influence refers to the power of the investor to participate in making decisions on the financial and operating policies of the investee, but not the power to control, or jointly control, the formulation of such policies with other parties. Through one or more of the following circumstances, and comprehensively considering all the facts and circumstances, the Company judges that it has a significant impact on the investee: (1) representatives in the board of directors or similar organ of power of the investee; (2) the process of preparing financial and operating policies the investee; (3) significant transactions with the investee; (4) managers dispatched to the investee; (5) key technical information provided to the investee.

3.21 Investment properties

Investment properties refer to the properties that are held for the purposes of earning rental income, capital appreciation, or for combination thereof, including land use rights that have been leased out; land use rights which are held and to be leased out after appreciation and structures leased. Furthermore, as for the unoccupied constructions which are held for operating lease, if the board of directors (or similar institution) makes a written resolution which clearly states that the aforesaid construction is used for operating lease and the intent for holding such construction will not change in the short-term future, such construction will be presented as investment property.

The costs of the investment property of the Company shall be taken as its entry value, and the cost of an investment property by acquisition consists of the acquisition price, relevant taxes, and other expenses directly relegated to the asset; the cost of a self-built investment property composes of the necessary expenses for building the asset to the hoped condition for use.

The Company's investment properties are subsequently measured at cost model, and the depreciation or amortization will be withdrawn according to relevant regulations on fixed assets and intangible assets.

When an investment property is changed for self-use, upon change, the investment property shall be converted into fixed assets or intangible assets. When the self-use property is changed to earn rentals or for capital appreciation, upon change, fixed assets or intangible assets shall be converted into investment property. In case of the conversion, the book value of such investment property before the conversion is regarded as the entry value of the same after the conversion.

When an investment property is being disposed or permanently withdrawn from use and no future economic benefits are expected from the disposal, the investment property shall be derecognized. The difference of the revenue from disposal of investment properties such as sales, transfer, retirement or damage deducting their book value and related taxes should be included into the current profit or loss.

3.22 Fixed assets

3.22.1 Recognition criteria of fixed assets

Fixed assets are tangible assets that are held for the purpose of producing goods, providing services, leasing or operating management, and having a life span of more than one fiscal year. Fixed assets are recognized when they simultaneously meet the following conditions:

- (1) It is probable that the economic benefits relating to the fixed assets will flow into the Company; and
- (2) The costs of the fixed assets can be measured reliably.

3.22.2 Initial measurement of fixed assets

The fixed assets of the Company shall be initially measured at cost.

- (1) Specifically, the costs of fixed assets externally purchased include purchase price, import duties and other related taxes and surcharges, and any other expenditures for making the assets reach working condition for their intended use.
- (2) The costs of self-built fixed assets consist of necessary expenditures incurred before preparing the asset to reach the condition for its intended use;
- (3) For fixed assets invested by an investor, the initial cost is the value stipulated in the investment contract or agreement unless the value stipulated in the contract or agreement is unfair;
- (4) If the payment for a fixed asset is delayed beyond the normal credit conditions and it is of the financing nature, the cost of the fixed asset shall be determined on the basis of the current value of the purchase price. The difference between the cost actually paid and the present value of purchase price will be capitalized and included into the current profit or loss in the credit period.

3.22.3 Subsequent measurement and disposal of fixed assets

- (1) Depreciation of fixed assets

The depreciation of fixed assets shall, within estimated useful lives, be made at their book-entry values less estimated net residual value. For the fixed assets with provision for impairment made, the amount of depreciation will be determined according to the book value after deduction of the provision for impairment and the remaining useful life in the future. No provision for fixed assets which are fully depreciated and remain in use.

The Company determines the useful life and estimated net residual value of a fixed asset according to its nature and using status, and reviews the useful life, estimated net residual value and depreciation method of the fixed assets at the end of the year. If there is any difference between the reviewing results and the original estimated data, the Company will make some adjustments accordingly.

Depreciation method, depreciation life and annual depreciation rate of various fixed assets are listed as follows:

Type	Depreciation method	Depreciation life (year)	Residual value rate (%)	Annual depreciation rate (%)
Buildings and constructions	Straight-line method	25-35	3	2.77-3.88
Machinery equipment	Straight-line method	7-15	3	6.47-13.86

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Type	Depreciation method	Depreciation life (year)	Residual value rate (%)	Annual depreciation rate (%)
Transportation equipment	Straight-line depreciation	8-10	3	9.70-12.13
Other equipment	Straight-line method	5-10	3	9.70-19.40

- (2) Subsequent expenditure of fixed assets
If the subsequent disbursement relevant to a fixed asset meets the recognition criteria on the fixed asset, it is included in the cost of fixed asset; otherwise, it is included in the current profit or loss.
- (3) Disposal of fixed assets
When fixed assets are disposed of or are expected to fail to generate economic benefits after the use or disposal, the fixed assets shall be derecognized. The incomes from sales, transfer, scrapping or damages of fixed assets after deducting their book values and relevant taxes and surcharges are included in the current profit or loss.

3.23 Construction in progress

3.23.1 Initial measurement of construction in progress

The Company's self-built construction on progress is valued at the actual cost which consists of all necessary expenditures incurred before the assets for such construction reaching to the predetermined serviceable condition, including all types of necessary expenditures incurred during the construction period, the capitalized borrowing costs incurred prior to the time when the construction is brought to the expected conditions for use and other relevant costs, etc.

3.23.2 Criteria and timing for conversion of the construction in progress into the fixed assets

For construction in progress, the book-entry values of the fixed assets are stated at total expenditures incurred before such assets reach the working condition for their intended use. Where the construction in progress has reached the predetermined serviceable condition but the completion of settlement has not been handled, the estimated construction value shall be transferred into the fixed assets based on construction budget, cost or actual cost of construction, etc. as of the day reaching the predetermined serviceable condition, and the depreciation of fixed assets shall be made according to the Company's policy on fixed assets depreciation; when the completion of settlement is finished, the original estimated value shall be adjusted at the actual cost, but the depreciation already withdrawn shall not be adjusted.

3.24 Borrowing costs

3.24.1 Recognition principles of capitalization of borrowing costs

The borrowing costs incurred to the Company and directly attributable to the acquisition and construction or production of assets eligible for capitalization should be capitalized and recorded into relevant asset costs; other borrowing costs should be recognized as costs according to the amount incurred and be included into the current profit or loss.

Assets eligible for capitalization refer to fixed assets, investment properties, inventories and other assets which may reach their intended use or sale status only after long-time acquisition and construction or production activities.

Borrowing costs are capitalized when they simultaneously meet the following conditions:

- (1) Asset expenditures, which include those incurred by cash payment, the transfer of non-cash assets or the undertaking of interest-bearing debts for acquiring and constructing or producing assets eligible for capitalization, have already been incurred;
- (2) Borrowing costs have already been incurred;
- (3) The acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started.

3.24.2 Capitalization period of borrowing costs

Capitalization period refers to the period from the beginning of capitalization to the cease of capitalization, excluding the period of capitalization suspension of borrowing costs.

Capitalization of borrowing costs should be ceased when the acquired and constructed or produced assets eligible for capitalization have reached their intended use or sale status.

When some projects among the acquired and constructed or produced assets eligible for capitalization are completed and can be used separately, the capitalization of borrowing costs of such projects should be ceased.

If all parts of the acquired and constructed or produced assets are completed but the assets cannot be used or sold externally until overall completion, the capitalization of borrowing costs should be ceased at the time of overall completion of the said assets.

3.24.3 Period of capitalization suspension of borrowing costs

If the acquisition, construction or production activities of assets eligible for capitalization are abnormally interrupted and such condition lasts for more than three months, the capitalization of borrowing costs should be suspended; if the interruption is necessary procedures for the acquired, constructed or produced assets eligible for capitalization to reach the working conditions for their intended use or sale, the borrowing costs continue to be capitalized. Borrowing costs incurred during the interruption are recognized as the current profit or loss and continue to be capitalized until the acquisition, construction or production of the assets restarts.

3.24.4 Calculation method of capitalization amount of borrowing costs

The special borrowings' interest expenses (excluding the interest income from unused borrowings deposited in the bank or the investment income from the temporary investment) and auxiliary expenses, before the acquired and constructed or produced assets meeting with the capitalization conditions are eligible for the intended use, shall be capitalized.

The interest amount of general borrowings to be capitalized should be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements exceeding special borrowings by the capitalization rate of used general borrowings. The capitalization rate is calculated by weighted average interest rate of general borrowings.

Where there are discounts or premiums on borrowings, amounts of discounts or premiums should be amortized in each accounting period by the effective interest method, and the amount of interest for each accounting period should be adjusted.

3.25 Right-of-use assets

The Company initially measures the right-of-use assets at cost. Such costs include:

1. The initial measurement amount of lease liabilities;
2. In case of any lease incentives, relevant amount of the lease incentives enjoyed shall be deducted from the lease payment paid on or before the commencement date of the lease term;
3. The initial direct costs incurred by the Company;
4. The costs incurred of the Company for demolishing and removing leased assets, restoring the site where the leased assets are located, or restoring the leased assets to the state agreed in the lease term, excluding the costs incurred for the production of inventories.

After the commencement date of the lease term, the Company carries out subsequent measurement of right-of-use asset using the cost method.

If there is a reasonable assurance that the ownership of leased assets can be acquired when the lease term expires, the Company makes the provision during the remaining useful life for the leased assets. If there is no reasonable assurance that the ownership of the leased assets can be acquired when the lease term expires, the Company makes the provision over the lease term or the remaining useful life for the leased assets, whichever is shorter. For the right-of-use assets with provision for impairment made, the depreciation will be made according to the book value after deduction of the provision for impairment and by reference to the above principle.

3.26 Intangible assets and development expenses

The intangible assets refer to the identifiable non-monetary assets which have no physical shape and are possessed or controlled by the Company.

3.26.1 Initial measurement of intangible assets

The costs of externally acquired intangible assets comprise their purchase prices, related taxes and surcharges and any other directly attributable expenditure incurred to prepare the assets for their intended use. If the payment for an intangible asset is delayed beyond the normal credit conditions and it is of the financing nature, the cost of the intangible asset shall be determined on the basis of the present value of the purchase price.

The intangible assets acquired and used by the debtor to repay debt in debt restructuring should be recorded at the fair value of the intangible assets. The difference between the book value of restructured debts and the fair value of intangible assets used to repay debt should be included in the current profit or loss.

On the premise that non-monetary assets trade is of commercial nature and the fair value of the assets traded in or out can be measured reliably, the intangible assets traded in with non-monetary assets should be recognized at the fair value of the assets traded out, unless any unambiguous evidence indicates that the fair value of the assets traded in is more reliable; as to the non-monetary assets trade not meeting the aforesaid premise, the book value of the assets traded out and related taxes and surcharges payable should be recognized as the cost of the intangible assets, with gains or losses not recognized.

For intangible assets acquired from business combination under common control, the initial book value is initially recognized at the book value of the combinee; for intangible assets acquired from business combination not under common control, the initial book value is initially recognized at the fair value.

Costs of intangible assets developed internally and independently include: the costs of materials and labor services used to develop the intangible assets, the registration fee, the amortization of other patents and franchise used in the process of development, the interest expenses meeting the condition for capitalization, and other direct expenses for preparing the intangible assets for their intended use.

3.26.2 Subsequent measurement of intangible assets

The useful lives of intangible assets are analyzed and judged by the Company upon acquisition, and the intangible assets are divided into the intangible assets with definite useful lives and intangible assets with indefinite useful life.

(1) Intangible assets with definite useful life

For intangible assets with definite useful lives, the Company shall adopt the straight-line method for amortization within the period during which they can bring economic benefits to the Company. Estimated useful life and basis of intangible assets with definite useful lives as follows:

Item	Estimated useful lives	Basis
Land use right	30 -50 years	Estimated useful life
Patent rights	5 years	Estimated useful life
Software	5 years	Estimated useful life

At the end of each reporting period, the Company shall review the useful lives and amortization method of intangible assets with definite useful lives. If there is any difference between the review results and the original estimated data, the Company will make adjustments accordingly.

Upon review, the useful lives and amortization method of the intangible assets as at the end of the year were not different from those estimated before.

(2) Intangible assets with indefinite useful lives

In case of the period when the intangible assets generate economic benefit for enterprise cannot be forecasted, the intangible assets shall be deemed as the intangible assets with indefinite useful lives.

The intangible assets with indefinite useful lives shall not be amortized during the holding period. The useful lives of the intangible assets shall be reviewed at the end of each period. If the useful lives of the intangible assets are still uncertain after review at the end of the period, an impairment test shall be continuously carried out during each accounting period.

3.26.3 Specific criteria for classifying research and development stages of internal research and development projects of the Company

Research stage: research stage is the stage when creative and planned investigation and research activities are conducted to acquire and understand new scientific or technological knowledge.

Development stage: development stage is the stage when the research achievements and other knowledge are applied to a plan or design, prior to the commercial production or use, so as to produce any new or substantially improved material, device or product.

Expenditures in the research stage of an internal research and development project are included in the current profit or loss when incurred.

3.26.4 Specific criteria for qualifying expenditure on the development stage for capitalization

The Company classifies the expenditures for its internal research and development projects into research expenditures and development expenditures. Expenditures in the research phase should be included in the current profit or loss when they are incurred.

The expenditures in development phase will be capitalized only when all of the following conditions are satisfied simultaneously: It is feasible technically to finish intangible assets for use or sale; it is intended to finish and use or sell the intangible assets; the usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally; with the support of sufficient technologies, financial resources and other resources, it is able to finish the development of the intangible assets, and it is able to use or sell the intangible assets; and the expenditure attributable to the intangible asset during its development phase can be measured reliably. The development expenditures that do not meet the above conditions are included in the current profit or loss.

The Company's corresponding items will, after satisfying the above conditions, passing the studies on technical feasibility and economic feasibility, and obtaining project approval, enter into the development phase.

3.27 Impairment of long-term assets

The Company assesses whether there is any indication that long-term assets may be impaired on the balance sheet date. If any indication shows the impairment of long-term assets, the Company shall, on the basis of single item assets, estimate the recoverable amount. Where it is difficult to do so, it shall determine the recoverable amount of the group assets on the basis of the asset group to which the asset belongs.

The recoverable amount of assets is the higher of their fair values less costs to sell and the present values of the future cash flows expected to be derived from the assets.

The measurement results of recoverable amount show that, if the recoverable amounts of assets are lower than their book values, the book values of the assets shall be written down to their recoverable amounts. The write-down amount is recognized as asset impairment losses and included in the current profit or loss, while the provisions for asset impairment are made accordingly. Losses from asset impairment shall not be reversed in subsequent accounting periods once recognized.

After asset impairment losses are recognized, the depletion or amortization charges for the impaired assets shall be accordingly adjusted in future periods to amortize their adjusted book value of assets (less their estimated net residual values) over their remaining useful lives on a systematic basis.

An impairment test shall be conducted each year for the goodwill from business combination and intangible assets with indefinite useful lives whether there is any indication of impairment.

During impairment test of goodwill, the book value of goodwill shall be amortized to asset group or asset group combination anticipated to benefit from the synergistic effect of business combination. When making an impairment test on the relevant asset groups or combination of asset groups containing goodwill, if any indication shows that the asset groups or combinations of asset groups may be impaired, the Company shall first conduct an impairment test on the asset groups or combinations of assets groups not containing goodwill, calculate the recoverable amount and compare it with the relevant book value to recognize the

corresponding impairment loss. Then the Company shall conduct an impairment test on the assets groups or combinations of assets groups containing goodwill, and compare the book value of these assets groups or combinations of assets groups (including the book value of the goodwill apportioned thereto) with the recoverable amount. Where the recoverable amount of the relevant assets groups or combinations of assets groups is lower than the book value thereof, the Company shall recognize the impairment loss of the goodwill.

3.28 Long-term deferred expenses

Long-term deferred expenses of the Company are measured at the actual costs and amortized evenly over the estimated beneficial period. If an item of long-term deferred expense cannot bring any benefit in future accounting periods, the amortized value thereof shall all be transferred to the current profit or loss.

3.29 Contract liabilities

The obligation of transferring goods to customers for the consideration received or receivable from customers shall be presented as contract liabilities.

3.30 Employee compensation

Employee compensations refer to multiform remuneration or compensation offered of the Company in order to get services provided by its employees or sever the labor relation. Employee compensation mainly includes short-term employee compensation, post-employment benefits, dismissal benefits and other long-term employee benefits.

3.30.1 Short-term compensation

Short-term compensation refers to an employee remuneration paid to employees in full within 12 months after the end of annual report period rendering relevant services by employees, except for the post-employment benefits and dismissal benefits. During the accounting period of an employee providing services, the Company recognizes the employee compensation payable as liabilities and include them in related assets cost and expenses in accordance with beneficiaries of the services offered by the employee.

3.30.2 Post-employment benefits

Post-employment benefits refer to all kinds of remuneration and benefits payable for the Company in order to obtain services provided by employees and will pay to its employees after they retire or sever the labor relation with the Company, excluding the short-term remuneration and dismissal benefits.

Post-employment benefit plans of the Company can be divided into the defined contribution plan and defined benefit plan.

Defined contribution plan for post-employment benefits mainly refers to participating in the social basic endowment insurance, unemployment insurance, etc., which are organized and implemented by local labor and social security institutions. During the accounting period when employees render services to the Company, the deposited amount payable calculated on the basis of the defined contribution plan is recognized as liabilities and included in the current profit and loss or related cost of assets.

The Company bears no other payment obligations after regularly paying the abovementioned amounts according to the standards prescribed by the State and annuity plan.

3.30.3 Dismissal benefits

Dismissal benefits refer to the compensation for terminating the labor relation with the employees prior to the expired date of the labor contract or for encouraging the employees to voluntarily accept the layoff paid by the Group to the employees. The dismissal benefits should be recognized as liabilities and recorded into the current profit or loss on an earlier date when the Company is unable to unilaterally withdraw the plan on the cancellation of labor relationship or the layoff proposal and when the Group recognizes the cost related to restructuring concerning payment of dismissal benefits.

The Company offers the early retirement benefits to employees who accept the arrangement of internal early retirement. Early retirement benefits refer to salaries to and social insurance premiums and others paid for employees who have not been in the state-specified retirement age, but are willing to quit their jobs approved by the Company's management. The Company will pay the early retirement benefits to early retired employees as of the day the early retirement arrangement begins till they are in the normal retirement age. For the early retirement benefits, the Company conducts the accounting treatment by comparing with the dismissal benefits. If the former conforms to the recognition criteria related to dismissal benefits, the Company recognizes salaries paid to and social insurance premiums paid for early retired employees as of day they stop providing services till the day they are qualified for enjoying the normal retirement as liabilities, and includes them in the current profit or loss all at once. Differences caused by changes in actuarial assumptions and adjustment on benefit standards relating to early retirement benefits are included in the current profit or loss when they occur.

3.30.4 Other long-term employee benefits

Other long-term employee benefits provided for employees by the Company in conformity with defined contribution plans should be accounted for according to the defined contribution plans. Others should be accounted for according to the defined benefit plans.

3.31 Estimated liabilities

3.31.1 Recognition criteria for estimated liabilities

Where the obligation related to contingency meets all the following conditions simultaneously, it may be recognized as estimated liabilities by the Company:

This obligation is a present obligation of the Company;

The performance of this obligation may very probably lead to the flow of economic interests out of the Company; and

The amount of the obligation can be measured reliably.

3.31.2 Measurement method of estimated liabilities

The estimated liabilities of the Company are initially measured as the best estimate of expenses required for the performance of relevant present obligations.

The Company, when determining the best estimate, has had a comprehensive consideration of risks with respect to contingencies, uncertainties and the time value of money. If the time value of money is significant, the best estimates shall be determined after discount of relevant future cash outflows.

The best estimate shall be accounted as follows in different circumstances:

If there is continuous range (or interval) for the necessary expenses, and probabilities of occurrence of all the outcomes within this range are equal, the best estimate shall be determined at the average amount of upper and lower limits within the range.

If there is no continuous range (or interval) for the necessary expenses, or probabilities of occurrence of all the outcomes within this range are unequal despite such a range exists, in case that the contingency involves a single item, the best estimate shall be determined at the most likely outcome; if the contingency involves two or more items, the best estimate should be determined according to all the possible outcomes with their relevant probabilities.

When all or part of the expenses necessary for the settlement of an estimated liabilities of the Company are expected to be compensated by a third party, the compensation shall be separately recognized as an asset only when it is virtually certain that the compensation will be received. The amount recognized for the compensation shall not exceed the book value of the estimated liabilities.

3.32 Lease liabilities

The Company initially measures the Lease liabilities at the present value of the lease payments that have not been paid on the lease commencement date. When calculating the present value of minimum lease payment, the Company adopts the implicit rate of lease as the discount rate, but if the implicit rate of lease cannot be reasonably determined, the Company's incremental borrowing rate will be adopted as the discount rate. Lease payments include:

1. For fixed payments and substantial fixed payments after deducting the relevant amount of the lease incentive;
2. Variable lease payments depending on the index or ratio;
3. Exercise price of purchase option, provided that the Company reasonably determines that it will exercise the option;
4. Payment needs to be paid for executing the lease termination option, provided that it is reflected that the Company will execute the lease termination option during the lease term.
5. The payments expected to be payable based on the residual value of the guarantee provided by the Company;

The Company calculates the interest expense of the lease liability in each period during the lease term according to the fixed discount rate, and records it into the current profit or loss or the related asset costs.

The variable lease payments not included in the measurement of lease liabilities shall be included in the current profit or loss or the related asset costs when they actually occur.

3.33 Revenue

The Company's revenue mainly comes from the following business:

- (1) Key client 1
- (2) Client obtaining the goods after payment
- (3) Post-sales client

3.33.1 General principles of revenue recognition

The Company recognizes the revenue according to the transaction price allocated to such performance obligation when its performance obligations as stipulated in the contract are fulfilled, that is, when the customer obtained control of the related goods or services.

Performance obligations are the commitments in the contracts, in which the Company transfers clearly distinguishable goods or services to the customers.

Obtaining control of related goods refers to being able to dominate the use of the goods and obtain almost all economic benefits from them.

The Company evaluates a contract on contract commencement date, identifies each individual performance obligation contained in the contract, and determines whether each individual performance obligation is to be performed at a particular time or at a particular point in time. The Company recognizes revenue over a period in accordance with the performance progress if one of the following conditions is met and the performance obligation belongs to those within a certain period: (1) The customers obtain and consume the economic benefits brought by the Company's performance while the Company is performing the obligation; (2) The customers are able to control the goods under construction when the Company performs the obligations; (3) The goods produced by the Company during the performance have irreplaceable uses, and the Company has the right to receive payments for the portion of the performance that has been completed till now during the whole contract period. Otherwise, the revenue will be recognized at the certain time-point when the customer obtains the right of control over relevant goods or services.

For performance obligations to be performed within a certain period, the Company uses the input method to determine the appropriate performance progress based on the nature of the goods and services. The output method determines the performance progress based on the value of goods transferred to the customers (the input method is a method to determine the performance progress based on the Company's inputs to fulfill the performance obligation). When the performance progress cannot be reasonably determined, if the cost incurred is expected to be compensated, the Company recognizes the revenue according to the amount of the cost incurred until the performance progress can be reasonably determined.

3.33.2 Specific method for recognition of revenue

The recognition of revenue from sales of automotive air conditioners is divided by client group into three categories:

- (1) Large customers. The cooperation method is mainly based on the client's production demand, the company will ship the goods to the designated or cooperative third-party logistics company, and the third-party logistics company is responsible for storage and distribution services. Each month, the client issues a pending notice according to the actual consumption of the production plan, and the sales clerk issues an invoicing notice according to the client's pending notice and in combination with the client's consumption, contract unit price and other information, and the finance department issues an invoice to confirm the sales revenue.
- (2) Client obtaining the goods after payment. According to the client's demand and relevant invoicing information, after the client pays and confirms the payment, the sales personnel will ship and issue invoicing notice according to the unit price of the sales contract and the quantity demanded by the client, and the Finance Department will issue an invoice to confirm the sales revenue.
- (3) Post-sales client. The sales operation personnel will ship the goods to the clients in accordance with the contract and the client's demand, and after reaching the time point agreed in the contract, issue the invoicing notice in accordance with the contract unit price and the shipping quantity agreed with the clients, and the Finance Department will issue the invoice to confirm the sales revenue.

3.34 Government grants

3.34.1 Type

Government grants refer to the monetary or non-monetary assets obtained by the Company from the government for free. Government subsidies are divided into government subsidies related to assets and government subsidies related to income according to the nature of assistance objects specified in relevant government documents.

Asset-related government grants refer to government subsidies obtained by the Company for forming long-term assets by acquisition, construction or other manners. Income-related government grants refer to government grants excluding the asset-related government grants.

3.34.2 Recognition of government grants

Where there is strong evidence showing that at the end of the period, the Company is able to conform to conditions related to the financial support policy, and it is estimated that the Company may receive the financial support funds, the government grant is recognized when the amount receivable is confirming. Beyond that, the government grant is recognized when it is actually received.

If government grants are monetary assets, they shall be measured at the amount received or receivable. If government grants are non-monetary assets, they shall be measured at its fair value; and if the fair value cannot be obtained in a reliable way, they shall be measured at a nominal amount (RMB 1). Government grants measured at nominal amount are included in the current profit or loss.

3.34.3 Accounting treatment methods

The Company determines whether a particular type of government grant business should be accounted for under the gross method or the net method based on the substance of the economic business. Normally, the Company uses only one method for the same or similar government grant business and applies the method consistently to such business.

Asset-related government grants should be used to offset the book value of relevant assets or recognized as deferred income. Asset-related government grants are recognized as deferred income and included in profit or loss by stages under reasonable and systematic methods within the useful life of the assets constructed or purchased;

If income-related government grants are used to compensate the enterprise's relevant expenses or losses in future periods, such government grants should be recognized as deferred income, and shall be included into current profit or loss or offset relevant costs during the period of recognizing relevant costs or losses; if income-related government grants are used to compensate the enterprise's relevant expenses or losses incurred, such income-related government grants are directly included into the current profit or loss or offset relevant costs upon acquisition.

Government grants relevant to routine activities of the Company are included in other income or used to offset relevant costs. Government grants irrelevant to routine activities of the Company are included in the non-operating revenue and expenditure.

If the government grants in connection with the interest subsidies of policy-based preferential loans are received, the related borrowing costs will be offset; if a policy-based preferential loan rate is obtained from a lending bank, the amount of the borrowing actually received is used as the recorded value of the borrowings, and the related borrowing costs are calculated in accordance with the loan principal and the policy-based preferential loan rate.

If the recognized government grants need to be returned, the carrying value of the assets is adjusted if the book value of the relevant assets is offset upon initial recognition; if there is a balance of relevant deferred income, the book value of the relevant deferred income is offset and the excess part is recognized in the current profit or loss; if there is no relevant deferred income, it is recognized directly in the current profit or loss.

3.35 Deferred income tax assets/ deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are calculated and recognized based on differences (temporary differences) between tax base and book value of the assets and liabilities. On the balance sheet date, the deferred income tax assets and deferred income tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

3.35.1 Recognition basis of deferred income tax assets

The Company recognizes the deferred income tax assets arising from deductible temporary differences to the extent of the amount of the taxable income which may be obtained and used to deduct the deductible temporary differences, deductible losses and tax credits that can be carried forward to subsequent periods. However, in transactions having the following features at the same time, the deferred income tax assets occurring due to the initial recognition of assets or liabilities shall not be recognized: (1) the transaction is not a business combination; (2) the transaction, when occurring, affects neither accounting profit nor taxable income or deductible loss.

For the deductible temporary differences arising from investments in associates and joint ventures, the deferred income tax assets will be accordingly recognized when meeting the following conditions at the same time: the temporary differences may be reversed in the foreseeable future and they can be used to offset the taxable income of deductible temporary differences in the future.

3.35.2 Recognition basis of deferred income tax liabilities

The Company recognized outstanding taxable temporary differences for current or prior periods as deferred income tax liabilities. They exclude:

- (1) Temporary differences arising from initial recognition of goodwill;
- (2) Transactions or matters arising from non-business combinations, which do not affect either the accounting profit or the taxable or deductible temporary differences formed by the taxable income (or deductible losses).
- (3) For taxable temporary differences related to the investments in subsidiaries and associates, the time of their reversal can be controlled and they are not likely to be reversed in the foreseeable future.

3.36 Leases

On the contract commencement date, the Company evaluates whether the contract is a lease or includes a lease. If any party to a contract has exchanged the right to control the use of one or more identified assets within a certain period for consideration, the contract is concluded for lease or involved with lease.

3.36.1 Splitting of lease contract

If the contract contains multiple individual leases, the Company will split the contract and carry out the accounting treatment for lease individually.

When a contract contains both lease and non-lease components, the Company splits the lease and non-lease components. The lease component should be accounted for in accordance with the lease guidelines, while the non-lease component should be accounted for in accordance with other applicable accounting standards for business enterprises.

3.36.2 Consolidation of lease contract

Two or more contracts containing leases entered into by the Company and the same counterparty or its related parties at the same or similar times are combined into one contract for accounting purposes when one of the following conditions is met:

- (1) The two or more contracts are entered into based on an overall business purpose and constitute a package transaction, the overall business purpose of which cannot be understood if not considered as a whole.
- (2) The amount of consideration for one of the two or more contracts depends on the pricing or performance of the other contracts.
- (3) The rights to use the assets transferred by the two or more contracts, taken together, constitute a separate lease.

3.36.3 Accounting treatment of the Company as the lessee

On the commencement date of the lease term, the Company recognizes leases other than short-term lease and low-value asset lease applied under the simplified treatment as the right-of-use assets and lease liabilities.

- (1) **Short-term lease and lease of low-value assets**
Short-term lease refers to leases that do not exceed 12 months and exclude any purchase option. Low-value asset lease refers to the lease of a single lease asset with lower value when it is brand new.
- (2) For the accounting policies of right-of-use assets and lease liabilities, please see Note 3.25 and Note 3.32.

3.36.4 Accounting treatment of the Company as the lessor

- (1) **Classification of lease**
Leases of the Company are classified as finance lease and operating lease on the lease commence date. Lease under which all the risks and rewards related to the ownership of assets are materially transferred is recognized as finance lease, the ownership of such lease may be transferred finally or not transferred. Operating lease refers to the leases other than finance lease.

A lease is normally classified as a finance lease when one or more of the following circumstances exist:

- 1) The ownership of the leased asset is transferred to the lessee when the term of lease expires;
- 2) The lessee has the option to purchase the leased asset, and the purchase price agreed is far lower than the leased asset's fair value when it is expected to exercise the option, so it can be reasonably assured that the lessee will exercise the option on the lease commencement data.
- 3) Even if the ownership of the asset is not transferred, the lease term covers the majority of the leased asset's usable life.
- 4) On the lease commencement date, the present value of the lease receipt is almost equal to the fair value of the leased assets.
- 5) The leased asset is of such a special nature that only the lessee can use it without making major modifications.

The Company may classify it as a finance lease when one or more of the following signs exist:

- 1) If the lessee revokes the lease, the loss to the lessor caused by the revocation of lease is borne by the lessee.
- 2) Gains or losses arising from fluctuations in the fair value of the residual value of the asset are attributed to the lessee.
- 3) The lessee has the ability to continue the lease to the next period at a rent much lower than the market level.

(2) Accounting treatment of finance lease

On the lease commencement date, the Company recognizes the finance leases as finance lease receivables and derecognizes assets under the finance lease.

At the initial measurement of the finance lease receivable, the sum of the unguaranteed residual value and the present value of the lease receipts not yet received at the commencement date of the lease, discounted at the interest rate embedded in the lease, is used as the book value of the finance lease receivable. Lease receipts include:

- 1) For fixed payments and substantial fixed payments after deducting the relevant amount of the lease incentive;
- 2) Variable lease payments depending on the index or ratio;
- 3) Where it is reasonably certain that the lessee will exercise the option to purchase, the lease receipts include the exercise price of the option to purchase;
- 4) Where the lease term reflects that the lessee will exercise the option to terminate the lease, the lease receipt includes the amount to be paid by the lessee for exercising the option to terminate the lease;
- 5) The residual value of the guarantee provided to the lessor by the lessee, a party related to the lessee, and an independent third party with the financial ability to meet the guarantee obligation.

The Company calculates and recognizes the interest income for each period of the lease term based on a fixed lease embedded interest rate. Variable lease payments acquired that are not included in the net lease investment measurement are recognized in the current profit or loss when they are actually incurred.

(3) Accounting treatment of operating lease

The Company recognizes lease receipts from operating leases as lease revenue on a straight-line basis or systematic and rational method over the respective periods of the lease term. Initial direct costs relating to operating lease incurred by the Company are capitalized, and shall be included in the current profit or loss on the same basis as the recognition of lease revenue during the lease term. The variable lease payable that is not included in the lease receivable shall be included in the current profit or loss at the time of actual occurrence.

3.36.5 Sale-and-leaseback deals

- (1) The Company as the seller and lessee
If the asset transfer in the sale-leaseback transaction belongs to sales, the Company measures the right-of-use asset formed by the sale-leaseback according to the part related to the use-right obtained from the leaseback in the original book value of assets, and only recognizes the relevant gains and losses only for the rights transferred to the lessor; If the fair value of the sales consideration is different from the fair value of the asset, or if the lessor does not collect rent at market price, the Company accounts for the sales consideration below market price as prepaid rent and the amount above market price as additional financing provided by the lessor to the lessee; and adjusts the related gain or loss on sale at fair value.

If the asset transfer in the sale-and-leaseback transaction does not belong to the sale, the Company continues to confirm the transferred assets and recognizes a financial liability equivalent to the transfer income.

- (2) The Company as the buyer and lessor
If the transfer of assets in a sale-and-leaseback transaction is a sale, the Company accounts for the transfer accordingly in accordance with the purchase of the asset and accounts for the lease of the asset in accordance with the leasing standards. If the fair value of the sales consideration is different from the fair value of the asset, or if the Company does not collect rentals at market price, the Company accounts for the amount of the sales consideration that is lower than the market price as rentals received in advance and accounts for the amount that is higher than the market price as additional financing provided by the Company to the lessee; and adjusts the rental income at market price.

If the transfer of assets in a sale-and-leaseback transaction is not a sale, the Company recognizes a financial asset equal to the transfer proceeds.

3.37 Discontinued operation

The Company recognizes the component, meeting any of the following conditions that can be separately distinguished and that has been disposed by the Company or classified as held for sale by the Company, as the discontinued operation:

- (1) the component represents a separate major business or a sole major business area;
- (2) the component is a part of a related plan where an independent major business or a sole major business area will be disposed as planned; or
- (3) the component is a subsidiary acquired only for re-sale.

The impairment loss from discontinued operation, reversed amount and other profit or loss from operation as well as profit or loss from disposal shall be presented as profit or loss from discontinued operation in the income statement.

3.38 Work safety expenses

The Company withdraws the work safety expenses according to national provisions, include in the cost of related products or the current profit or loss, and included in special reserves at the same time. When withdrawn safe production costs are used belong to expenses, such costs shall be directly deducted from special reserves. Where fixed assets form, incurred expenses are accumulated under the item construction in progress and are recognized as fixed assets when the safe project is completed and reaches the working conditions for its intended; meanwhile, special reserves shall be offset according to the costs of fixed assets and the accumulated depreciation of the same amount shall be recognized. Provision for depreciation of fixed assets will be no longer made in subsequent periods.

3.39 Changes in significant accounting policies and accounting estimates

3.39.1 Adjustments for changes in accounting policies

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

On December 31, 2021, the Ministry of Finance issued the *Interpretation No. 15 of Accounting Standards for Business Enterprises* (CK [2021] No.35, the "Interpretation No.15"), wherein the "accounting treatment of the external sales of products or by-products produced by an enterprise before the fixed assets reach their intended serviceable condition or in the research and development process ("trial operation sales") and "judgment on the loss contract", shall be implemented as of January 1, 2022.

Implementation of the Interpretation No. 15 of the Accounting Standards for Business Enterprises has no impact on the Company.

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

On December 13, 2022, the Ministry of Finance has issued the *Interpretation No. 16 of Accounting Standards for Business Enterprises* (CK [2022] No.31, the "Interpretation No.16"). In the three accounting treatments, accounting for deferred income taxes related to assets and liabilities arising from a single transaction for which no exemption from initial recognition applies shall be implemented as of January 1, 2023, which allowed to be implemented in advance by the enterprise since the issue year; the Company has not implemented the relevant accounting in advance in this year; "accounting treatment for the income tax effects of dividends related to financial instruments classified as equity instruments by the issuer and "accounting treatment for modifying cash-settled share-based payment to equity-settled share-based payment" shall be implemented as of the date of promulgation.

Implementation of the Interpretation No. 16 of the Accounting Standards for Business Enterprises has no impact on the Company.

3.39.2 Adjustments for changes in accounting estimates

There were no changes in significant accounting estimates during the reporting period.

4 Taxation

4.1 Major tax types and tax rates applicable to the Company

Tax type	Basis of tax assessment/ Revenue type	Tax rate	Remark
Value added tax (VAT)	Taxable income	13%, 9%, 6%	
Urban maintenance and construction tax	Turnover tax payable	7%	
Educational surtax	Turnover tax payable	3%	
Local educational surtax	Turnover tax payable	2%	
Enterprise income tax	Taxable income	25% or 15%	

Notes to the income tax rates for different taxpayers:

Name of taxpayer	Income tax rate
Chongqing Jianshe Vehicle System Co., Ltd.	25%
Chongqing Jianshe Automobile A/C Co., Ltd.	15%
Chongqing Pingshan TK Carburetor Co., Ltd.	15%

4.2 Tax preference policies and their basis

1. Chongqing Jianshe Automobile A/C Co., Ltd., a subsidiary of the Company, was certified as a high-tech enterprise on November 28, 2022 and obtained a high-tech enterprise qualification certificate with certificate No. GR202251102508, which is valid for three years and is subject to a reduced income tax rate of 15% for the calculation of enterprise income tax from 2022 to 2024.
2. According to the *Circular of the Ministry of Finance, the General Administration of Customs and the State Taxation Administration on Issues concerning Tax Policies for In-depth Implementation of Western Development Strategies* (CS [2011] No.58), from January 1, 2011 to December 31, 2020, the enterprise income tax on enterprises established in western areas and engaging in industries encouraged by the State is levied at a reduced tax rate of 15%; According to the *Announcement on Continuing the Western Development Enterprise Income Tax Policy* (Announcement of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission [2020] No.23), from January 1, 2021 to December 31, 2030, the enterprise income tax on encouraged enterprises in western areas shall be levied at 15%. The enterprise income tax of the Company's subsidiary Chongqing Pingshan TK Carburetor Co., Ltd. was 15% in 2022.
3. The Company's export tax refund applies to the policy for tax exemption, offset and refund at tax refund rate of 13%.

4.3 Other notes

None.

5. Notes to the main items of the consolidated financial statements

(The following amounts are expressed in RMB unless otherwise stated, and the term "end of the period" refers to the date of December 31, 2022, the term "beginning of the period" refers to the date of January 1, 2022, the term "end of the previous period" refers to December 31, 2021.)

5.1 Monetary funds

Item	Balance as at December 31, 2022	Balance as at January 1, 2022
Cash on hand		
Bank deposits	169,994,534.05	23,738,523.19
Other monetary funds	9,959,988.94	67,940,000.00
Total	179,954,522.99	91,678,523.19
Including: total deposits with finance company	166,896,601.57	67,084,183.76

Remark: The Company participated in the centralized fund management plan of China South Industries Group Corporation. As of December 31, 2022, total deposits with finance company reached RMB166,896,601.57.

As of December 31, 2022, details of restricted monetary funds of the Company are as follows:

Item	Balance as at December 31, 2022	Balance as at January 1, 2022
Bank acceptance bill deposit	9,959,988.94	27,940,000.00
Time deposits or call deposits used for guarantee	-	40,000,000.00
Total	9,959,988.94	67,940,000.00

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5.2 Notes receivable

5.2.1 Presentation of notes receivable by category

Item	Balance as at December 31, 2022	Balance as at January 1, 2022
Bank acceptance bills	-	2,220,000.00
Commercial acceptance bills	-	
Total	-	2,220,000.00

5.3 Accounts receivable

5.3.1 Disclosure of accounts receivables by aging

Aging	Balance as at December 31, 2022	Balance as at January 1, 2022
1 - 6 months (inclusive)	112,999,606.01	140,550,094.23
Within 6 months -1 year	252,801.19	8,612,280.95
1 - 2 years	404,993.90	1,372,687.55
2 - 3 years	299,630.17	1,412,742.18
3 - 4 years	1,412,714.62	10,537,543.42
4 - 5 years	10,530,065.63	8,871,569.58
Over 5 years	22,394,794.03	13,560,196.39
Sub-total	148,294,605.55	184,917,114.30
Less: provision for bad debts	34,584,390.83	35,583,828.66
Total	113,710,214.72	149,333,285.64

5.3.2 Disclosure under the methods of provision for bad debts by category

Category	Balance as at December 31, 2022				Book value
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Accounts receivable with provision for bad debts accrued on an individual basis	28,054,549.77	18.92	28,054,549.77	100.00	
Accounts receivable with provision for bad debts accrued on a portfolio basis	120,240,055.78	81.08	6,529,841.06	5.43	113,710,214.72
Including:					
Portfolio 1:					
Related parties within the scope of consolidation					
Portfolio 2:					
Aging portfolio	120,240,055.78	81.08	6,529,841.06	5.43	113,710,214.72
Total	148,294,605.55	100.00	34,584,390.83	23.32	113,710,214.72

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Category	Balance as at January 1, 2022				Book value
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Accounts receivable with provision for bad debts accrued on an individual basis	28,666,222.39	15.50	28,666,222.39	100.00	-
Accounts receivable with provision for bad debts accrued on a portfolio basis	156,250,891.91	84.50	6,917,606.27	4.43	149,333,285.64
Including: Portfolio 1: Related parties within the scope of consolidation					
Portfolio 2: Aging portfolio	156,250,891.91	84.50	6,917,606.27	4.43	149,333,285.64
Total	184,917,114.30	100.00	35,583,828.66	19.24	149,333,285.64

5.3.3 Accounts receivable with provision for bad debts accrued on an individual basis

Enterprise name	Balance as at December 31, 2022			
	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision
Chongqing Hyosow Autopart Co., Ltd.	12,723,992.31	12,723,992.31	100.00	Expected to be irrecoverable
Chongqing Bisu Yunbo Power Technology Co., Ltd.	5,217,475.35	5,217,475.35	100.00	Expected to be irrecoverable
Hafei Motor Co., Ltd.	3,999,944.43	3,999,944.43	100.00	Expected to be irrecoverable
Hangzhou Fuyang Instrument General Factory Co., Ltd.	2,681,594.66	2,681,594.66	100.00	Expected to be irrecoverable

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Enterprise name	Balance as at December 31, 2022			
	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision
Chongqing Kaite Engine Technology Co., Ltd.	1,481,654.59	1,481,654.59	100.00	Expected to be irrecoverable
Hubei Meiyang Automobile Industry Co., Ltd.	1,408,811.40	1,408,811.40	100.00	Expected to be irrecoverable
Dfsk Motor Co., Ltd. Chongqing Branch	102,720.66	102,720.66	100.00	Expected to be irrecoverable
Jiangxi Zhicheng Automobile Co., Ltd. Jingdezhen Company	182,777.11	182,777.11	100.00	Expected to be irrecoverable
GAC GONOW Automobile Co., Ltd. Luqiao Company	75,821.20	75,821.20	100.00	Expected to be irrecoverable
GAC GONOW Automobile Co., Ltd.	67,998.51	67,998.51	100.00	Expected to be irrecoverable
BAIC Heibao (Weihai) Automobile Co., Ltd.	51,021.77	51,021.77	100.00	Expected to be irrecoverable
Dongying Ji 'ao Automobile Co., Ltd.	48,579.85	48,579.85	100.00	Expected to be irrecoverable
Sichuan Yema Automobile Co., Ltd.	12,157.93	12,157.93	100.00	Expected to be irrecoverable
Total	28,054,549.77	28,054,549.77	100.00	

5.3.4 Accounts receivable with provision for bad debts accrued on a portfolio basis

(1) Portfolio 1 Aging portfolio

Aging	Balance as at December 31, 2022		
	Book balance	Provision for bad debts	Proportion of provision (%)
1 - 6 months (inclusive)	112,999,606.01	-	-
Within 6 months -1 year	252,801.19	12,640.05	5.00
1 - 2 years	404,993.90	40,499.40	10.00
2 - 3 years	104,647.32	31,394.20	30.00
3 - 4 years	61,962.82	30,981.41	50.00
4 - 5 years	8,592.69	6,874.15	80.00
Over 5 years	6,407,451.85	6,407,451.85	100.00
Total	120,240,055.78	6,529,841.06	5.43

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5.3.5 Provision, reversal or recovery of provision for bad debts in 2022

Category	Balance as at January 1, 2022	Changes in 2022				Balance as at December 31, 2022
		Provision	Recovery or reversal	Charge-off	Other changes	
Accounts receivable with provision for bad debts accrued on an individual basis						
Accounts receivable with provision for bad debts accrued on a portfolio basis	35,583,828.66		-999,437.83	-		-34,584,390.83
Including: Portfolio 1 Consolidated related parties						-
Portfolio 2: Aging portfolio	35,583,828.66		-999,437.83	-		34,584,390.83
Total	35,583,828.66		-999,437.83	-		34,584,390.83

5.3.6 There were no accounts receivable actually charged off in 2022.

5.3.7 Top 5 of accounts receivable as at December 31, 2022, presented by debtor

Enterprise name	Balance as at December 31, 2022	Proportion in the ending balance of accounts receivable (%)	Accrued provision for bad debts
PSA (Peugeot) Company	58,752,034.55	39.62	-
Chongqing Hyosow Autopart Co., Ltd.	12,723,992.31	8.58	12,723,992.31
Chongqing Changan Automobile Company Limited	7,072,474.53	4.77	-
Chongqing Yongchuan Great Wall Automobile Parts Co., Ltd.	5,354,795.63	3.61	-
Chengdu Henggao Mechanical Electronics Co., Ltd.	5,250,156.85	3.54	-
Total	89,153,453.87	60.12	12,723,992.31

5.4 Receivables financing

5.4.1 Receivables financing

Item	Balance as at December 31, 2022	Balance as at January 1, 2022
Notes receivable	17,548,591.75	29,250,840.86
Total	17,548,591.75	29,250,840.86

5.4.2 Changes in receivables financing and fair values thereof in 2022

Item	Balance as at January 1, 2022		Increase or decrease in 2022		Balance as at December 31, 2022	
	Costs	Fair value Changes	Cost	Fair value Changes	Cost	Fair value Changes
Notes receivable	29,250,840.86		-11,702,249.11		17,548,591.75	
Total	29,250,840.86		-11,702,249.11		17,548,591.75	

The Company believes that the fair value of the receivables financing measured at fair value through the other comprehensive income is similar to the book value thereof due to the short remaining period.

5.4.3 Provision for bad debts

As of December 31, 2022, the Company believes that its receivables financing has no significant credit risk, and no significant loss will cause due to default.

5.4.4 Notes receivable of the Company as at December 31, 2020 that have been endorsed or discounted but not matured on the balance sheet date

Item	Amount derecognized as at December 31, 2022	Amount not derecognized as at December 31, 2022
Bank acceptance bills	75,751,516.19	
Commercial acceptance bills		
Total	75,751,516.19	

5.5 Advances to suppliers

5.5.1 Presentation of advances to suppliers by aging

Aging	Balance as at December 31, 2022		Balance as at January 1, 2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	3,577,455.19	88.89	6,871,577.60	95.06
1 - 2 years	90,007.50	2.24	127,554.40	1.76
2 - 3 years	127,554.40	3.17		
Over 3 years	229,348.93	5.70	229,348.93	3.18
Total	4,024,366.02	100.00	7,228,480.93	100.00

5.5.2 Top 5 of advances to suppliers as at December 31, 2022 presented by supplier

Name of entity	Balance as at December 31, 2022	Proportion in total advances to suppliers (%)
Chongqing Jiantao Aluminum Co., Ltd.	1,647,870.00	40.95
Asahi Trading (Shanghai) Co., Ltd.	353,404.85	8.78
Chongqing Bangzhou Import and Export Trade Co., Ltd.	265,000.00	6.58

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Name of entity	Balance as at December 31, 2022	Proportion in total advances to suppliers (%)
Chongqing Kanghongsheng Industry Co., Ltd.	172,800.00	4.29
Suzhou Bearing Factory Co., Ltd.	169,785.97	4.22
Total	2,608,860.82	64.82

5.6 Other receivables

5.6.1 Disclosure by aging

Aging	Balance as at December 31, 2022	Balance as at January 1, 2022
1 - 6 months (inclusive)	1,530,044.17	1,431,664.33
Within 6 months -1 year	200,000.00	-
1 - 2 years	-	1,223,146.45
2 - 3 years	1,223,146.45	255,723.62
3 - 4 years	255,723.62	-
4 - 5 years	-	-
Over 5 years	4,774,182.33	4,774,182.33
Sub-total	7,983,096.57	7,684,716.73
Less: provision for bad debts	6,263,052.40	6,253,052.40
Total	1,720,044.17	1,431,664.33

5.6.2 Classification of other receivables by the nature of payment

Nature of payment	Balance as at December 31, 2022	Balance as at January 1, 2022
Reserves, security deposits, advance payment for social insurance premiums for employees, etc.	284,542.01	1,431,664.33
Current accounts	7,698,554.56	6,253,052.40
Total	7,983,096.57	7,684,716.73

5.6.3 Disclosure of impairment of financial assets by three stages

Item	Balance as at December 31, 2022			Balance as at January 1, 2022		
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value
Stage I	5,451,917.33	3,731,873.16	1,720,044.17	5,319,771.74	3,888,107.41	1,431,664.33
Stage II	-	-	-	-	-	-
Stage III	2,531,179.24	2,531,179.24	-	2,364,944.99	2,364,944.99	-
Total	7,983,096.57	6,263,052.40	1,720,044.17	7,684,716.73	6,253,052.40	1,431,664.33

5.6.4 Disclosure under the methods of provision for bad debts by category

Category	Balance as at December 31, 2022				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other receivables with provision for bad debts accrued on an individual basis	2,531,179.24	31.71	2,531,179.24	100.00	-

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Category	Balance as at December 31, 2022				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other receivables with provision for bad debts accrued on a portfolio basis	5,451,917.33	68.29	3,731,873.16	68.45	1,720,044.17
Including:					
Portfolio 1					
Consolidated related parties					
Portfolio 2: Aging portfolio	5,451,917.33	68.29	3,731,873.16	68.45	1,720,044.17
Total	7,983,096.57	100.00	6,263,052.40	78.45	1,720,044.17

(Continued)

Category	Balance as at January 1, 2022				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other receivables with provision for bad debts accrued on an individual basis	2,364,944.99	30.77	2,364,944.99	37.82	-
Other receivables with provision for bad debts accrued on a portfolio basis	5,319,771.74	69.23	3,888,107.41	73.09	1,431,664.33
Including:					
Portfolio 1					
Consolidated related parties					
Portfolio 2: Aging portfolio	5,319,771.74	69.23	3,888,107.41	73.09	1,431,664.33
Total	7,684,716.73	100.00	6,253,052.40	81.37	1,431,664.33

5.6.5 Other receivables with provision for bad debts accrued on an individual basis

Enterprise name	Balance as at December 31, 2022			
	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision
Chongqing Jianshe Lijue Industrial Co., Ltd.	1,478,870.07	1,478,870.07	100.00	Expected to be irrecoverable
Temporary supplier	390,655.08	390,655.08	100.00	Expected to be irrecoverable
Ningbo Jianshe Motorcycle Co., Ltd	329,628.73	329,628.73	100.00	Expected to be irrecoverable
Chongqing Yiqun Industry and Trade Co., Ltd.	91,900.00	91,900.00	100.00	Expected to be irrecoverable

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Enterprise name	Balance as at December 31, 2022			
	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision
Wage security deposit for migrant workers in Chongqing Huachuang Science and Technology Complex Project	88,000.00	88,000.00	100.00	Expected to be irrecoverable
Chongqing Customs	78,825.36	78,825.36	100.00	Expected to be irrecoverable
Yangzhou Qionghua Coating Engineering Equipment Co., Ltd.	56,500.00	56,500.00	100.00	Expected to be irrecoverable
Chongqing Jinxiang Lifting Equipment Manufacturing Co., Ltd.	16,800.00	16,800.00	100.00	Expected to be irrecoverable
Total	2,531,179.24	2,531,179.24	100.00	

5.5.6 Other receivables with provision for bad debts made by portfolio

(1) Portfolio 2 Aging portfolio

Aging	Balance as at December 31, 2022		
	Book balance	Provision for bad debts	Proportion of provision (%)
1 - 6 months (inclusive)	1,530,044.17	-	-
Within 6 months -1 year	200,000.00	10,000.00	5.00
1 - 2 years			
2 - 3 years			
3 - 4 years			
4 - 5 years			
Over 5 years	3,721,873.16	3,721,873.16	100.00
Total	5,451,917.33	3,731,873.16	68.45

5.6.7 Provision for bad debts of other receivables

Provision for bad debts	Stage I	Stage II	Stage III	Total
	Expected credit loss in future 12 months	Lifetime expected credit loss (without credit impairment)	Lifetime expected credit loss (with credit impairment)	
Balance as at January 1, 2022	3,888,107.41	-	2,364,944.99	6,253,052.40
In 2022, balance as at January 1, 2022	—	—	—	—
— Transferred in Stage II				
— Transferred in Stage III				

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Provision for bad debts	Stage I	Stage II	Stage III	Total
	Expected credit loss in future 12 months	Lifetime expected credit loss (without credit impairment)	Lifetime expected credit loss (with credit impairment)	
— Reversal from Stage II				
— Reversal from Stage I				
Provision in the current period			166,234.25	166,234.25
Reversal in the current period	156,234.25			156,234.25
Write-off in the current period	-	-	-	-
Charge-off in the current period	-	-	-	-
Other changes	-	-	-	-
Balance as at December 31, 2022	3,731,873.16	-	2,531,179.24	6,263,052.40

5.6.8 There was no actual charge-off of other receivables in 2022

5.6.9 Top 5 of other receivables as at December 31, 2022 presented by debtor

Name of entity	Nature of payment	Balance as at December 31, 2022	Aging	Proportion in the ending balance of other receivables (%)	Provision for bad debts Balance as at December 31, 2022
Shenzhen Jianshe Motorcycle Co., Ltd.	Current accounts	3,013,664.00	Over 5 years	37.75	3,013,664.00
Chongqing Jianshe Lijue Industrial Co., Ltd.	Current accounts	1,478,870.07	Over 5 years	18.53	1,478,870.07
Chongqing Jianshe Industry (Group) Co., Ltd.	Current accounts	1,294,150.66	1 - 6 months (inclusive)	16.21	-
Ningbo Jianshe Chongqing Office	Current accounts	692,035.31	Over 5 years	8.67	692,035.31
Temporary supplier	Current accounts	390,655.08	Over 5 years	4.89	390,655.08
Total	/	6,869,375.12	/	86.05	5,575,224.46

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5.7 Inventories

5.7.1 Classification of inventories

Item	Balance as at December 31, 2022			Balance as at January 1, 2022		
	Book balance	Provision for inventory depreciation	Book value	Book balance	Provision for inventory depreciation	Book value
Raw materials	23,279,997.14	-	23,279,997.14	24,131,134.23		24,131,134.23
Goods in progress	9,357,445.63	42,930.77	9,314,514.86	8,477,431.32	42,930.77	8,434,500.55
Stock commodities	98,610,353.14	2,170,864.12	96,439,489.02	173,420,234.47	2,170,864.12	171,249,370.35
Revolving materials	4,120,591.96	1,294,020.05	2,826,571.91	4,198,620.71	1,294,020.05	2,904,600.66
Total	135,368,387.87	3,507,814.94	131,860,572.93	210,227,420.73	3,507,814.94	206,719,605.79

5.7.2 Provision for inventory depreciation

Item	Balance as at January 1, 2022	Increase in 2022		Decrease in 2022			Balance as at December 31, 2022
		Provision	Others	Reversal	Write-off	Others	
Goods in progress	42,930.77	-	-	-	-	-	42,930.77
Stock commodities	2,170,864.12	-	-	-	-	-	2,170,864.12
Revolving materials	1,294,020.05	-	-	-	-	-	1,294,020.05
Total	3,507,814.94	-	-	-	-	-	3,507,814.94

5.8 Assets held for sale

Item	Balance as at December 31, 2022			Balance as at January 1, 2022		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Fixed assets				91,236,342.06		91,236,342.06
Land use right				13,746,654.05		13,746,654.05
Total				104,982,996.11		104,982,996.11

5.9 Other current assets

5.9.1 Presentation of other current assets by item

Item	Balance as at December 31, 2022	Balance as at January 1, 2022
Input VAT to be deducted	1,468,399.16	4,585,170.16
Total	1,468,399.16	4,585,170.16

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5.10 Long-term equity investments

Investee	Balance as at January 1, 2022	Increase/decrease in 2022								Balance as at December 31, 2022	Balance of provision for impairment as at December 31, 2022
		Increase in investment	Decrease in investment	Profit or loss on investments recognized under the equity method	Adjustment to other comprehensive income	Other changes in equity	Cash dividends or profits declared to be distributed	Provision for impairment	Others		
I. Joint ventures											
Chongqing Hanon Jianshe Thermal Systems Co., Ltd.	201,984,268.72			8,128,052.32						210,112,321.04	
Total	201,984,268.72			8,128,052.32						210,112,321.04	

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5.11 Other non-current financial assets

Item	Balance as at December 31, 2022	Balance as at January 1, 2022
Financial assets measured at fair value through the current profit or loss		
Including: investment in Ningbo Jianshe Investment Company	1,140,915.04	1,140,915.04
Provision for impairment	1,140,915.04	1,140,915.04
Total	-	-

5.12 Fixed assets

5.12.1 Breakdown of fixed assets

Item	Buildings and constructions	Machinery equipment	Transportation facilities	Other equipment	Total
I. Original book value					
1. Balance as at January 1, 2022	102,695,978.18	627,433,921.06	6,068,851.89	19,676,929.41	755,875,680.54
2. Increase in 2022	1,148,095.62	13,461,783.87	61,746.04	776,810.03	15,448,435.56
- Purchase	1,148,095.62	13,461,783.87	61,746.04	776,810.03	15,448,435.56
3. Decrease in 2022	-	15,760,464.59	232,502.90	-	15,992,967.49
- Disposal or scrapping	-	15,760,464.59	232,502.90	-	15,992,967.49
4. Balance as at December 31, 2022	103,844,073.80	625,135,240.34	5,898,095.03	20,453,739.44	755,331,148.61
II. Accumulated depreciation					
1. Balance as at January 1, 2022	54,137,550.62	449,376,981.60	5,235,853.68	17,955,642.53	526,706,028.43
2. Increase in 2022	3,173,808.99	22,204,440.53	137,189.59	705,529.70	26,220,968.81
Provision in 2022	3,173,808.99	22,204,440.53	137,189.59	705,529.70	26,220,968.81
3. Decrease in 2022	-	9,455,541.13	225,013.41	-	9,680,554.54
- Disposal or scrapping	-	9,455,541.13	225,013.41	-	9,680,554.54
4. Balance as at December 31, 2022	57,311,359.61	462,125,881.00	5,148,029.86	18,661,172.24	543,246,442.71
III. Provision for impairment					
1. Balance as at January 1, 2022	-	12,628,170.13	-	-	12,628,170.13
2. Increase in 2022					
3. Decrease in 2022		2,582,608.02			2,582,608.02

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Item	Buildings and constructions	Machinery equipment	Transportation facilities	Other equipment	Total
- Disposal or scrapping		2,582,608.02			2,582,608.02
4. Balance as at December 31, 2022		10,045,562.11			10,045,562.11
IV. Book value					
1. Book value as at December 31, 2022	46,532,714.19	152,963,797.23	750,065.17	1,792,567.21	202,039,143.80
2. Book value as at January 1, 2022	48,558,427.56	165,428,769.33	832,998.21	1,721,286.88	216,541,481.98

5.13 Construction in progress

5.13.1 Breakdown of construction in progress

Item	Balance as at December 31, 2022			Balance as at January 1, 2022		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Science and Technology Complex Project	-	-	-	615,980.77		615,980.77
Production line project	524,783.95	-	524,783.95	645,678.17		645,678.17
Mold to be fixed	395,619.46	-	395,619.46	371,283.18		371,283.18
PDM system upgrading project	-	-	-	53,935.55		53,935.55
Comprehensive performance test-bed	69,026.55	-	69,026.55	69,026.55		69,026.55
Workstation project	-	-	-	55,221.24		55,221.24
Total	989,429.96	-	989,429.96	1,811,125.46	-	1,811,125.46

5.14 Intangible assets

5.14.1 Intangible assets

Item	Land use right	Patent right	Software	Total
I. Original book value				
1. Balance as at January 1, 2022	21,224,143.33	2,691,549.96	3,933,749.40	27,849,442.69
2. Increase in 2022				
3. Decrease in 2022				
4. Balance as at December 31, 2022	21,224,143.33	2,691,549.96	3,933,749.40	27,849,442.69
II. Accumulated amortization				
1. Balance as at January 1, 2022	12,162,117.02	633,305.88	1,473,380.75	14,268,803.65

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Item	Land use right	Patent right	Software	Total
2. Increase in 2022	701,418.80	474,979.41	602,735.88	1,779,134.09
Provision in 2022	701,418.80	474,979.41	602,735.88	1,779,134.09
3. Decrease in 2022				
4. Balance as at December 31, 2022	12,863,535.82	1,108,285.29	2,076,116.63	16,047,937.74
III. Provision for impairment				
1. Balance as at January 1, 2022				
2. Increase in 2022				
3. Decrease in 2022				
4. Balance as at December 31, 2022				
IV. Book value				
1. Book value as at December 31, 2022	8,360,607.51	1,583,264.67	1,857,632.77	11,801,504.95
2. Book value as at January 1, 2022	9,062,026.31	2,058,244.08	2,460,368.65	13,580,639.04

5.15 Long-term deferred expenses

Item	Balance as at January 1, 2022	Increase in 2022	Amortization in 2022	Other decreases	Balance as at December 31, 2022
SlidDworks2018 three-year service charges	116,978.77	-	46,698.12	-	70,280.65
Total	116,978.77	-	46,698.12	-	70,280.65

5.16 Deferred income tax assets and deferred income tax liabilities

5.16.1 Deferred income tax assets before offset

Item	Balance as at December 31, 2022		Balance as at January 1, 2022	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Losses from credit impairment	33,873,448.97	5,073,630.93	34,862,886.80	5,229,979.37
Losses from asset impairment	4,522,840.65	678,426.10	4,522,840.65	830,638.62
Total	38,396,289.62	5,752,057.03	39,385,727.45	6,060,617.99

5.16.2 Deferred income tax liabilities before offsetting

Item	Balance as at December 31, 2022		Balance as at January 1, 2022	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Asset evaluation increment from business combination not under common control	3,281,012.83	820,253.21	4,682,036.67	1,170,509.17

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Item	Balance as at December 31, 2022		Balance as at January 1, 2022	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
One-time before-tax deduction of the depreciation of fixed assets	1,276,898.41	191,534.76	1,411,238.58	352,809.65
Total	4,557,911.24	1,011,787.97	6,093,275.25	1,523,318.82

5.17 Other non-current assets

Item	Balance as at December 31, 2022	Balance as at January 1, 2022
Payment in advance for purchase of long-term assets	15,860,120.00	3,810,800.00
Total	15,860,120.00	3,810,800.00

5.18 Short-term borrowings

5.18.1 Classification of short-term borrowings

Item	Balance as at December 31, 2022	Balance as at January 1, 2022
Credit borrowings	411,500,000.00	273,250,000.00
Guaranteed borrowings	135,103,500.00	220,210,000.00
Total	546,603,500.00	493,460,000.00

5.19 Notes payable

Category	Balance as at December 31, 2022	Balance as at January 1, 2022
Bank acceptance bill	30,379,988.94	160,670,000.00
Commercial acceptance bills		
Total	30,379,988.94	160,670,000.00

5.20 Accounts payable

Item	Balance as at December 31, 2022	Balance as at January 1, 2022
Within 1 year	167,925,916.80	186,738,613.09
1 - 2 years	1,002,926.50	1,219,209.52
2 - 3 years	936,903.59	530,450.87
Over 3 years	1,324,729.21	1,804,170.65
Total	171,190,476.10	190,292,444.13

5.21 Contract liabilities

5.21.1 Breakdown of contract liabilities

Item	Balance as at December 31, 2022	Balance as at January 1, 2022
Goods payment	3,441,205.38	2,868,604.98
Total	3,441,205.38	2,868,604.98

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5.22 Employee compensation payable

5.22.1 Presentation of employee compensation payable

Item	Balance as at January 1, 2022	Increase in 2022	Decrease in 2022	Balance as at December 31, 2022
Short-term compensation	5,807,614.49	97,053,901.76	97,418,113.84	5,443,402.41
Post-employment benefits - defined contribution plans	3,019,024.94	10,746,282.54	10,679,317.11	3,085,990.37
Dismissal benefits	12,117,883.46	12,117,883.46	-	-
Total	20,944,522.89	95,682,300.84	108,097,430.95	8,529,392.78

5.22.2 Presentation of short-term compensation

Item	Balance as at January 1, 2022	Increase in 2022	Decrease in 2022	Balance as at December 31, 2022
Wages, bonuses, allowances and subsidies	2,953,489.88	72,968,782.48	73,657,754.48	2,264,517.88
Employee welfare expenses	-	4,751,825.24	4,751,825.24	-
Social insurance premiums	1,249,255.33	9,879,846.72	9,895,326.25	1,233,775.80
Including: medical insurance premiums	1,197,807.52	9,155,040.77	9,187,935.98	1,164,912.31
Work-related injury insurance premiums	51,447.81	724,805.95	707,390.27	68,863.49
Maternity insurance premiums				
Housing provident funds	350,718.46	7,725,545.00	7,599,126.00	477,137.46
Labor union expenditures and employee education funds	1,059,150.82	1,727,902.32	1,319,081.87	1,467,971.27
Accumulated short-term compensated absences				
Short-term profit (bonus) sharing plan				
Cash-settled share-based payment				
Other short-term compensation	195,000.00	-	195,000.00	-
Total	5,807,614.49	97,053,901.76	97,418,113.84	5,443,402.41

5.22.3 Presentation of defined contribution plan

Item	Balance as at January 1, 2022	Increase in 2022	Decrease in 2022	Balance as at December 31, 2022
Basic endowment insurance	2,844,522.14	10,252,024.90	10,358,227.30	2,738,319.74
Unemployment insurance premium	174,502.80	494,257.64	321,089.81	347,670.63
Enterprise annuity payment				
Total	3,019,024.94	10,746,282.54	10,679,317.11	3,085,990.37

5.23 Taxes and surcharges payable

Taxes and surcharges	Balance as at December 31, 2022	Balance as at January 1, 2022
Value-added tax	896,389.23	
Individual income tax	969,485.81	455,942.81
Urban maintenance and construction tax	3,182,393.81	3,120,764.65
House property tax	3,727,900.64	3,727,900.64
Land use tax	1,808,215.20	1,808,215.20
Educational surtax	2,035,831.03	1,991,810.18
Others	4,029,488.35	4,029,488.35
Total	16,649,704.07	15,134,121.83

5.24 Other payables

Nature	Balance as at December 31, 2022	Balance as at January 1, 2022
Deposit and security deposit	863,901.85	883,595.14
Employee-related expenses	3,806,031.38	182,224.40
Other current accounts	2,896,939.39	5,701,135.29
Total	7,566,872.62	6,766,954.83

5.25 Other current liabilities

Item	Balance as at December 31, 2022	Balance as at January 1, 2022
Output tax to be carried forward	447,356.63	372,918.65
Total	447,356.63	372,918.65

5.26 Share capital

Item	Balance as at January 1, 2022	Changes in 2022 ("+" for increase and "-" for decrease)					Balance as at December 31, 2022
		New shares issued	Share donation	Conversion of capital reserves into share capital	Others	Sub-total	
Total shares	119,375,000.00						119,375,000.00

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5.27 Capital reserves

Item	Balance as at January 1, 2022	Increase in 2022	Decrease in 2022	Balance as at December 31, 2022
Capital premium (share premium)	702,032,741.07			702,032,741.07
Other capital reserves	256,532,553.22			256,532,553.22
Total	958,565,294.29	-	-	958,565,294.29

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5.28 Other comprehensive income

Item	Balance as at January 1, 2022	Year 2022								Balance as at December 31, 2022
		Amount before income tax in 2022	Less: amount previously included in other comprehensive income and currently transferred to the profit or loss	Less: financial assets included in other comprehensive income in prior period and re-measured at amortized cost in the current period	Less: hedging reserves transferred to related assets or liabilities	Less: income tax expenses	Amount after tax attributable to the parent company	Amount after tax attributable to minority shareholders	Less: carry-forward of changes in re-measurement of the defined benefit plan	
I. Other comprehensive income that cannot be reclassified into profit or loss	9,800.00									9,800.00
1. Other comprehensive income that cannot be transferred to profit or loss under the equity method	9,800.00									9,800.00
II. Other comprehensive income that will be reclassified into profit or loss										
Total of other comprehensive income	9,800.00									9,800.00

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5.29 Special reserves

Item	Balance as at January 1, 2022	Increase in 2022	Decrease in 2022	Balance as at December 31, 2022
Work safety expenses	1,713,882.50	2,673,873.52	1,153,086.99	3,234,669.03
Total	1,713,882.50	2,673,873.52	1,153,086.99	3,234,669.03

5.30 Surplus reserves

Item	Balance as at January 1, 2022	Increase in 2022	Decrease in 2022	Balance as at December 31, 2022
Statutory surplus reserves	56,724,000.00			56,724,000.00
Discretionary surplus reserves	68,962,000.00			68,962,000.00
Total	125,686,000.00	-	-	125,686,000.00

5.31 Undistributed profits

Item	Year 2022	Year 2021
Undistributed profits at the end of prior period before adjustment	-	-
Total adjustment to undistributed profits at the beginning of the period ("+" for increase and "-" for decrease)	1,056,046,383.95	1,030,047,421.23
Undistributed profits at the beginning of the period after adjustment	-	-
Plus: net profit attributable to owners of the parent company in the current period	1,056,046,383.95	1,030,047,421.23
Less: withdrawal of statutory surplus reserves	-39,733,094.69	-25,998,962.72
Withdrawal of discretionary surplus reserves		
Withdrawal of general risk reserves		
Common stock dividends payable		
Common stock dividends transferred to share capital		
Plus: Surplus reserves offsetting losses		
Carry-forward of changes in the defined benefit plan for retained earnings		
Carry-forward of other comprehensive income for retained earnings		
Internal carry-forward of owners' equity		
	-	-
Undistributed profits at the end of the period	1,095,779,478.64	1,056,046,383.95

5.32 Operating revenue and operating cost

5.32.1 Operating revenue and operating cost

Item	Year 2022		Year 2021	
	Revenue	Cost	Revenue	Cost
Primary business	470,261,936.64	448,590,807.18	663,904,859.33	573,770,883.14
Other business	3,852,161.44	1,804,628.12	16,214,107.75	13,130,939.66
Total	474,114,098.08	450,395,435.30	680,118,967.08	586,901,822.80

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5.32.2 Revenue from contracts

Item	Year 2022	Year 2021
Domestic income	282,202,231.11	430,287,161.74
Overseas income	188,059,705.53	233,617,697.59
Total	470,261,936.64	663,904,859.33

5.33 Taxes and surcharges

Item	Year 2022	Year 2021
Urban maintenance and construction tax	533,840.42	1,412,323.01
Educational surcharge	381,314.61	1,008,802.12
House property tax	860,544.46	1,982,928.97
Land use right	1,076,365.20	1,832,315.20
Stamp duty	323,275.85	453,795.40
Others	579,484.03	17,210.55
Total	3,754,824.57	6,707,375.25

5.34 Selling and distribution expenses

Item	Year 2022	Year 2021
Employee compensation	6,827,653.20	7,229,332.62
Depreciation expenses	31,742.65	60,736.39
Office expenses	66,973.88	230,302.33
Advertising expenses	-	184,158.41
Expenses for business trips	566,078.58	722,762.61
Handling charges for agency sale	199,885.56	177,584.81
Sales and service fees	157,067.52	555,856.21
Repair charge	5,629,736.77	5,439,785.83
Warehousing and custodian fees	1,000,193.68	1,546,418.12
Other fees	759,983.28	648,840.87
Total	15,239,315.12	16,795,778.20

5.35 General and administrative expenses

Item	Year 2022	Year 2021
Employee compensation	26,516,905.13	31,007,429.20
Depreciation and amortization	5,117,551.67	10,036,582.19
Repair charge	4,416,563.67	9,505,068.66
Office expenses	714,345.12	811,164.13
Agency fee	912,850.26	865,439.58
Expenses for business trips	300,230.25	411,827.43
Membership fees of board of directors	392,640.06	427,465.56
Entertainment expenses	400,888.58	396,970.60
Insurance premiums and others	8,949,135.93	8,585,681.82
Total	47,721,110.67	62,047,629.17

5.36 Research and development expenses

Item	Year 2022	Year 2021
Employee compensation	23,830,773.15	22,932,480.67
Materials expenses	760,693.67	1,650,738.65
Expenses for business trips	241,075.43	383,873.74
Depreciation expenses	2,143,128.61	2,278,310.53
Amortization of intangible assets	268,527.48	226,138.10
Others	3,354,670.35	2,289,231.77
Total	30,598,868.69	29,760,773.46

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5.37 Financial expenses

Item	Year 2022	Year 2021
Interest expenses	20,216,911.43	24,231,685.81
Less: interest income	1,640,888.48	1,562,787.46
Gains or losses on foreign exchange	139,891.22	-21,267.77
Cash discount	-1,314,322.50	-61,693.29
Bank charges and others	70,654.21	428,908.36
Total	17,472,245.88	23,014,845.65

5.38 Other income

5.38.1 Breakdown of investment income

Source of other income	Year 2022	Year 2021
Government grants	205,826.00	1,583,305.16
Reduction or exemption of value-added tax, residual insurance fund, etc.	999,863.22	
Total	1,205,689.22	1,583,305.16

5.38.2 Government grants included in other income

Item	Year 2022	Year 2021	Asset-related/ Income-related
Subsidy for technological innovation and industrial application projects in 2021	80,000.00		Income-related
District-level portion of major new product research and development costs in 2020	24,100.00		Income-related
Research and development investment subsidy in 2020	50,400.00		Income-related
Subsidy for employment and talent center in Banan District	51,326.00		Income-related
Subsidy for emergency supply		50,000.00	Income-related
Funds granted for patents		58,200.00	Income-related
Recruitment subsidy		8,400.00	Income-related
Subsidy for Qianghua scientific and technological projects		75,000.00	Income-related
Special project funds for technological innovation and application development		200,000.00	Income-related
"Three Agency" handling charges		20,680.11	Income-related
Subsidy for "Creating Innovation Platform" in Banan District		300,000.00	Income-related
Enterprise Subsidy Fund of Banan District Commercial Committee		40,000.00	Income-related

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Item	Year 2022	Year 2021	Asset-related/ Income-related
Bonus of the Group's award-winning projects		50,000.00	Income-related
Tax deduction and exemption		21,425.05	Income-related
Subsidy for ecological environment		124,700.00	Income-related
Subsidy for research and development		234,900.00	Income-related
Incentives for steady growth of industrial enterprises		100,000.00	Income-related
Special fund for industrialization and informatization		300,000.00	Income-related
Total	205,826.00	1,583,305.16	

5.39 Investment income

5.39.1 Breakdown of investment income

Item	Year 2022	Year 2021
Long-term equity investment income under the equity method	8,128,052.32	15,770,549.70
Total	8,128,052.32	15,770,549.70

5.40 Losses from credit impairment

Item	Year 2022	Year 2021
Losses from bad debts	989,437.83	-318,331.09
Total	989,437.83	-318,331.09

5.41 Losses from asset impairment

Item	Year 2022	Year 2021
Losses from inventory depreciation	-	17,064.89
Total	-	17,064.89

5.42 Gains from disposal of assets

Item	Year 2022	Year 2021
Gains or losses from disposal of non-current assets	40,420,431.93	1,566,473.14
Total	40,420,431.93	1,566,473.14

5.43 Non-operating revenue

Item	Year 2022	Year 2021	Amount included in non-recurring profit or loss in the current period
Others	170,256.15	319,658.55	170,256.15
Total	170,256.15	319,658.55	170,256.15

5.44 Non-operating expenses

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Item	Year 2022	Year 2021	Amount included in non-recurring profit or loss in the current period
Others	3,112.43	198.18	3,112.43
Total	3,112.43	198.18	3,112.43

5.45 Income tax expenses

5.45.1 Table of income tax expenses

Item	Year 2022	Year 2021
Current income tax expenses	-220,882.55	
Deferred income tax expenses	-202,969.89	-171,772.56
Total	-423,852.44	-171,772.56

5.45.2 Adjustment process of accounting profit and income tax expenses

Item	Year 2022
Total profits	-40,156,947.13
Income tax expenses calculated at the statutory [or applicable] tax rate	-10,039,236.78
Effect of different tax rates applicable to subsidiaries	5,736,627.39
Effect of adjustments to the income tax for the prior years	-220,882.55
Effect of non-taxable income	-2,032,013.08
Effect of non-deductible costs, expenses and losses	35,607.77
Effect of deductible losses from using the deferred income tax assets unrecognized in prior periods	-3,285,732.64
Effect of deductible temporary differences or losses from deferred income tax assets unrecognized in the current period	12,807,589.43
Others	-3,425,811.98
Income tax expenses	-423,852.44

5.46 Notes to the statement of cash flows

5.46.1 Cash received from other operating activities

Item	Year 2022	Year 2021
Interest income	1,640,888.48	1,113,277.82
Government grants	205,826.00	1,583,305.16
Margin and deposit etc.	10,527,527.06	7,145,658.84
Total	12,374,241.54	9,842,241.82

5.46.2 Cash paid for other operating activities

Item	Year 2022	Year 2021
Expenses from cash payment in the period	10,673,279.12	23,270,903.78
Margin and deposit etc.	11,305,170.76	1,255,698.63
Total	21,978,449.88	24,526,602.41

5.46.3 Cash received from other financing activities

Item	Year 2022	Year 2021
Bills, deposits and other related funds received	81,688,328.08	43,814,318.47
Total	81,688,328.08	43,814,318.47

5.46.4 Cash paid for other investing activities

Item	Year 2022	Year 2021
Bills, deposits and other related funds paid	108,137,271.47	25,795,639.32
Total	108,137,271.47	25,795,639.32

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5.47 Supplementary information to the statement of cash flows

5.47.1 Supplementary information to the statement of cash flows

Item	Year 2022	Year 2021
1. Net profit adjusted to cash flows from operating activities		
Net profit	-39,733,094.69	-25,998,962.72
Plus: losses from credit impairment	-989,437.83	318,331.09
Provision for asset impairment	-	-17,064.89
Depreciation of fixed assets, oil and gas assets and productive biological assets	26,220,968.81	33,781,956.81
Depreciation of right-of-use assets		
Amortization of intangible assets	1,779,134.09	2,109,555.59
Amortization of long-term deferred expenses	46,698.12	47,865.57
Losses from disposal of fixed assets, intangible assets and other long-term assets ("- " for gains)	-40,420,431.93	-1,566,473.14
Losses from write-off of fixed assets ("- " for gains)		169.23
Losses from changes in fair value ("- " for gains)		
Financial expenses ("- " for gains)	20,216,911.43	24,231,685.81
Investment loss ("- " for income)	-8,128,052.32	-15,770,549.70
Decreases in deferred income tax assets ("- " for increases)	308,560.96	213,460.13
Increases in deferred income tax liabilities ("- " for decreases)	-511,530.85	-385,232.69
Decreases in inventories ("- " for increases)	74,859,032.86	-37,573,619.01
Decreases in operating receivables ("- " for increases)	48,007,274.99	2,091,660.99
Increases in operating payables ("- " for decreases)	-69,246,434.55	39,949,584.40
Others		
Net cash flows from operating activities	12,409,599.09	21,432,367.47
2. Significant investing and financing activities not involving cash receipts and payments		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
New right-of-use assets		
3. Net changes in cash and cash equivalents		
Ending balance of cash	169,994,534.05	23,738,523.19
Less: beginning balance of cash	23,738,523.19	79,310,253.55
Plus: ending balance of cash equivalents	-	
Less: beginning balance of cash equivalents	-	
Net increase in cash and cash equivalents	146,256,010.86	-55,571,730.36

5.47.2 Breakdown of cash and cash equivalents

Item	Balance as at December 31, 2022	Balance as at January 1, 2022
I. Cash	169,994,534.05	23,738,523.19
Including: cash on hand	-	
Unrestricted bank deposit	169,994,534.05	23,738,523.19
Other unrestricted monetary funds		
II. Cash equivalents		
Including: bond investments maturing within three months		
III. Ending balance of cash and cash equivalents	169,994,534.05	23,738,523.19
Including: cash and cash equivalents restricted for use by the parent company or subsidiaries of the group		

5.48 Assets with restrictions on the ownership or use right

Item	Balance	Reason for restriction
Monetary funds	9,959,988.94	Margin of bank acceptance bills
Receivables financing	7,820,000.00	Pledge
Total	17,779,988.94	

5.49 Government grants

1. Basic information on government grants

Category of government grants	Year 2022	Amount included in the current profit or loss	Remark
Government grants included in other income	205,826.00	205,826.00	See the Note 5.38 for details
Total	205,826.00	205,826.00	

6 Changes in the consolidation scope

There was no change in the consolidation scope of the Company during the reporting period.

7 Rights and interests in other entities

7.1 Equity in the subsidiaries

7.1.1 Structure of the enterprise group

Name of subsidiaries	Principal place of business	Registered place	Business nature	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Chongqing Jianshe Automobile A/C Co., Ltd.	Chongqing	Chongqing	Production and sales of automobile air conditioners	100.00		Establishment by investment
Chongqing Pingshan TK Carburetor Co., Ltd.	Chongqing	Chongqing	Production and sales of motorcycle accessories	100.00		Combination not under common control

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7.2 Equity in joint venture arrangements or associates

7.2.1 Significant joint ventures or associates

Name of joint venture or associate	Principal place of business	Registered place	Business nature	Shareholding ratio (%)		Method for accounting treatment
				Direct	Indirect	
Chongqing Hanon Jianshe Thermal Systems Co., Ltd.	Chongqing	Chongqing	Assembly of variable displacement compressor and production of core components	50.00		Equity method

7.2.2 Major financial information on significant joint ventures

Item	Chongqing Hanon Jianshe Thermal Systems Co., Ltd.	
	Balance as at December 31, 2022 / Year 2022	Balance as at January 1, 2022/ Year 2021
Current assets	166,787,138.08	172,069,804.29
Including: cash and cash equivalents	55,135,317.36	52,373,714.91
Non-current assets	355,276,389.82	380,490,597.33
Total assets	522,063,527.90	552,560,401.62
Current liabilities	95,641,912.16	90,246,513.99
Non-current liabilities	9,313,692.45	61,462,068.98
Total liabilities	104,955,604.61	151,708,582.97
Minority equity		
Equity attributable to the shareholders of parent company	417,107,923.29	400,851,818.65
Share of net assets calculated at the shareholding ratio	208,553,961.65	200,425,909.33
Adjusted items		
- Goodwill		
- Unrealized profits of internal transactions		
- Others		
Book value of the equity investment in joint ventures	210,112,321.04	201,984,268.72
Fair value of equity investment with public offer		
Operating revenue	254,562,100.17	306,636,095.98
Financial expenses	4,586,867.43	8,227,807.42
Income tax expenses	1,799,442.01	
Net profit	16,256,104.64	31,541,099.39
Net profit of discontinued operation		
Other comprehensive income		
Total comprehensive income	16,256,104.64	31,541,099.39
Dividends received from joint ventures in current period		

8 Related parties and related transactions

8.1 Parent company of the Company

Parent company	Registered place	Business nature	Registered capital (RMB 0'000)	Shareholding ratio in the Company (%)	Voting ratio in the Company (%)
China South Industries Group Corporation	Beijing	State-owned assets investment	3,530,000.00	71.13	71.13

8.2 See the Note 7.1 "Equity in subsidiaries" for details about the Company's subsidiaries

8.3 Joint ventures and associates of the Company

See the Note 7.2 "Equity in joint venture arrangement or associates" for details about major joint ventures and associates of the Company.

8.4 Other related parties

Other related party	Relationship with the Company
Chongqing Jianshe Mechanical & Electrical Equipment Co., Ltd.	Controlled by the same party
Chongqing Jianshe Industry (Group) Co., Ltd.	Controlled by the same party
China South Industries Group Finance Co., Ltd.	Controlled by the same party
Chongqing Changan Automobile Co., Ltd.	Controlled by the same party
Beijing Changan Automobile Company under Chongqing Changan Automobile Co., Ltd.	Controlled by the same party
Chongqing Lingyao Automobile Co., Ltd.	Joint venture of subsidiaries of CSGC
Hebei Changan Automobile Co., Ltd.	Controlled by the same party
Nanjing Changan Automobile Co., Ltd.	Controlled by the same party
Baoding Changan Bus Manufacturing Co., Ltd.	Controlled by the same party
Hefei Changan Automobile Co., Ltd.	Controlled by the same party
Chongqing Changan Automobile Customer Service Co., Ltd.	Controlled by the same party
Chongqing North Jianshe IMP. & EXP. Trade Co., Ltd.	Controlled by the same party
Hafei Motor Co., Ltd.	Controlled by the same party
South Air International Conditioning Co., Ltd.	Controlled by the same party
Southwest Ordnance Chongqing Environmental Protection Research Institute Co., Ltd.	Controlled by the same party
China Ordnance Equipment Group Commercial Factoring Co., Ltd.	Controlled by the same party
Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	Joint venture of subsidiaries of CSGC
Changan Minsheng APLL Logistics Co., Ltd.	Joint venture of subsidiaries of CSGC
Chongqing Jianshe Lijue Industrial Co., Ltd.	Associates of subsidiaries of CSGC
Changan Minsheng APLL Logistics Co., Ltd. and its affiliates	Controlled by the same party
Chongqing Changan Automobile Co., Ltd. and its affiliates	Controlled by the same party
Luoyang North Enterprises Group Co., Ltd.	Controlled by the same party
Norendar International Co., Ltd.	Controlled by the same party
Zhuzhou Jianshe Yamaha Motorcycle Co., Ltd.	Associates of subsidiaries of CSGC
Yan Xuechuan	Chairman
Fan Aijun	Director and General Manager

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Other related party	Relationship with the Company
Xu Wanming	Secretary of the Discipline Inspection Commission
Dong Qihong	Director
Shi Qinggong	Director
Zhou Yongqiang	Deputy General Manager
Hao Ling	Director
Li Jiaming	Independent Director
Xie Fei	Independent Director
Song Weiwei	Independent Director
Liu Wei	Independent Director
Lu Xianyun	Chairman of the Board of Supervisors
Zhang Lungang	Supervisor
Qiao Guoan	Supervisor
Liao Jian	Employee Supervisors
Su Qiang	Employee Supervisors
Yu Wenbiao	Deputy General Manager (resigned on 23 May 2022)
Tan Mingxian	Chief Accountant
Li Yongjiang	Deputy General Manager
Zhang Hushan	Secretary of the Board of Directors

8.5 Related transactions

8.5.1 For the subsidiaries under the control of the Company and included in the scope of consolidated financial statements, their mutual transactions and the parent-subsidiary corporation transactions have already been offset.

8.5.2 Related transactions on purchase of goods and receiving of services

Related-party	Contents of related transaction	Year 2022	Year 2021
Chongqing Jianshe Industry (Group) Co., Ltd.	Inspection of parts and accessories	441,640.30	699,441.80
Changan Minsheng APLL Logistics Co., Ltd. and its affiliated enterprises	Warehousing services	448,659.50	3,735,472.46
Southwest Ordnance Chongqing Environmental Protection Research Institute Co., Ltd.	Inspection of parts and accessories	1,512,267.38	1,736,605.88
Chongqing Jianshe Industry (Group) Co., Ltd.	Materials	837,856.39	1,567,203.06
Chongqing Changan Automobile Co., Ltd. and its affiliated enterprises	Maintenance	841,944.49	1,163,939.02
Total		4,082,368.06	8,902,662.22

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8.5.3 Related transactions on sale of goods and rendering of services

Related party	Contents of related transaction	Year 2022	Year 2021
Chongqing Changan Automobile Co., Ltd.	Auto and parts and accessories	43,720,572.99	131,973,718.97
Chongqing Lingyao Automobile Co., Ltd.	Auto and parts and accessories	4,636,556.72	5,615,743.47
Hefei Changan Automobile Co., Ltd.	Auto and parts and accessories	11,134,628.84	16,194,939.56
Nanjing Changan Automobile Co., Ltd.	Auto and parts and accessories	2,161,621.42	1,820,143.06
Baoding Changan Bus Manufacturing Co., Ltd.	Auto and parts and accessories	150,622.08	1,324,434.08
Hebei Changan Automobile Co., Ltd.	Auto and parts and accessories	121,469.92	
Chongqing Changan Automobile Customer Service Co., Ltd.	Auto and parts and accessories		6,851.20
South Air International Co., Ltd.	Auto and parts and accessories		144,000.00
Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	Motorcycle parts	12,974,854.46	11,944,592.17
Chongqing Jianshe Industry (Group) Co., Ltd.	Materials	21,617.53	427,878.59
Chongqing Jianshe Mechanical & Electrical Equipment Co., Ltd.	Materials	88,671.74	207,747.94
Chongqing Hanon Jianshe Thermal Systems Co., Ltd.	Materials	15,848.42	4,829,474.48
Chongqing Hanon Jianshe Thermal Systems Co., Ltd.	Auto parts and accessories	1,780,532.11	9,339,577.80
Total		76,806,996.23	183,829,101.32

8.5.4 Remuneration of key senior officers

Item	Year 2022	Year 2021
Remuneration of key senior officers	3,780,412.68	3,574,756.20

8.5.5 Other related-party transactions

(1) Related-party deposits

Name of related parties	Balance as at January 1, 2022	Increase in 2022	Decrease in 2022	Balance as at December 31, 2022
China South Industries Group Finance Co., Ltd	67,084,183.76	1,668,030,973.74	1,568,218,555.93	166,896,601.57

Remark: the interest of related-party deposits received in 2022 totaled RMB

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1,129,480.52.					
(2) Related-party loans					
Name of related parties	Start date	Ending date	Annual interest rate	Guarantor	Balance as at December 31, 2022
China South Industries Group Finance Co., Ltd	2022/1/13	2023/1/13	4.35%	None	17,500,000.00
China South Industries Group Finance Co., Ltd	2022/1/13	2023/1/13	4.35%	None	17,710,000.00
China South Industries Group Finance Co., Ltd	2022/6/21	2023/6/21	3.92%	None	20,000,000.00
China South Industries Group Finance Co., Ltd	2022/7/12	2023/7/12	4.35%	None	30,000,000.00
China South Industries Group Finance Co., Ltd	2022/7/18	2023/7/18	4.35%	None	10,000,000.00
China South Industries Group Finance Co., Ltd	2022/9/6	2023/9/6	4.35%	None	15,000,000.00
China South Industries Group Finance Co., Ltd	2022/9/8	2023/9/8	4.35%	None	15,000,000.00
China South Industries Group Finance Co., Ltd	2022/9/13	2023/9/13	4.35%	None	20,000,000.00
China South Industries Group Finance Co., Ltd	2022/10/24	2023/10/24	4.35%	None	10,000,000.00
China South Industries Group Finance Co., Ltd	2022/10/26	2023/10/26	4.35%	None	58,000,000.00
China South Industries Group Finance Co., Ltd	2022/10/26	2023/10/26	4.35%	None	30,000,000.00
China South Industries Group Finance Co., Ltd	2022/10/28	2023/10/28	4.35%	None	60,000,000.00
China South Industries Group Finance Co., Ltd	2022/10/28	2023/10/28	4.35%	None	19,290,000.00
China South Industries Group Finance Co., Ltd	2022/12/26	2023/12/26	3.92%	None	18,000,000.00
China South Industries Group Finance Co., Ltd	2022/12/27	2023/12/27	3.92%	None	32,000,000.00
China South Industries Group Finance Co., Ltd	2022/12/28	2023/3/28	4.35%	None	39,000,000.00

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8.6 Receivables from and payables to related parties

(1) Receivables from related parties

Item name	Related party	Balance as at December 31, 2022		Balance as at January 1, 2022	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable					
	Chongqing Changan Automobile Co., Ltd.	7,072,474.53	-	15,225,677.65	-
	Hafei Motor Co., Ltd.	3,999,944.43	3,999,944.43	3,999,944.43	3,999,944.43
	Hefei Changan Automobile Co., Ltd.	2,846,630.18	-	4,584,439.91	-
	Chongqing Hanon Jianshe Thermal Systems Co., Ltd.	2,290,479.22	-	2,062,836.40	-
	Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	769,838.66	-	978,730.60	-
	Hebei Changan Automobile Co., Ltd.	189,172.54	22,436.51	51,911.53	-
	Nanjing Changan Automobile Co., Ltd.	132,101.39	-	779,950.94	-
	Chongqing Lingyao Automobile Co., Ltd.			413,084.63	-
	Baoding Changan Bus Manufacturing Co., Ltd.			178,907.37	-
	Chongqing Changan Automobile Customer Service Co., Ltd.			3,870.93	-
Notes receivable					
	Chongqing Changan Automobile Co., Ltd.			5,340,000.00	

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Item name	Related party	Balance as at December 31, 2022		Balance as at January 1, 2022	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
	Hefei Changan Automobile Co., Ltd.			1,781,515.49	
	Nanjing Changan Automobile Co., Ltd.			200,000.00	
Receivables financing					
	Chongqing Changan Automobile Co., Ltd.	12,320,000.00			
	Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	267,000.00			
Other receivables					
	Chongqing Jianshe Lijue Industrial Co., Ltd.	1,478,870.07	1,478,870.07	1,478,870.07	1,478,870.07
	Chongqing Jianshe Industry (Group) Co., Ltd.	1,294,150.66	-		

(2) Payables to related parties

Item name	Related party	Balance as at December 31, 2022	Balance as at January 1, 2022
Accounts payable			
	China Ordnance Equipment Group Commercial Factoring Co., Ltd.	18,250,000.00	23,610,000.00
	Chongqing Hanon Jianshe Thermal Systems Co., Ltd.	526,575.70	497,923.20
	Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	23,210.00	23210
	Changan Minsheng APLL Logistics Co., Ltd.	20,895.96	
Notes payable			

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Item name	Related party	Balance as at December 31, 2022	Balance as at January 1, 2022
	China South Industries Group Finance Co., Ltd	14,000,000.00	75,800,000.00
Other payables			
	Chongqing Jianshe Industry (Group) Co., Ltd.	341,525.92	233,241.12
	Luoyang North Enterprises Group Co., Ltd.	142,730.00	
	Southwest Ordnance Chongqing Environmental Protection Research Institute Co., Ltd.	100,000.00	
	Chongqing Jianshe Lijue Industrial Co., Ltd.	57,200.00	
	Norendar International Co., Ltd.	25,000.00	
	Chongqing Hanon Jianshe Thermal Systems Co., Ltd.	20,470.00	
Contract liabilities			
	Chongqing Lingyao Automobile Co., Ltd.	223,940.62	
	Chongqing Hanon Jianshe Thermal Systems Co., Ltd.	14,617.55	
	Chongqing Changan Automobile Co., Ltd., Changan Automobile (Beijing) Company	2,799.75	
	Chongqing North Jianshe IMP. & EXP. Trade Co., Ltd.	698.20	788.97
	Zhuzhou Jianshe Yamaha Motorcycle Co., Ltd.	553.11	625.01

9 Commitments and contingencies

9.1 Significant commitments

The Company has no significant commitments to be disclosed.

9.2 Significant contingencies existing on balance sheet date

The Company has no significant contingencies required to be disclosed.

10 Post balance sheet events

As at the reporting date of financial report, the Company has no major post balance sheet events required to be disclosed.

11 Other significant events

11.1 Segment information

The Company has a single business, mainly the manufacture and sale of automotive air conditioners and their parts and carburetors, and the repair of automotive air conditioners and their parts. The management manages this business as a whole and evaluates the operating results, therefore, no segment information is presented in the financial statements.

12 Notes to main items of financial statements of the parent company

12.1 Accounts receivable

12.1.1 Accounts receivable disclosed by aging

Aging	Balance as at December 31, 2022	Balance as at January 1, 2022
1 - 6 months (inclusive)	3,266,890.00	3,152,475.45
6 months - 1 year	-	-
1 - 3 years	-	-
2 - 3 years	-	-
3 - 4 years	-	-
4 - 5 years	-	-
Over 5 years	1,291,496.94	1,291,496.94
Sub-total	4,558,386.94	4,443,972.39
Less: provision for bad debts	1,291,496.94	1,291,496.94
Total	3,266,890.00	3,152,475.45

12.1.2 Disclosure under the methods of provision for bad debts by category

Category	Balance as at December 31, 2022				Book value
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Accounts receivable with provision for bad debts accrued on an individual basis					
Accounts receivable with provision for bad debts accrued on a portfolio basis	4,558,386.94	100.00	1,291,496.94	28.33	3,266,890.00
Including: Portfolio 1 Consolidated related parties					
Portfolio 2 Aging portfolio	4,558,386.94	100.00	1,291,496.94	28.33	3,266,890.00
Total	4,558,386.94	100.00	1,291,496.94	28.33	3,266,890.00

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Continued:

Category	Balance as at January 1, 2022				Book value
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Accounts receivable with provision for bad debts accrued on an individual basis					
Accounts receivable with provision for bad debts accrued on a portfolio basis	4,443,972.39	100.00	1,291,496.94	29.06	3,152,475.45
Including:					
Portfolio 1					
Consolidated related parties					
Portfolio 2					
Aging portfolio	4,443,972.39	100.00	1,291,496.94	29.06	3,152,475.45
Total	4,443,972.39	100.00	1,291,496.94	29.06	3,152,475.45

12.1.3 Accounts receivable with provision for bad debts accrued on a portfolio basis

(1) Portfolio 2 Aging portfolio

Aging	Balance as at December 31, 2022		
	Book balance	Provision for bad debts	Proportion of provision (%)
1 - 6 months (inclusive)	3,266,890.00	-	-
6 months - 1 year			
1 - 2 years			
2 - 3 years			
3 - 4 years			
4 - 5 years			
Over 5 years	1,291,496.94	1,291,496.94	100.00
Total	4,558,386.94	1,291,496.94	28.33

12.1.4 Provision, reversal or recovery of provision for bad debts in 2022

Category	Balance as at January 1, 2022	Changes in 2022				Balance as at December 31, 2022
		Provision	Recovery or reversal	Charge-off	Other changes	
Accounts receivable with provision for bad debts accrued on an individual basis						

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Category	Balance as at January 1, 2022	Changes in 2022				Balance as at December 31, 2022
		Provision	Recovery or reversal	Charge-off	Other changes	
Accounts receivable with provision for bad debts accrued on a portfolio basis	1,291,496.94	-	-			1,291,496.94
Including: Portfolio 1 Consolidated related parties						
Portfolio 2 Aging portfolio	1,291,496.94	-	-			1,291,496.94
Total	1,291,496.94	-	-			1,291,496.94

12.1.5 No actual charge-off of accounts receivable in 2022

6. Top 5 of accounts receivable as at December 31, 2022, presented by debtor

Enterprise name	Balance as at December 31, 2022	Proportion in the ending balance of accounts receivable (%)	Provision for bad debts
Chongqing Hanon Jianshe Thermal Systems Co., Ltd.	2,290,479.22	50.25	-
Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	769,838.66	16.89	-
Wuhan Longchang Company Wujiao Marketing Department	473,539.96	10.39	473,539.96
Changzheng Machinery Factory of China Aerospace Science and Technology Corporation	395,296.04	8.67	395,296.04
Chongqing Chihai Machinery Manufacturing Co., Ltd.	145,999.35	3.20	145,999.35
Total	4,075,153.23	89.40	1,014,835.35

12.2 Other receivables

12.2.1 Disclosure of other receivables by aging

Aging	Balance as at December 31, 2022	Balance as at January 1, 2022
1 - 6 months (inclusive)	1,345,740.08	1,153,592.45
6 months - 1 year	-	
1 - 2 years	-	1,223,146.45
2 - 3 years	1,223,146.45	255,723.62
3 - 4 years	255,723.62	
4 - 5 years	-	
Over 5 years	4,203,627.25	4,203,627.25
Sub-total	7,028,237.40	6,836,089.77
Less: provision for bad debts	5,682,497.32	5,682,497.32

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Aging	Balance as at December 31, 2022	Balance as at January 1, 2022
Total	1,345,740.08	1,153,592.45

12.2.2 Classification by nature

Nature	Book balance as at December 31, 2022	Book balance as at January 1, 2022
Petty cash, security deposit and advances of employee social insurance premium	51,589.42	
Current accounts	6,976,647.98	6,836,089.77
Total	7,028,237.40	6,836,089.77

12.2.3 Disclosure of three-stage by impairment of financial assets

Item	Balance as at December 31, 2022			Balance as at January 1, 2022		
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value
Stage I	5,067,613.24	3,721,873.16	1,345,740.08	5,041,699.86	3,888,107.41	1,153,592.45
Stage II	-	-	-	-	-	-
Stage III	1,960,624.16	1,960,624.16	-	1,794,389.91	1,794,389.91	-
Total	7,028,237.40	5,682,497.32	1,345,740.08	6,836,089.77	5,682,497.32	1,153,592.45

12.2.4 Disclosure under the methods of provision for bad debts by category

Category	Balance as at December 31, 2022				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other receivables with provision for bad debts accrued on an individual basis	1,960,624.16	27.90	1,960,624.16	100.00	-
Other receivables with provision for bad debts accrued on a portfolio basis	5,067,613.24	72.10	3,721,873.16	73.44	1,345,740.08
Including: Portfolio 1 Consolidated related parties					
Portfolio 2 Aging portfolio	5,067,613.24	72.10	3,721,873.16	73.44	1,345,740.08
Total	7,028,237.40	100.00	5,682,497.32	80.85	1,345,740.08

Continued:

Category	Balance as at January 1, 2022				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other receivables with provision for bad debts accrued on an individual basis	1,794,389.91	26.25	1,794,389.91	100.00	-

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Category	Balance as at January 1, 2022				Book value
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other receivables with provision for bad debts made by portfolio	5,041,699.86	73.75	3,888,107.41	77.12	1,153,592.45
Including:					
Portfolio 1					
Consolidated related parties					
Portfolio 2 Aging portfolio	5,041,699.86	73.75	3,888,107.41	77.12	1,153,592.45
Total	6,836,089.77	100.00	5,682,497.32	83.13	1,153,592.45

12.2.5 Other receivables with provision for bad debts accrued on an individual basis

Enterprise name	Balance as at December 31, 2022			
	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision
Chongqing Jianshe Lijue Industrial Co., Ltd.	1,478,870.07	1,478,870.07	100.00	Expected to be irrecoverable
Ningbo Jianshe Motorcycle Co. Ltd.	329,628.73	329,628.73	100.00	Expected to be irrecoverable
Chongqing Jinxiang Lifting Equipment Manufacturing Co., Ltd.	16,800.00	16,800.00	100.00	Expected to be irrecoverable
Yangzhou Qionghua Coating Engineering Equipment Co., Ltd.	56,500.00	56,500.00	100.00	Expected to be irrecoverable
Chongqing Customs	78,825.36	78,825.36	100.00	Expected to be irrecoverable
Total	1,960,624.16	1,960,624.16		

12.2.6 Other receivables with provision for bad debts accrued on a portfolio basis

(1) Portfolio 2 Aging portfolio

Aging	Balance as at December 31, 2022		
	Book balance	Provision for bad debts	Proportion of provision (%)
1 - 6 months (inclusive)	1,345,740.08	-	-
6 months - 1 year			
1 - 2 years			
2 - 3 years			
3 - 4 years			
4 - 5 years			
Over 5 years	3,721,873.16	3,721,873.16	100.00
Total	5,067,613.24	3,721,873.16	73.44

12.2.7 Provision for bad debts of other receivables

Provision for bad debts	Stage I	Stage II	Stage III	Total
	12-month expected credit loss	Expected credit loss in the whole duration (without credit impairment)	Expected credit loss in the whole duration (with credit impairment)	
Balance as at January 1, 2022	3,888,107.41	-	1,794,389.91	5,682,497.32
In 2022, balance as at January 1, 2022				-
-Transfer to Stage II				-
-Transfer to Stage III				-
-Reversal from Stage II				-
-Reversal from Stage I				-
Provision in 2022	-		166,234.25	166,234.25
Reversal in 2022	166,234.25		-	166,234.25
Write-off in 2022				-
Charge-off in 2022				-
Other changes				-
Balance as at December 31, 2022	3,721,873.16	-	1,960,624.16	5,682,497.32

12.2.8 No actual charge-off of other receivables in 2022

12.2.9 Top 5 of other receivables as at December 31, 2022, presented by debtor

Name of entity	Nature of payment	Balance as at December 31, 2022	Aging	Proportion in the ending balance of other receivables (%)	Provision for bad debts Balance as at December 31, 2022
Shenzhen Jianshe Motorcycle Co., Ltd.	Current accounts	3,013,664.00	Over 5 years	42.88	3,013,664.00
Chongqing Jianshe Lijue Industrial Co., Ltd.	Current accounts	1,478,870.07	2 - 4 years	21.04	1,478,870.07
Chongqing Jianshe Industry (Group) Co., Ltd.	Current accounts	1,294,150.66	1 - 6 months (inclusive)	18.41	-
Ningbo Jianshe Chongqing Office	Current accounts	692,035.31	Over 5 years	9.85	692,035.31
Ningbo Jianshe Motorcycle Co., Ltd.	Current accounts	329,628.73	Over 5 years	4.69	329,628.73
Total		6,808,348.77		96.87	5,514,198.11

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12.3 Long-term equity investments

Nature	Balance as at December 31, 2022			Balance as at January 1, 2022		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	199,045,443.95	-	199,045,443.95	199,045,443.95		199,045,443.95
Investments in associates and joint ventures	210,112,321.04	-	210,112,321.04	201,984,268.72		201,984,268.72
Total	409,157,764.99	-	409,157,764.99	401,029,712.67		401,029,712.67

12.3.1 Investments in subsidiaries

Investee	Initial Investment cost	Balance as at January 1, 2022	Increase in 2022	Decrease in 2022	Balance as at December 31, 2022	Provision for impairment in 2022	Balance of provision for impairment as at December 31, 2022
Chongqing Jianshe Automobile A/C Co., Ltd.	160,000,000.00	160,000,000.00			160,000,000.00		
Chongqing Pingshan TK Carburetor Co., Ltd.	39,045,443.95	39,045,443.95			39,045,443.95		
Total	199,045,443.95	199,045,443.95			199,045,443.95		

12.3.2 Investments in associates and joint ventures

Investee	Balance as at January 1, 2022	Increase or decrease in 2022			
		Additional investment	Reduced investment	Profit or loss on investments recognized by the equity method	Adjustment to other comprehensive income
I. Joint venture					
Chongqing Hanon Jianshe Thermal Systems Co., Ltd.	201,984,268.72			8,128,052.32	
Total	201,984,268.72			8,128,052.32	

Continued:

Investee	Increase/decrease in 2022				Balance as at December 31, 2022	Balance of provision for impairment as at December 31, 2022
	Other changes in equities	Cash dividends or profits declared to be distributed	Provision for impairment	Others		
I. Joint venture						
Chongqing Hanon Jianshe Thermal Systems Co., Ltd.					210,112,321.04	

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Investee	Increase/decrease in 2022				Balance as at December 31, 2022	Balance of provision for impairment as at December 31, 2022
	Other changes in equities	Cash dividends or profits declared to be distributed	Provision for impairment	Others		
Total					210,112,321.04	

12.4 Operating revenue and operating costs

12.4.1 Operating revenue and operating costs

Item	Year 2022		Year 2021	
	Revenue	Costs	Revenue	Costs
Primary business	255,276,559.90	259,099,923.72	493,566,986.58	499,200,539.40
Other business	474,716.54	12,774.84	11,820,268.31	10,319,273.71
Total	255,751,276.44	259,112,698.56	505,387,254.89	509,519,813.11

12.4.2 Revenue generated from contracts

Item	Year 2022	Year 2021
Domestic revenue	255,276,559.90	493,566,986.58
Overseas revenue		
Total	255,276,559.90	493,566,986.58

12.5 Investment income

Item	Year 2022	Year 2021
Income from long-term equity investments calculated under the equity method	8,128,052.32	15,770,549.70
Total	8,128,052.32	15,770,549.70

13 Supplementary information

13.1 Breakdown of non-recurring profit or loss in 2022

Item	Amount	Remark
Profit or loss from disposal of non-current assets	40,420,431.93	
Tax return or relief under unauthorized approval or without official approval document		
Government grants included in current profits or losses (except for government grants closely related to the enterprise business, obtained by quota or quantity at unified state standards)	205,826.00	
Expenses for using funds charged from non-financial enterprises and included in the current profit or loss	-	
Gains from the difference between the investment costs of acquisition of subsidiaries, associates and joint ventures and share in the net fair value of the identifiable assets of the investee when investing	-	
Profit or loss from exchange of non-monetary assets	-	
Profit or loss from entrusting others to invest in or manage assets	-	
Provisions for impairment of various assets due to any force majeure, such as the natural disaster	-	

CHONGQING JIANSHE VEHICLE SYSTEM CO., LTD.
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Item	Amount	Remark
Profits or losses from debt restructuring	-	
Enterprise restructuring expenses, such as employee accommodation costs and integration expenses	-	
Profit or loss from the part generating in the transaction where the transaction price is not fair and exceeding the fair value	-	
Net profit or loss of the subsidiary from the business combination under common control for the period from the beginning of the period to the combination date	-	
Profit or loss from contingencies irrelevant to the company's normal business	-	
Profit or loss on changes in fair values of financial assets held for trading and financial liabilities held for trading and investment income obtained from disposal of financial assets held for trading, financial liabilities held for trading, creditor's right investment and other creditor's rights investment, except for effective hedging operations associated with the company's normal operations	-	
Reversal of provision for impairment of receivables under single impairment test	714,393.28	
Profit or loss from outward entrusted loans	-	
Profit or loss from changes in fair value of investment property subsequently measured by adopting the fair value model	-	
Impact on the current profit or loss of the one-time adjustment to the current profit or loss made as required by the laws and regulations on tax and accounting	-	
Revenue from trustee fee from the entrusted management	-	
Non-operating revenue and expenses other than the above-mentioned items	167,143.72	
Other items of profit or loss subject to the definition of non-recurring profit or loss	999,863.22	
Sub-total	42,507,658.15	
Less: affected amount of income tax	-	
Affected minority equity (after tax)	-	
Total	42,507,658.15	

13.2 Rate of return on net assets and earnings per share

Profit in the reporting period	Weighted average Net return on assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	-30.88	-0.33	-0.33
Net profit attributable to common shareholders of the Company after deducting the non-recurring profit or loss	-63.91	-0.69	-0.69

Chongqing Jianshe Vehicle System Co., Ltd.

(Official seal)

April 27, 2023