



**WEIFU HIGH-TECHNOLOGY GROUP CO., LTD.**

**SEMI-ANNUAL REPORT 2023**

**August 2023**

## **Section I. Important Notice, Contents and Interpretation**

Board of Directors, Board of Supervisory, all directors, supervisors and senior executives of Weifu High-Technology Group Co., Ltd. (hereinafter referred to as the Company) hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

Wang Xiaodong, Principal of the Company, and Rong Bin, person in charge of accounting works, as well as Wu Junfei, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of this Semi-Annual Report is authentic, accurate and complete.

All directors have attended the Meeting for the Report deliberation.

The forward-looking statements with future plans involved in the Report do not constitute a substantial commitment for investors. Investors and related parties should maintain sufficient risk awareness and investors are advised to exercise caution of investment risks.

The Company may face main risks in future operation and countermeasures are describes in the “Management Discussion and Analysis”, and the investors are advised to check them out.

The Company has no plan of cash dividend distributed, no cash bonus and capitalizing of common reserves either carried out.

***The Report is prepared in Chinese and English respectively. In the event of any discrepancy between the two versions, the Chinese version shall prevail.***

# Content

<b>Section I. Important Notice, Contents and Interpretation.....</b>	<b>2</b>
<b>Section II. Company Profile and Main Financial Indexes .....</b>	<b>6</b>
<b>Section III. Management Discussion and Analysis .....</b>	<b>9</b>
<b>Section IV. Corporate Governance.....</b>	<b>22</b>
<b>Section V. Environmental and Social Responsibility .....</b>	<b>24</b>
<b>Section VI. Important Matters .....</b>	<b>29</b>
<b>Section VII. Changes in Shares and Particulars about Shareholders.....</b>	<b>39</b>
<b>Section VIII. Preferred Stock .....</b>	<b>45</b>
<b>Section IX. Corporate Bonds .....</b>	<b>46</b>
<b>Section X. Financial Report .....</b>	<b>47</b>

## **Documents Available for Reference**

- I. Financial statement carrying the signatures and seals of person in charge of the company, principal of the accounting works and person in charge of accounting organ (accounting Supervisor);
- II. Original documents of the Company and manuscripts of public notices that disclosed in the website designated by CSRC during the reporting period;
- III. The Semi-Annual report summary is published on *China Securities Journal and Securities Times* during the Period;
- IV. Place for preparation: Office of the BOD of the Company.

## Interpretation

Items	Refers to	Contents
Company, The Company, WFHT	Refers to	WEIFU HIGH-TECHNOLOGY GROUP CO., LTD.
Weifu Group	Refers to	Wuxi Weifu Group Co., Ltd.
Wuxi Industry Group	Refers to	Wuxi Industry Development Group Co., Ltd.
Robert Bosch, Robert Bosch Company	Refers to	Robert Bosch Co., Ltd, ROBERT BOSCH GMBH
RBCD	Refers to	Robert Bosch Powertrain Ltd.
WFLD	Refers to	WUXI WEIFU LIDA CATALYTIC CONVERTER CO., LTD.
WFJN	Refers to	NANJING WEIFU JINNING CO., LTD.
WFTT	Refers to	NINGBO WFTT TURBOCHARGING TECHNOLOGY CO.,LTD.
WFCA	Refers to	WUXI WEIFU CHANG AN CO.,LTD.
WFMA	Refers to	WUXI WEIFU MASHAN FUEL INJECTION EQUIPMENT CO., LTD.
WFTR	Refers to	WUXI WEIFU INTERNATIONAL TRADE CO.,LTD.
WFSC	Refers to	WUXI WEIFU SCHMITTER POWERTRAIN COMPONENTS CO.,LTD.
WFAM	Refers to	WUXI WEIFU AUTOCAM PRECISION MACHINERY CO.,LTD.
WFDT	Refers to	WUXI WEIFU E-DRIVE TECHNOLOGIES CO., LTD.
WFAS	Refers to	WUXI WEIFU AUTOSMART SEATING SYSTEM CO., LTD.
SPV	Refers to	Weifu Holding ApS
IRD	Refers to	IRD Fuel Cells A/S
Borit	Refers to	Borit NV
WFQL	Refers to	Wuxi Weifu Qinglong Power Technology Co., Ltd.
VHIO	Refers to	VHIT S.p.A. Societ à Unipersonale
VHWX	Refers to	VHIT Automotive Systems(Wuxi) Co.Ltd
Lezhuo Bowei	Refers to	Lezhuo Bowei Hydraulic Technology (Shanghai) Co., Ltd
WFEC	Refers to	Wuxi WFEC Catalysts. Co., Ltd.
WFPM	Refers to	Wuxi Weifu Precision Machinery Manufacturing Co., Ltd.
Zhonglian Electronics	Refers to	Zhonglian Automobile Electronics Co., Ltd.
Guokai Metal	Refers to	Wuxi Guokai Metal Resources Co., Ltd.
CSRC	Refers to	China Securities Regulatory Commission
SZSE	Refers to	Shenzhen Stock Exchange
The reporting period	Refers to	From January 1, 2023 to June 30, 2023

## Section II. Company Profile and Main Financial Indexes

### I. Company information

Short form of the stock	WFHT, Su Weifu-B	Stock code	000581.200581
Stock exchange for listing	Shenzhen Stock Exchange		
Name of the Company (in Chinese)	无锡威孚高科技集团股份有限公司		
Short form of the Company (in Chinese)	威孚高科		
Foreign name of the Company (if applicable)	WEIFU HIGH-TECHNOLOGY GROUP CO.,LTD.		
Short form of foreign name of the Company (if applicable)	WFHT		
Legal representative	Wang Xiaodong		

### II. Person/Way to contact

	Secretary of the Board	Rep. of security affairs
Name	Liu Jinjun	Xu Kan
Contact add.	No.5 Huashan Road, Xinwu District, Wuxi	No.5 Huashan Road, Xinwu District, Wuxi
Tel.	0510-80505999	0510-80505999
Fax.	0510-80505199	0510-80505199
E-mail	Web@weifu.com.cn	Web@weifu.com.cn

### III. Other information

#### 1. Company contact information

Whether registrations address, offices address and codes as well as website and email of the Company changed in reporting period or not

Applicable  Not applicable

The registered address, office address, postal code, website, and email address of the company remain unchanged during the reporting period. Please refer to the 2022 Annual Report for details.

#### 2. Information disclosure and location

Whether information disclosure and preparation place changed in reporting period or not

Applicable  Not applicable

The website and media name and website of the stock exchange where the company disclosed its semi-annual report, and the place of placement of the company's semi-annual report remain unchanged during the reporting period. Please refer to the 2022 Annual Report for details.

**3. Other relevant information**

Whether other relevant information has changed in the reporting period or not

Applicable Not applicable

**IV. Main accounting data and financial indexes**

Whether it has retroactive adjustment or re-statement on previous accounting data or not

Yes  No

	Current period	Last period	Year-on-year increase(+)/decrease(-)
Operation income (RMB)	6,129,649,047.40	7,137,172,857.97	-14.12%
Net profit attributable to shareholders of the listed company(RMB)	948,760,859.55	1,091,126,480.08	-13.05%
Net profit attributable to shareholders of the listed company after deducting extraordinary gains and losses(RMB)	830,878,251.37	1,127,408,939.53	-26.30%
Net cash flows arising from operating activities (RMB)	1,089,961,237.42	-2,493,982,044.89	143.70%
Basic earnings per share (RMB/Share)	0.98	1.10	-10.91%
Diluted earnings per share (RMB/Share)	0.98	1.10	-10.91%
Weighted average ROE	5.24%	5.55%	-0.31%
	Ending balance of current period	Ending balance of last period	Year-on-year increase(+)/decrease(-)
Total assets (RMB)	28,352,668,665.53	28,528,913,065.01	-0.62%
Net assets attributable to shareholders of listed company (RMB)	18,544,382,977.56	17,696,679,170.72	4.79%

**V. Difference of the accounting data under accounting rules in and out of China****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 reporting 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 reporting period.

**VI. Items and amounts of extraordinary gains and losses**

Applicable Not applicable

In RMB

Item	Amount	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	124,868,984.10	WFJN demolition compensation
Governmental grants reckoned into current gains/losses (except for those with normal operation business concerned, and conform to the national policies & regulations and are continuously enjoyed at a fixed or quantitative basis according to certain standards)	40,157,408.73	
Except for the effective hedging operations related to normal business operation of the Company, the gains/losses of fair value changes from holding the trading financial assets and trading financial liabilities, and the investment earnings obtained from disposing the trading financial asset, trading financial liability and financial assets available for sale	-14,788,631.85	
Reversal of provision for depreciation of account receivable which was singly taken depreciation test	3,127,091.67	
Other non-operating income and expenditure except for the aforementioned items	3,433,420.03	
Less: Impact on income tax	18,140,350.17	
Impact on minority shareholders' equity (post-tax)	20,775,314.33	
Total	117,882,608.18	--

Specific information on other items of gains and losses qualified the definition of extraordinary gains and losses

Applicable Not applicable

The Company does not have other items of gains and losses qualified the definition of extraordinary gains and losses

Information on the definition of extraordinary gains and losses that listed in the *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Gains and Losses* as the recurring gains/losses

Applicable Not applicable

The Company does not have any extraordinary gains and losses listed under the *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Gains and Losses* defined as recurring gains/losses



## Section III. Management Discussion and Analysis

### I. Major business of the company within the reporting period

#### (I) Main business engaged by the Company

The Company is engaged in R&D, production and sales of core automotive parts and components. During the reporting period, the main products are diesel fuel injection system products, exhaust gas post-processing system products and air intake system products. Meanwhile, the core components of the fuel cell products of the company have been produced and marketed in small batches.

1. The diesel fuel injection system products are widely applied to diesel engines of all grades of power, to support various types of trucks, buses, construction machinery, marine, agricultural machinery, generator sets, etc. The products can satisfy the National VI and Off-road Stage IV emission regulations for vehicles, and are in the leading position within the industry in terms of product variety, production scale, market share, etc. While making efforts to match with domestic main engines, some products have been exported to America, Southeast Asia, the Middle East and other regions.
2. Exhaust gas post-processing system products can satisfy the National VI and Off-road Stage IV emission regulations for vehicles. The products are in the leading position domestically in terms of technology level, market scale and production capacity, and are widely used in the fields of passenger cars, commercial vehicles, off-road machinery, etc., which can provide strong support for the product upgrading of main engine manufacturers.
3. Intake system products (superchargers), can satisfy the National VI and Off-road Stage IV emission regulations for vehicles, the application range covers multiple fields such as commercial vehicles, passenger cars, construction machinery, agricultural machinery and generator sets, providing support for major domestic OEMs and vehicle manufacturers.
4. The core components of fuel cells, including membrane electrode, graphite bipolar plate, metal bipolar plate and key BOP components, are used for supporting domestic and overseas fuel cell reactor and system manufacturers.

#### (II) Business model of the Company

The Company follows the business philosophy of “Making Fine Products, Creating Famous Brands and Achieving Common Growth in Values” and implements the business model of unified management by the parent company and decentralized production by the subsidiaries. The parent company is responsible for formulating strategic development plans and business objectives, and providing unified management, guidance and assessment to the subsidiaries in terms of finance, major personnel management, core raw materials, quality control, technology development, etc. Subsidiaries arrange production based on the order management model of the market, which not only enables the subsidiaries to maintain uniform product quality, but also facilitates timely understanding of customer demands and saving logistics costs, so as to improve the economic efficiency of the Company by maintaining the timeliness of product production and supply.

#### (III) Development of the industry

The industry of the Company is auto parts manufacturing industry, which is closely related to the development of the auto industry. In the first half of 2023, Chinese economy maintained a sustained recovery trend, the accumulation of positive factors increased, and the long-term trend to a good prospect was still stable. In this context, the overall development of auto industry maintained steady in the first half of the year, the domestic market continued to recover, and the main economic indicators continued to improve. From January to June 2023, automobile production and sales were 13.248 million and 13.239 million, respectively, with the year-on-year increase of 9.3% and 9.8%.

#### 1. Market of commercial vehicles

From January to June 2023, the production and sales of commercial vehicles were 1.967 million and 1.971 million, respectively, with the year-on-year increase of 16.9% and 15.8%. The output and sales of freight cars were 1.74 million and 1.748 million, respectively, with the year-on-year increase of 15.5% and 14.8%; the output and sales of passenger cars were 227,000 and 223,000, respectively, with the year-on-year increase of 28.9% and 24.3%.

In the first half of 2023, along with gradual recovery of consumption, continuous investment in infrastructure and increasing demand for logistics and transportation, sales of commercial vehicles such as engineering heavy trucks, transportation heavy trucks, and urban logistics vehicles continued to grow, and the commercial vehicle market went up from bottom.

#### 2. Market of passenger vehicles

From January to June 2023, the output and sales of passenger vehicles were 11.281 million and 11.268 million, respectively, with the year-on-year increase of 8.1% and 8.8%. From the perspective of the performance of passenger vehicle market in the first half of the year, the issuance of national and local sales promotion policies, the momentum of auto enterprises at the end of the quarter, and the continuous growth of sales and exports of new energy vehicle have jointly promoted the growth of both the output and sales of the passenger vehicle market in the first half of the year.

#### 3. Market of new energy vehicles

From January to June 2023, the output and sales of new energy vehicles were 3.788 million and 3.747 million, respectively, with the year-on-year increase of 42.4% and 44.1%, and market share of 28.3%. Among them, the sales of pure electric vehicles rose by 31.9% YOY to 2.719 million; the sales of plug-in hybrid electric vehicles rose by 91.1% to 1.025 million; and the sales of fuel cell vehicles rose by 73.5% YOY to 2,000. With enrichment of variety of new energy passenger vehicles, the marketing of a large number of new models and the decline in prices of vehicle modes, compared with sales in the same period of last year, sales of A00 - grade vehicles decreased significantly, while the sales of other grade vehicles rose to varying degree.

#### 4. Market of non-road vehicles

In the first half of 2023, the domestic economy and society fully returned to normal, and the market got warm. However, affected by the weakening demand for infrastructure, the real estate investment still in the deep adjustment period, and insufficient commencement, construction machinery industry is still under greater pressure, while the agricultural machinery industry was significantly improved due to the recovery of agricultural demand. From January to June 2023, the sales of diesel internal combustion engines for construction machinery was 480,000, rising by 1.4% YOY; the sales of diesel internal combustion engines for agricultural machinery was 860,000, rising by 14.6% YOY.

(Note: The above industry data sources are from China Association of Automobile Manufacturers and China Internal Combustion Engine Industry Association.)

### **(IV) Business of the company in reporting period**

Since the beginning of this year, the Company has earnestly implemented the annual work objectives and plans, and actively grasped and responded to the opportunities and challenges of the industry. During the reporting period, operation revenue from the Company was 6.130 billion yuan, down by 14.12% YOY; the net profit attributable to shareholder of listed company amounted to 0.949 billion yuan, down by 13.05% YOY.

Main work carried out by the Company during the reporting period:

1. Strengthened collaborative marketing management and accelerated the expansion of new industry markets. Since the beginning of this year, the Company has strengthened the collaborative marketing of existing business and emerging business, and accelerated the expansion of key customer markets at home and abroad. Existing business: The market shares of post-processing

system purifier products kept rising, of which the year-on-year sales increase of gasoline purifier has exceeded 20%; batch production of diesel purifier T4 has been achieved in multiple key customer projects in non-road vehicle market. Batch production of gasoline supercharger has been achieved or PPAP has been completed in some customer projects; a number of new customer projects have been obtained for six cylinder diesel supercharger products, and small batch supply of methanol supercharger to key customers has been realized. The non-road vehicle market of distribution pump T4 was vigorously developed, and the installation in 51 major agricultural machinery customers have been completed. The generator and loader markets were actively expanded; the overseas export market of products such as in-line pumps grew rapidly. Emerging business: The sales of electric drive parts maintained high growth, among which sales of motor shaft products rose by 2.6 times YOY; the first announced model of wheel hub motor was released, and a number of new model customer projects were carried out simultaneously; the construction of domestic production line, debugging or trial production of a number of hydrogen fuel cell products such as membrane electrode, metal bipolar plate, alloy catalyst, electronic water pump, thermostat, hydrogen circulation pump and exhaust vent valve have been completed, and domestic and foreign customer projects are successfully expanded. The OTS engineering recognition documents for electronic oil pump products have been submitted to the head customers, and the products have been designated for a number of customer projects. The tripartite strategic cooperation has been reached with KargoBot and Arbe for 4D imaging radar products, and the first round of sample delivery and road testing have been completed; strategic cooperation has been reached with Shanxi Anshu Intelligent Technology to jointly promote the research and development and commercial application in the smart mine industry; testing and verification are actively carried out with a number of Oems customers.

2. Strengthened technology R&D, and accelerated the development of new products. Existing business: Successfully carried out the product reliability test of electronic fuel injection system 2200bar platform; Completed the sample functional verification and batch production manufacturing planning of dual-fuel direct injection product; Smoothly proceeded the development of low-carbon alternative fuel injection system. Completed the development and mass production of post-processing system platforms for light diesel vehicles, heavy diesel vehicles and non-road mobile machinery; Completed the development of post-processing systems for several plug-in hybrid vehicle models; Carried out the technical pre-research on products that meet national VII emission standard and alternative fuel post-processing products. The development of diesel and natural gas supercharger projects that meet national VI emission standard was stably in progress. Completed the small batch verification of several key customer projects; Completed the development and small batch supply of gasoline supercharger in the hybrid models of head new energy vehicle customers, which was in the ramp stage of mass production; Actively promoted the use of 48V electric supercharger in customer pre-research projects. Emerging business: Completed the production consistency verification of the pile core materials such as platinum-carbon catalyst and alloy catalyst production lines, as well as the commissioning and trial production of 1.1 million pieces/year membrane electrode domestic production line; Achieved stable production of hydrogen ejector, hydrogen isolation valve and hydrogen safety valve; Completed production preparation for hydrogen exhaust valve, electronic water pump and proportional three-way valve for batch production; Completed partial reliability tests for key BoP components such as 35/70 Mpa pressure relief valve and bottle valve, hydrogen circulating pump and air bearing. Achieved the demonstration operation for electrolytic water hydrogen production system, and launched the development of platform product. Completed sample review and trial production of scatter radar and in-cabin radar C; Continuously promoted the customer project development and industrialization capacity building for 4D imaging radar products.

3. Improved the operation quality of the strategic system, and promoted the investment layout of new business. Completed the review and evaluation of business strategic planning and strengthened the thermal management business and VH business capability planning, completed the strategic resource audit of hydraulic business, launched and promoted the strategic thematic studies on catalysts, coating technology and chassis; Acquired the land of hydrogen energy industrial park, and completed the preliminary design scheme and land application. Implemented the construction and investment of three global bases for hydrogen energy business, completed R&D and capacity expansion investment to graphite bipolar plate in IRD Europe and North America base and the metal bipolar plate in Borit Europe base, and accelerated the localization capacity building of Asia-Pacific base Weifu Qinglong joint venture; Finished the integration and collaboration after VH business acquisition; Carried out the research and exchanges on millimeter-wave radar enterprises, actively explored innovative cooperation models and deepened cooperation in

wheel hub motor business. Jointly carried out market research with strategic partners, and actively promoted the research on technical path of PEM water-electrolytic hydrogen production business. Established post-investment management system and regulated the post-investment governance of subsidiaries.

4. Strengthened intelligent quality management, and steadily promoted engineering construction. Launched FMS tooling management system and pilot implemented the phase I of WMS warehouse management system; Developed and tested MOM phase I manufacturing operation system; Completed the preliminary research on the iteration of TMS tool management system, EMS energy management system and PMS equipment management system; Deployed IoT platform in the pilot units to achieve full connectivity of equipment interconnection. Completed the process planning of new platform products of the technology center, promoted the standardization of process modules and launched phase II PLM development. Implemented Q11 quality criteria and continuously improve the development quality management capability; Deepened the quality improvement review mechanism, audited core products and estimated the hierarchical evaluation of all elements of the process on a regular basis. Constructed R&D building according to the milestone, finished the project planning and foundation construction of plant and station building on the lot 103, and proceeded the construction of the hydrogen energy industrial park as planned.

5. Strengthened operation quality, and improved operation efficiency. Improved the standardized management of tax-related terms of contracts is improved promoted the tax early warning analysis in an orderly manner, and optimized accounting process to improve operation efficiency; Strengthened business risk prevention, refine business data analysis, optimized product and improved profitability. Improved and optimized the existing systems and processes, invited external risk control experts for evaluation and training, continuously improved the risk control and management ability, and strengthened the risk detection and control at all levels of the Company. Improved business monitoring and analysis of lines and divisions, intensified deviation management and corrective action tracking; Set up overseas project offices and investigated on overseas subsidiary management and control mode; Developed and applied the phase II process operation analysis platform and document control platform. Evaluated status of procurement business, identified core problems and formulated optimization measures; Completed the basic development of warehouse standardization system of the Group. Optimized the talent structure, implement internal transfer and improved and the suitability of talents; Promoted the establishment of talent sharing mechanism with high-skilled positions as a pilot; Explored the international talent work exchange mechanism and business ability training program to build a sound international talent teams.

## II. Analysis on core competitiveness

1. Industry and brand advantages. Established in 1958, with more than sixty years of development, the Company has become a renowned manufacturer of auto parts in China and has established long-term and stable cooperation with major domestic OEMs and vehicle manufacturers. The existing core auto parts products such as automotive fuel injection system, exhaust gas post-processing system, air intake system and core parts of hydrogen fuel cell have strong market competitiveness and high market shares. The Company is a leading enterprise in the internal combustion engine industry in China as well as a Top 30 Enterprise in the auto parts industry in China.

2. Technology and product advantages. The Company is a national high-tech enterprise with scientific research platforms such as National Enterprise Technology Center, National High Technology Research and Development Program Achievement Industrialization Base, Postdoctoral Research Station, Jiangsu Provincial Postgraduate Workstation, as well as several provincial engineering technology research centers, provincial engineering laboratories and other R&D institutions, which mainly focus on fuel injection system for vehicles, exhaust gas post-processing system, air intake system, hydrogen fuel cell, intelligent network, thermal management system and other businesses for technological innovation and product development. The Company has acquired a number of key core technologies, with the technical indicators of its main products at the leading level in the industry. In recent years, the Company has made key strategic layout in the fields of green hydrogen energy and intelligent electric power, established the Institute of New Energy and Netlink Technology, and formed product technology R&D capabilities in core parts of hydrogen fuel cell, intelligent netlink, new energy thermal management system components, etc.

3. Management and manufacturing advantages. The Company features a perfect organizational structure, management system and process, as well as a financial sharing platform, which can realize the effective migration and stable operation of organization and personnel, business and accounting; The Company has built a human resource information system platform, so as to guarantee the timely and accurate standardization of basic data of organization, personnel, salary and attendance; The Company has established a procurement sharing system, which enables the interconnection of information between enterprises and suppliers that enables closed-loop management of the procurement process; The Company has implemented the Weifu Production System (WPS) with lean concept and established an overall process quality management system with relatively strong manufacturing, quality assurance, cost control and product delivery capabilities. With the focus on smart manufacturing, the Company has continued to build a smart factory with Weifu characteristics and promote the application of cloud computing and 5G network, which can strongly support the future business development of the Company.

4. Marketing and service advantages. The Company features a stable, professional and experienced marketing team, which can provide targeted support and services based on customer demands, as well as cordial customer relationships. With regard to long-term strategic customers, the Company has established a four-in-one marketing coordination group consisting of responsible leaders, key account managers, marketing departments and business divisions, and regular visits among the management of the companies to promote communication and cooperation. The Company has a relatively complete after-sales service system, and has built an after-sales service network, intelligent service platform, and set up special maintenance technical service stations nationwide to regularly train end-users in the use of maintenance and fault analysis and judgment, so as to provide customers with fast, timely and professional all-round after-sales services.

5. Talent team advantages. The management team of the Company has extensive experience in the auto parts industry with excellent industry reputation. The Company attaches importance to the growth of employees as well as the development of core talents. With years of accumulation, the Company has deposited a group of professional and high-quality management and technical talents and established a reasonable talent echelon, which provides a strong guarantee of human resources for the long-term and stable development of the Company. The human resource management system of the Company is relatively comprehensive, and the continuously optimized human resource management system has provided a fair platform for career development of employees to realize their values. The Company attaches importance to the service and care for employees, and aims to enhance the service experience of employees through the construction of employee self-help platform to create a working environment with warmth and a sense of belonging.

6. International cooperation advantages. The Company is committed to the core automotive parts industry and has long been cooperating with strategic partners at home and abroad in depth. The Company has been cooperating with industry giant Robert Bosch Company since 1984, and has established a long-term and stable cooperation relationship with Bosch and continuously expanded cooperation in new business areas, and the cooperation model between the two sides has become an industry model. Meanwhile, the Company has built joint ventures with Autocam in the United States and Schmidt in Germany, and cooperates closely in the field of high-end precision manufacturing. By long-term cooperation with renowned enterprises in Europe and the United States, the Company has cultivated a group of middle and senior management and technical personnel with international communication abilities, international visions and familiarity with international standards, and has mastered R&D process design, quality control and production management capabilities with international advanced levels, which has promoted favorable development of the business of the Company as well as international business and market development.

7. Excellent corporate culture with the mission of “Better Life Powered by Quality and Intelligence” and the vision of “Centennial Weifu Expert in Core Auto Parts Industry”, the Company has practiced the core values of “Focus, Innovation, Commitment and Integration” while adopting the enterprise spirit of “Being Practical, Being Courageous, Being Cooperative and Being Pioneering”. The Company has been building a culture system of “Quality and Intelligence”, with “Quality” and “Intelligence” as the twin engines of the corporate culture, which reflect the adherence to the original intention and the pursuit of the future. The excellent corporate culture has provided strong support for the continued operational excellence of the Company and its growth into a trustworthy and respected industrial expert, thereby playing an active role in the achievement of the strategic goals of the Company.

### III. Analysis of the main businesses

#### Summary

Please refer to the relevant content of “I. Major business of the company within the reporting period”.

#### Year-on-year changes in major financial data

In RMB

	Amount in current period	Amount in last period	Year-on-year increase(+)/decrease(-)	Reason
Operation income	6,129,649,047.40	7,137,172,857.97	-14.12%	
Operation cost	5,163,871,731.26	6,026,454,182.03	-14.31%	
Sales expense	103,031,481.40	79,020,592.43	30.39%	Mainly due to the inclusion of newly acquired companies VHIO and VH WX in the consolidated
Administration expense	299,195,729.59	277,212,254.79	7.93%	
Financial expense	38,462,182.45	29,774,064.57	29.18%	Mainly due to increase in loan interest
Income tax expense	29,332,279.74	55,645,075.75	-47.29%	Mainly due to decrease in taxable income
R&D expense	351,887,038.12	289,631,376.50	21.49%	
Net cash flows arising from operating activities	1,089,961,237.42	-2,493,982,044.89	143.70%	Mainly due to cash outflow of platform trade during the same period last year
Net cash flows arising from investing activities	244,240,067.48	1,556,579,998.88	-84.31%	Mainly due to decrease in the scale of financial management and a year-on-year decrease in the maturing amount
Net cash flows arising from financing activities	-1,253,388,210.29	1,338,690,663.84	-193.63%	Mainly due to decrease in borrowing inflows and increase in repayment expenses; Simultaneously sharing dividends reduced expenses
Net increase of cash and cash equivalents	110,347,069.15	396,766,366.07	-72.19%	

#### Significant changes in the composition or source of profits of the company during the reporting period

Applicable  Not applicable

There have been no significant changes in the composition or source of profits of the company during the reporting period.

#### Composition of operation revenue

In RMB

	Amount in current period		Amount in last period		Year-on-year increase(+)/decrease(-)
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	
Total operation revenue	6,129,649,047.40	100%	7,137,172,857.97	100%	-14.12%
By industry					

Automotive components	6,052,163,689.76	98.74%	6,928,141,770.13	97.07%	-12.64%
Other business	77,485,357.64	1.26%	209,031,087.84	2.93%	-62.93%
<b>By product</b>					
Automotive fuel management system	3,071,891,040.17	50.12%	3,439,477,050.57	48.19%	-10.69%
Automotive post-processing system	2,088,560,385.02	34.07%	3,228,708,237.85	45.24%	-35.31%
Air intake system	281,223,149.82	4.59%	259,956,481.71	3.64%	8.18%
Other automotive components	610,489,114.75	9.96%			
Other business	77,485,357.64	1.26%	209,031,087.84	2.93%	-62.93%
<b>By region</b>					
Domestic	5,232,339,300.50	85.36%	6,871,657,539.46	96.28%	-23.86%
Abroad	897,309,746.90	14.64%	265,515,318.51	3.72%	237.95%

The industries, products, regions or sales model accounting for over 10% of the Company's operation revenue or operation profit

Applicable  Not applicable

In RMB

	Operation revenue	Operation cost	Gross profit ratio	Year-on-year increase(+)/decrease(-) of operation revenue	Year-on-year increase(+)/decrease(-) of operation cost	Year-on-year increase(+)/decrease(-) of gross profit ratio
<b>By industry</b>						
Automotive components	6,052,163,689.76	5,137,115,309.66	15.12%	-12.64%	-12.34%	-0.29%
<b>By product</b>						
Automotive fuel management system	3,071,891,040.17	2,492,332,782.36	18.87%	-10.69%	-8.28%	-2.13%
Automotive post-processing system	2,088,560,385.02	1,898,695,007.05	9.09%	-35.31%	-35.43%	0.16%
Air intake system	281,223,149.82	211,787,842.02	24.69%	8.18%	4.44%	2.70%
Other automotive components	610,489,114.75	534,299,678.23	12.48%			
<b>By region</b>						
Domestic sales	5,154,853,942.86	4,318,504,557.61	16.22%	-22.63%	-23.01%	0.40%
Foreign sales	897,309,746.90	818,610,752.05	8.77%	237.95%	225.42%	3.51%

If the statistical caliber of the Company's main business data is adjusted during the reporting period, the Company's main business data for the most recent period will be adjusted based on the caliber at the end of the reporting period

Applicable Not Applicable

#### IV. Analysis of the non-main business

Applicable Not applicable

In RMB

	Amount	Ratio in total profit	Cause description	Whether be sustainable
Investment earnings	811,406,633.49	80.21%	Investment earnings mainly form the two joint ventures (RBCD and Zhonglian Electronics) with stock participated by the Company	Yes (The joint ventures RBCD and Zhonglian Electronics have stable production and operation , so the investment returns can be sustained and stable)
Gain/loss of fair value changes	-18,069,553.29	-1.79%	Mainly from changes in fair value of stocks of Guolian Securities held by the company	
Asset impairment	-90,263,537.00	-8.92%		
Non-operating income	2,707,696.00	0.27%		
Non-operating expense	758,381.69	0.07%		

## V. Assets and liability analysis

### 1. Major changes of assets composition

In RMB

	End of current period		End of last period		Ratio changes (+/-)	Note of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary funds	2,487,786,142.04	8.77%	2,389,551,930.76	8.38%	0.39%	
Account receivable	3,317,387,077.56	11.70%	3,127,490,177.25	10.96%	0.74%	
Inventory	1,921,084,065.82	6.78%	2,283,119,656.27	8.00%	-1.22%	
Investment real estate	56,185,135.36	0.20%	49,296,869.73	0.17%	0.03%	
Long-term equity investment	5,187,995,234.43	18.30%	6,282,818,108.96	22.02%	-3.72%	
Fixed assets	3,745,590,665.96	13.21%	3,769,984,185.94	13.21%	0.00%	
Construction in progress	639,963,756.99	2.26%	509,105,587.49	1.78%	0.48%	
Right-of-use assets	39,364,840.80	0.14%	41,865,100.38	0.15%	-0.01%	
Short-term borrowings	2,256,900,925.45	7.96%	3,604,376,527.82	12.63%	-4.67%	Repay of borrowings
Contract liabilities	104,491,724.54	0.37%	94,850,083.23	0.33%	0.04%	
Long-term borrowings	600,000,000.00	2.12%	238,000,000.00	0.83%	1.29%	Adjustment of financing structure
Lease liability	30,799,799.49	0.11%	31,589,277.20	0.11%	0.00%	
Other receivables	2,874,547,071.97	10.14%	1,264,507,456.47	4.43%	5.71%	Dividends from participating company
Including: dividends receivable	1,955,605,474.71	6.90%	147,000,000.00	0.52%	6.38%	

### 2. Major foreign assets

Applicable Not applicable



Specific content of assets	Cause of formation	Asset scale	Location	Operation model	Control measures to ensure asset security	Revenue	The proportion of overseas assets to the company's net assets	Is there a significant impairment risk?
IRD	Business combinations not under common control	RMB 349,515,400.00	Denmark	A wholly-owned subsidiary of the company, engaged in R&D, production, and sales of fuel cell components	The company will fully pay attention to changes in the industry and market, strengthen corporate governance, personnel management, financial management, audit supervision, and performance evaluation	Nil	1.88%	NO
Borit	Business combinations not under common control	RMB 224,288,000.00	Belgium	A wholly-owned subsidiary of the company, engaged in R&D, production, and sales of fuel cell components	The company will fully pay attention to changes in the industry and market, strengthen corporate governance, personnel management, financial management, audit supervision, and performance evaluation	Nil	1.21%	NO
VHIO	Business combinations not under common control	RMB 735,591,400.00	Italy	A wholly-owned subsidiary of the company, engaged in R&D, production, and sales of fuel cell components	The company will fully pay attention to changes in the industry and market, strengthen corporate governance, personnel management, financial management, audit supervision, and performance evaluation	RMB 5,082,200.00	3.97%	NO

### 3. Assets and liability measured by fair value

Applicable  Not applicable

In RMB

Items	Amount at the beginning period	Changes of fair value gains/losses in current period	Accumulative changes of fair value reckoned into equity	Devaluation of withdrawing in the period	Amount of purchase in the period	Amount of sale in the period	Other changes (+,-)	Amount at period-end
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Financial assets								
1.Trading financial assets(excluding derivative financial assets)	4,045,429,568.87	- 18,069,553.29			1,171,700,000.00		- 1,782,519,164.30	3,416,540,851.28
2.Other equity instrument investment	677,790,690.00							677,790,690.00
3.Receivable financing	1,918,368,845.21						1,979,360.83	1,920,348,206.04
Subtotal of financial assets	6,641,589,104.08	- 18,069,553.29			1,171,700,000.00		- 1,780,539,803.47	6,014,679,747.32
Above total	6,641,589,104.08	- 18,069,553.29			1,171,700,000.00		- 1,780,539,803.47	6,014,679,747.32
Financial liabilities	747,115.75						-9,691.25	737,424.50

Other changes: Maturity redemption

Whether there have major changes on measurement attributes for main assets of the Company in reporting period or not

Yes  No

#### 4. The assets rights restricted till end of the period

In RMB

Item	Book value at period-end	Restriction reason
Monetary funds	18,840,000.00	USD margin for foreign exchange contract
Monetary funds	12,066,812.90	Cash deposit paid for bank acceptance
Monetary funds	7,935,750.00	IRD performance bond
Monetary funds	211,620.00	Cash deposit for Mastercard
Monetary funds	5,000.00	ETC freezing
Note receivable	37,607,161.90	Notes pledge for bank acceptance
Receivable financing	825,831,044.39	Notes pledge for bank acceptance
Total	902,497,389.19	

## VI. Investment analysis

### 1. Overall situation

Applicable  Not applicable

### 2. Major equity investment obtained in the reporting period

Applicable  Not applicable

### 3. Major non-equity investment in progress in the reporting period

Applicable  Not applicable

**4. Financial assets investment****(1) Securities investment**
 Applicable  Not applicable

In RMB

Variety of securities	Code of securities	Short form of securities	Initial investment cost	Accounting measurement model	Book value at the beginning of the period	Current gain/loss of fair value changes	Cumulative fair value changes in equity	Current purchase amount	Current sales amount	Profit and loss in the Reporting Period	Book value at the end of the period	Accounting subject	Capital Source
Domestic and foreign stocks	600841	SNAT	199,208,000.00	Measured by fair value	78,834,732.00	389,628.00				389,628.00	79,224,360.00	Trading financial asset	Own fund
Domestic and foreign stocks	002009	Miracle Automation	69,331,500.00	Measured by fair value	66,693,600.00	4,333,200.00				4,333,200.00	71,026,800.00	Trading financial asset	Own fund
Domestic and foreign stocks	601456	Guolian Securities	12,000,000.00	Measured by fair value	186,608,914.00	-25,266,527.00				-25,266,527.00	161,342,387.00	Trading financial asset	Own fund
Domestic and foreign stocks	601777	Lifan Technology	62,845.00	Measured by fair value	48,516.34	-3,645.01				-3,645.01	44,871.33	Trading financial asset	Own fund
Domestic and foreign stocks	000980	Zoyte Auto	613,265.48	Measured by fair value	462,414.48	-195,386.40				-195,386.40	267,028.08	Trading financial asset	Own fund
Total			281,215,610.48	--	332,648,176.82	-20,742,730.41	0.00	0.00	0.00	-20,742,730.41	311,905,446.41	--	--
Disclosure date of securities investment approval of the Board			2012-03-24										
			2013-06-04										

**(2) Derivative investment**
 Applicable  Not applicable

There were no derivative investments during the reporting period.

**5. Application of raised proceeds**

Applicable  Not applicable

There was no application of raised proceeds during the reporting period.

**VII. Sales of major assets and equity****1. Sales of major assets**

Applicable  Not applicable

No major assets were sold during the reporting period.

**2. Sales of major equity**

Applicable  Not applicable

**VIII. Analysis of the main controlling and participating companies**

Applicable  Not applicable

Main subsidiary and participating enterprises with over 10% influence on net profit of the Company

In RMB

Company name	Type	Main business	Register capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
WFLD	Subsidiary	Exhaust gas post-processing system	502,596,300.00	5,740,344,182.31	2,628,361,794.20	2,175,323,269.69	54,134,159.64	71,083,391.94
WFJN	Subsidiary	Automotive fuel injection system	346,286,825.80	1,610,946,075.29	1,196,325,195.21	362,347,975.32	161,276,390.84	140,705,646.86
RBCD	Equity participation enterprise	Automotive fuel injection system	USD 382,500,000.00	20,107,970,902.96	6,533,322,410.35	6,130,896,971.82	1,565,470,094.53	1,418,441,731.89
Zhonglian Electronics	Equity participation enterprise	Gasoline system products	600,620,000.00	8,691,000,364.21	7,276,758,681.38	12,971,075.74	898,156,995.21	896,728,440.91

Subsidiary acquired and disposed in the Period

Applicable  Not applicable

Description of major equity participation enterprises

During the reporting period, the operation income and net profit of WFLD dropped significantly, mainly due to the fluctuation of precious metal prices; the net profit of WFJN rose greatly YOY as it received government demolition compensation of 119 million yuan.

**IX. Structured subject controlled by the company**

Applicable  Not applicable

## **X. Risks faced by the company and corresponding measures**

### **1. Macroeconomic and market risks**

The current macroeconomic and market environment is still complex and severe, and the auto industry will still face greater pressure. If the demand of the auto industry declines, it will have a certain impact on the production and operation and profitability of the Company.

Countermeasures: The company will always pay attention to the macroeconomic and industry development trends, consolidate the existing business market position, actively expand new business, and strive to improve the core competitiveness and overall anti-risk capability of the Company.

### **2. Operation management and control risks**

With the acceleration of international layout, the scope of new strategic business continues to expand, especially in the field of new energy, the management span is large, and there are potential management and investment risks.

Countermeasures: The Company will continue to improve and optimize internal management, improve the process, further regulate management, and control business risks; strengthen international business control, accelerate the construction of international talent team, and meet the needs of strategic development of the enterprise.

### **3. Risk of raw material price fluctuations**

The main raw materials of the Company include various grades of steel, aluminum, precious metals, etc. the Company's cost will rise in case of continuous price rise.

Countermeasures: The Company will actively improve market forecasting capability, plan production capacity in advance, reasonably control raw material inventory to reduce the risk of raw material price fluctuations. Besides, the Company will optimize supply chain management, strengthen the vertical integration capability of the industrial chain, and transfer part of risks through cost control measures and product price adjustment to reduce the impact of raw material price fluctuations on performance.

### **4. Risks associated with financial instruments**

The main financial instruments of the Company include monetary capitals, structural deposits, receivables, investments in equity instruments, financial products, borrowings and accounts payable. During the operation, the risks associated with financial instruments mainly include credit risk, market risk and liquidity risk.

Countermeasures: The Company will identify and analyze various risks, establish an appropriate risk tolerance bottom line and conduct risk management, supervise various risks in a timely manner, ensure that risks are controlled within a limited range, minimize the negative impact of risks on the business performance, and maximize the interests of shareholders and other investors.

## Section IV. Corporate Governance

### I. Annual shareholders' general meeting and extraordinary shareholders' general meeting held during the reporting period

#### 1. Annual shareholders' general meeting during the reporting period

Ordinal number of meeting	Type	Ratio of investor participation	Date	Date of disclosure	Resolution of meeting
Annual general meeting of 2022	AGM	40.58%	2023-05-26	2022-05-27	(Notice No.: 2023-026) published on CNINFO website(www.cninfo.com.cn)
1 <sup>st</sup> extraordinary general meeting of 2023	Extraordinary general meeting	39.77%	2023-06-19	2023-06-20	(Notice No.: 2023-036) published on CNINFO website(www.cninfo.com.cn)

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

Applicable  Not applicable

### II. Changes in directors, supervisors and senior officers of the company

Applicable  Not applicable

Name	Title	Type	Date	Reason
Ou Jianbin	Director	Leave office	2023-06-19	The company's shareholders proposed to dismiss his title of director
Miao Yuming	Vice GM	Dismissed	2023-05-26	Retire
Feng Zhiming	Vice GM	Employed	2023-06-01	
Feng Zhiming	Director	Elected	2023-06-19	

### III. Profit distribution plan and transfer of capital reserve into share capital

Applicable  Not applicable

There are no cash dividend, bonus and capitalizing of common reserves carried out in the semi-annual

### IV. Implementation of the company's stock incentive scheme, employee stock ownership plan or other employee incentives

Applicable  Not applicable

#### 1. Stock incentive

On October 12, 2020, the Company held the 17<sup>th</sup> meeting of the 9<sup>th</sup> session of BOD to deliberate and approve relevant proposal as the "Restricted Stock Incentive Plan 2020 (Draft)".

On November 3, 2020, the Company held the second extraordinary shareholders' general meeting of 2020 to deliberate and approve relevant proposals as the "Restricted Stock Incentive Plan 2020 (Draft) and its summary", "Proposal on Assessment Management Measures for Restricted Stock Incentive Plan Implementation" and "Proposal to Request the Shareholders' General Meeting to Authorized BOD to Fully Handle Matters Regarding Stock Incentive".

On November 12, 2020, the Company held the 21st meeting of 9th session of the BOD, as authorized by the second extraordinary shareholders' general meeting of 2020, deliberated and approved the "Proposal on Adjusting the List of Incentive Objects of the Restricted Stock Incentive Plan 2020 and the Number of Rights Granted" and the "Proposal on the First Grant of Restricted Stocks to Incentive Objects of the Restricted Stock Incentive Plan 2020". The BOD considers that conditions for the initial grant of restricted stock incentive plan 2020 have been met, and November 12, 2020 is determine as the initial grant date, 19,540,000 restricted shares are granted to 601 incentive recipients at a grant price of 15.48 yuan/Share.

The Notice on Completion of the First Grant of Restricted Stock Incentive Plan 2020 was released by the Company dated December 8, 2020.

On October 22, 2021, the Company held the 5<sup>th</sup> meeting of 10<sup>th</sup> session of the BOD to deliberate and approve relevant proposals as Adjustment of the Buy-back Price on Restricted Stock Incentive Plan 2020 and Buy-back and Cancellation of the Restricted Stocks Partially Granted without Circulation for year of 2020, and decided to buy-back and cancel 291,000 restricted shares held by 11 incentive recipients that had been granted but not yet unlocked. As of December 20, 2021, cancellation of the above mentioned buy-back shares are completed at the Shenzhen Branch of CSDC. After cancellation, number of the incentive recipients for the first grant of restricted stock incentive plan 2020 was adjusted from 601 to 590, restricted stock of 19,249,000 shares are being held in total.

On December 7, 2022, the Company held the 14<sup>th</sup> meeting of 10<sup>th</sup> session of the BOD, and deliberated and passed the Proposal on the Achievement of the Conditions for the Release of Restricted Shares in the First Restricted Period of the Restricted Stock Incentive Plan 2020, the Proposal on Adjustment of the Buy-back Price on Restricted Stock Incentive Plan 2020 and the Proposal on Buy-back and Cancellation of the Restricted Stocks Partially Granted without Circulation for year of 2020. It agreed to apply for the release of 7,632,000 restricted stocks granted to 581 incentive recipients and decided to buy-back and cancel 430,000 restricted shares held by 23 incentive recipients that had been granted but not yet unlocked. On December 16, 2022, the shares released from this restricted sale were formally available for circulation. As of February 16, 2023, the Company completed the buy-back and cancellation procedures for the aforementioned 430,000 shares at Shenzhen branch of China Securities Depository and Clearing Co., Ltd. After this cancellation, the number of incentive recipients granted for the first time by the Company's restricted stock incentive plan 2020 was adjusted from 590 to 568, holding 11,187,000 restricted stock in total.

On April 26, 2023, the Company held the 16<sup>th</sup> meeting of the 10<sup>th</sup> session of the BOD, deliberated and adopted the "Proposal on Repurchase Cancellation of Part of Restricted Shares of Restricted Stock Incentive Plan 2020", and decided to conduct repurchase cancellation of a total of 5,593,500 restricted shares of 568 incentive objects that had been granted but did not meet the conditions for lifting the restriction. As of June 16, 2023, the Company has completed the repurchase cancellation procedures of the above-mentioned shares at China Securities Depository and Clearing Corporation Limited, Shenzhen Branch. After the cancellation, there are 568 incentive objects granted for the restricted stock incentive plan 2020, holding a total of 5,593,500 restricted stocks.

## 2. Implementation of employee stock ownership plan

Applicable Not applicable

## 3. Other employee incentives

Applicable Not applicable

# Section V. Environmental and Social Responsibility

## I. Major environmental issues

The listed Company and its subsidiary whether belongs to the key sewage units released from environmental protection department

Yes  No

Administrative punishment for environmental problems during the reporting period

### Policies and industry standards related to environmental protection

Wuxi Weifu High-Tech Group Co., Ltd. and its subsidiaries diligently fulfill environmental protection policies and guidelines at all levels during production and operation, strictly comply with related national environmental protection laws and regulations such as *Environmental Protection Law of the People's Republic of China, Environmental Impact Assessment Law of the People's Republic of China, Air Pollution Prevention and Control Law of the People's Republic of China, Water Pollution Prevention and Control Law of the People's Republic of China, Solid Waste Pollution Prevention and Control Law of the People's Republic of China, Noise Pollution Prevention and Control Law of the People's Republic of China, Energy Conservation Law of the People's Republic of China, Cleaner Production Promotion Law of the People's Republic of China, Environmental Protection Tax Law of the People's Republic of China, Measures for the Management of Hazardous Waste Transfer, Regulations on Environmental Protection of Construction Projects, Regulations on the Administration of Emission Permits* as well as related local environmental protection management rules and regulations, regularly collect newly promulgated laws and regulations on ecological and environmental protection at all levels, and perform compliance evaluation transformation by combining with production reality to ensure compliance with the law at all times in the production and operation of the Company.

In the process of production, the Company has constructed comprehensive waste gas and waste water treatment facilities and solid waste storage facilities in strict accordance with the requirements of related standards such as *Standards for Comprehensive Sewage Discharge, Water Quality Standards for Sewage Discharge into Urban Sewers, Comprehensive Emission Standards for Air Pollutants, and Pollution Control Standards for Hazardous Waste Storage*, and guaranteed stable operation, in an effort to minimize the negative impact of production and operation on the ecological environment.

### Administrative licenses for environmental protection

All the construction projects of Wuxi Weifu High-Tech Group Co., Ltd. and its subsidiaries have been prepared with environmental impact reports (forms), and have been approved by the local ecological and environmental authorities, and all have obtained emission permits (registrations) in accordance with the requirements of laws and regulations, and the emission permits (registrations) to expire in 2022 have been changed or renewed in a timely manner, thereby effectively achieving licensed emission and legal and compliant emission.

*Discharge Permit of WFHT*, valid period: from March 27, 2020 to March 26, 2023;

*Discharge Permit of WFJN*, valid period: From September 24, 2022 to September 23, 2027;

*Discharge Permit of WFCA*, valid period: from December 31, 2020 to December 30, 2023.

### Industry emission standards and the specific situation of pollutant emissions involved in production and business activities

Company/Subsidiary	Main pollutants and specific pollutants	Name of main pollutants and specific pollutants	Emission mode	Number of emission outlets	Distribution of emission outlets	Emission concentration/strength	Standard for emission of pollutants implemented	Total emissions	Total emissions approved	Excessive emission



WFHT	Water pollutant	Chemical oxygen demand, ammonia nitrogen, total nitrogen, total phosphorus, petroleum	Discharged through municipal sewage network after being treated by the sewage treatment station of the Company	1	WFMS sewage outfall	Chemical oxygen demand 158mg/L, ammonia nitrogen 25.7mg/L, total phosphorus 0.311mg/L, total nitrogen 28.3mg/L, petroleum 1.75mg/L	Wastewater quality standards for discharge to municipal sewers (GB/T31962-2015)	Chemical oxygen demand 18.13 tons, ammonia nitrogen 2.95 tons, total phosphorus 0.036 tons, total nitrogen 3.25 tons, petroleum 0.2 tons	Chemical oxygen demand 78 tons, ammonia nitrogen 7.8 tons, total phosphorus 0.52 tons, total nitrogen 10.4 tons, petroleum 1.95 tons	Nil
WFHT	Water pollutant	Chemical oxygen demand, ammonia nitrogen, petroleum, total nitrogen, petroleum	Discharged through municipal sewage network after being treated by the sewage treatment station of the Company	1	WFAC sewage outfall	Chemical oxygen demand 56mg/L, ammonia nitrogen 0.899mg/L, total nitrogen 21.4mg/L, total phosphorus 2.22mg/L, petroleum 7.39mg/L	Wastewater quality standards for discharge to municipal sewers (GB/T31962-2015)	Chemical oxygen demand 0.0654 tons, ammonia nitrogen 0.001 tons, total nitrogen 0.025 tons, total phosphorus 0.00259 tons, petroleum 0.0086 tons	Chemical oxygen demand ≤8.924 tons, ammonia nitrogen ≤0.682 tons, total nitrogen ≤1.017 tons, total phosphorus ≤0.094 tons, petroleum ≤0.410 tons	Nil
WFHT	Air pollutant	Total non-methane hydrocarbons	Organized emission after being absorbed by oil mist processor + activated carbon	17	5 in the machining workshop, 10 in the thermal treatment workshop, 2 in the assembly workshop	2.11mg/m <sup>3</sup> ; 2.02 mg/m <sup>3</sup> ; 2.99 mg/m <sup>3</sup> ; 2.1 mg/m <sup>3</sup> ; 2.39 mg/m <sup>3</sup> ; 4.47 mg/m <sup>3</sup> ; 1.43 mg/m <sup>3</sup> ; 1.63 mg/m <sup>3</sup> ; 2.63 mg/m <sup>3</sup> ; 3.32 mg/m <sup>3</sup> ; 2.67 mg/m <sup>3</sup> ; 1.96 mg/m <sup>3</sup> ; 1.53 mg/m <sup>3</sup> ; 4.42 mg/m <sup>3</sup> ; 2.07 mg/m <sup>3</sup> ; 4.7 mg/m <sup>3</sup> ; 3.55 mg/m <sup>3</sup>	Comprehensive emission standard of air pollutants (GB16297-1996)	1.35 t	2.523 t	Nil
WFHT	Air pollutant	Total non-methane hydrocarbons	Organized emission after being absorbed by oil mist processor + activated carbon	5	4 in 101 workshop, 1 in 104 workshop	4.73mg/m <sup>3</sup> ; 5.24 mg/m <sup>3</sup> ; 5.53 mg/m <sup>3</sup> ; 5.7mg/m <sup>3</sup> ; 3.26 mg/m <sup>3</sup>	Comprehensive emission standard of air pollutants (GB16297-1996)	0.704 t	1.5529 t	Nil
WFHT	Air pollutant	Ammonia gas	Organized emission after being absorbed by ammonia gas spray tower	1	1 in the thermal treatment workshop	0.92 mg/m <sup>3</sup>	Emission of standards for odor pollutants (GB14554-93)	0.0326 t	0.071 t	Nil
WFHT	Air pollutant	Particulate matter	Organized emission after being treated by bag dust collector	2	2 in the thermal treatment workshop	2.6mg/m <sup>3</sup> ; 2.13 mg/m <sup>3</sup>	Comprehensive emission standard of air pollutants (GB16297-1996)	0.0032 t	0.048 t	Nil

WFHT	Solid waste	Waste oil, waste emulsion, washing waste liquid, grinding wheel ash, sewage pretreatment sludge, oil-containing filter and other hazardous wastes	Disposed by institutions with legal qualification	NA	NA	NA	NA	438.3 t	1757.5 t	Nil
WFCA	Water pollutant	Chemical oxygen demand, ammonia nitrogen, total phosphorus, total nitrogen, suspended matter	Discharged through municipal sewage network after being treated by the sewage treatment station of the Company	1	Sewage outfall	Chemical oxygen demand 68mg/L, suspended matter 16mg/L, ammonia nitrogen 1.57mg/L, total phosphorus 0.07mg/L, total nitrogen 6.04mg/L	Wastewater quality standards for discharge to municipal sewers (GB/T31962-2015)	Chemical oxygen demand 3.339 tons, suspended matter 0.6329 tons, ammonia nitrogen 0.2122 tons, total phosphorus 0.0026 tons, total nitrogen 0.32 tons	Chemical oxygen demand 35.018 tons, suspended matter 26.263 tons, ammonia nitrogen 2.626 tons, total phosphorus 0.438 tons, total nitrogen 3.502 tons	Nil
WFJN	Water pollutant	Chemical oxygen demand, ammonia nitrogen, total phosphorus, petroleum	Discharged through municipal sewage network after being treated by the sewage treatment station of the Company	1	Sewage outfall	Chemical oxygen demand 94mg/L, ammonia nitrogen 16mg/L, total phosphorus 0.46mg/L, petroleum 0.09mg/L	Wastewater quality standards for discharge to municipal sewers (GB/T31962-2015)	Chemical oxygen demand 3 tons, ammonia nitrogen 0.5 tons, total phosphorus 0.01 tons, petroleum 0.003 tons	NA	Nil
WFJN	Solid waste	Waste oil, oily sludge, grinding wheel ash, empty drum, activated carbon, filter element and other hazardous wastes	Disposed by institutions with legal qualification	NA	NA	NA	NA	170 t	NA	Nil

### Treatment of pollutants

The Company mainly focuses on mechanical processing. Metal processing mainly produces oil mist exhaust gas (non-methane total hydrocarbon), among which the oil mist exhaust gas generated in workshop 101 is discharged through four 15m-high exhaust funnels after being treated by high-efficiency oil mist purifier; the oil mist exhaust gas generated by MS machining workshop is discharged through four 15m-high exhaust funnels after being treated by high-efficiency oil mist purifier; the washing exhaust gas (non-methane total hydrocarbon) is discharged through two 15m-high exhaust funnels after being treated by the high-efficiency oil mist purifier + activated carbon adsorption device; the quenching exhaust gas (non-methane total hydrocarbon) is discharged through three 15m-high exhaust funnels after being treated by the high-efficiency oil mist purifier; the test exhaust gas (non-methane total hydrocarbon) is discharged through one 15m-high exhaust funnel after being treated by the high-efficiency oil mist purifier; the shot blasting exhaust gas (particulate matter) is discharged through two 15m-high exhaust funnels after being treated

by the bag dust collector; the exhaust gas (ammonia, methanol, non-methane total hydrocarbon) generated in carbonitriding process is discharged through one 15m-high exhaust funnel after being treated by the acid spray tower; the carbonitriding exhaust gas (non-methane total hydrocarbon) is discharged through six 15m-high exhaust funnels after being treated by flame screen combustion + activated carbon adsorption device; the rest exhaust gas is discharged to the standard in the workshop through fugitive emission.

The Company has built two sewage treatment stations with the designed treatment capacity of 1600m<sup>3</sup>/d and 150 m<sup>3</sup>/d in WFMS factories. After being adjusted in the air flotation tank, the production wastewater then will be discharged into the biochemical system of the sewage station together with the domestic sewage treated by septic tanks and grease traps for treatment, and the treated sewage will be discharged via the municipal pipe network according to the standard.

WFCA has built a sewage treatment station with a designed treatment capacity of about 300m<sup>3</sup>/d in the factory. After being adjusted by the air flotation tank, the production wastewater is discharged into the biochemical system of the sewage station for treatment together with the domestic sewage treated by septic tanks and grease traps, and the treated sewage is discharged via the municipal pipe network according to the standard.

WFNJ has built a set of industrial sewage treatment station with a designed treatment capacity of about 150m<sup>3</sup>/d and a domestic sewage treatment station with a treatment capacity of about 450m<sup>3</sup>/d in the factory area. After being adjusted by the air flotation tank, the industrial wastewater will be discharged into the biochemical system of the sewage station together with the domestic sewage treated by septic tanks and grease traps for treatment, and the treated sewage will be discharged via the municipal pipe network according to the standard.

#### **Emergency plan for environmental emergencies**

The Company and its subsidiaries have compiled the *Emergency Plan for Sudden Environmental Events* in accordance with the standards and specifications, combined with the actual production situation of the Company, and have filed it after the review organized by relevant local departments, and revised it on schedule. During the reporting period, the Company carried out comprehensive emergency plan drills and special emergency plan drills according to the annual emergency drill plan, and summarized and evaluated the drills and improved the corresponding emergency measures.

#### **The investment in environmental governance and protection and the relevant situation of paying environmental protection tax**

The Company and its subsidiaries have set up complete environmental protection treatment facilities in accordance with the requirements of the EIA reply and the current environmental management requirements, and reached the discharge standard of all air pollutants and water pollutants. The Company has built compliant storage facilities to store solid wastes and entrusted qualified units for disposal, running at the leading level in the industry in terms of investment in environmental protection. During the reporting period, the Company and its subsidiaries have paid environmental protection taxes on a quarterly basis in accordance with the requirements of laws and regulations.

#### **Environmental self-monitoring program**

During the reporting period, the Company and its subsidiaries have compiled the *Environmental Self-monitoring Plan for 2023* in accordance with relevant management requirements and norms, and passed the review and filing by local ecological and environmental authorities. According to the requirements of the scheme, a qualified third party agency has been entrusted to monitor the company's waste gas, waste water and noise on a regular basis. All monitoring data have been disclosed on national and local self-monitoring platforms in accordance with the *Measures for Self-monitoring and Information Disclosure of State Key Monitoring Enterprises (Trial)* and supervised by the public. The monitoring data are in line with national and local standards, and there is no excessive discharge found.

#### **Administrative penalties for environmental problems during the reporting period**

Nil

#### **Other information about the environment that shall be disclosed**

During the reporting period, the Company and its subsidiaries have regularly filled in the implementation reports (quarterly reports and annual reports) of pollutant discharge permits in accordance with national and local laws and regulations. All air pollutants

and water pollutants have been released in accordance with the standards, and hazardous wastes have been disposed of by qualified units, and the transfer slip system has been strictly implemented.

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

Applicable Not applicable

As an important part of the company's core value, saving resources and reducing consumption, on the one hand, are conducive to the improvement of enterprise efficiency, and at the same time, are also conducive to the improvement of resource utilization rate of the whole society. Therefore, the company continuously improves resource utilization rate through technological innovation, vigorously promotes energy conservation and emission reduction, and strives to achieve green production.

The company's existing main business is based on the energy saving and emission reduction of automobiles. At present, the company's main products have all met the requirements of national emission regulations, and we are actively stocking products that meet more stringent emission regulations. In recent years, the company has accelerated the layout and development of new energy businesses such as green hydrogen energy and intelligent electric power, which helps achieve the goals of peak carbon dioxide emissions and carbon neutrality.

#### **Other environmental information**

Nil

## **II. Social responsibility**

During the reporting period, the Company continued to advocate the volunteer spirit of "humanity, philanthropism and dedication". Through various channels such as Wuxi Federation of Trade Unions, Wuxi Red Cross Society, Wuxi Industry Development Group, and Weifu Group Public Welfare Mutual Aid Fund, the Company solved problems and difficulties for employees, and carried out in-depth assistance work in disease relief, education assistance, difficulty relief and other public welfare. A total of 191 employees have been helped, with a total amount of more than 480,000 yuan. The Company organized employees to donate 75,000 yuan to Wuxi Red Cross Society, and won "Wuxi Red Cross Fundraising Organization Award" for years. The Company timely gave a hand to the families of employees who were impoverished due to accidents, organized donations of more than 110,000 yuan, and sent the donations to the families of employees at the first time. The Company attached great importance to the health and safety of employees, carried out free clinic public service activities, and organized employees to learn the knowledge of cardiopulmonary resuscitation, Heimlich manoeuvre, hypertension prevention and treatment.; the Company organized employees to carry out public welfare activities of "I'm responsible for beautifying the environment" and "protect the city, start from me" in the spare time; In the hot weather, the Company donated drinking water to the police station. Over the years, the Company has actively fulfilled its corporate social responsibility, paid attention to environmental protection, employee well-being and social welfare, established a good corporate image, and contributed positive forces to promoting environmental sustainable development and creating a better society.

## Section VI. Important Matters

### I. Undertakings that the actual controller, shareholders, related party, buyers and the Company have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period

Applicable  Not applicable

No undertakings that the actual controller, shareholders, related party, buyers and the Company have fulfilled during the reporting period and have not yet fulfilled by the end of the period

### II. Occupation of the non-operational funds of the listed company by controlling shareholders and its related party

Applicable  Not applicable

No non-operational funds of the listed company have been occupied by the controlling shareholders and its related party in period.

### III. External guarantee out of the regulations

Applicable  Not applicable

No external guarantee out of the regulations occurred in the period.

### IV. Appointment and non-reappointment (dismissal) of CPA

Whether the semi-annual financial statements been audited or not

Applicable  Not applicable

The semi-annual report of the company hasn't been audited.

### V. Statement on the latest “modified audit report” by BOD

Applicable  Not applicable

### VI. Explanation from Board of Directors for “Qualified Opinion” that issued by CPA for last period

Applicable  Not applicable

On April 26, 2023, Gongzheng Tianye Certified Public Accountants (Special General Partnership) issued an audit report with a clean opinion and emphasis of matter paragraph on the 2022 financial report of the Company.

#### 1. Emphasis of matter paragraph

As mentioned in Note XVI “7. Major transaction and events influencing investor’s decision”, the public security organ has launched a criminal investigation on the contract fraud in which WFTR, a wholly-owned subsidiary of WFHT, was cheated in the process of carrying out “platform trade” business. At present, the case is being under investigation, and the outcome of the case is uncertain in the future.

#### 2. Description of the changes and handling of the matters involved

From January 1, 2023 to the date of disclosure of this report, the related other accounts receivable collected was 19,9235,800

yuan. In addition, the Company is also fully cooperating with the public security organs to recover stolen goods and damage. However, since it is still in the investigation stage, the Company will fulfill the disclosure obligation in a timely manner according to the progress of investigation.

## VII. Bankruptcy reorganization

Applicable  Not applicable

No bankruptcy reorganization for the Company in reporting period

## VIII. Litigation and arbitration

Major litigation and arbitration

Applicable  Not applicable

There were no major litigation and arbitration in the reporting period.

Other litigation and arbitration

Applicable  Not applicable

## IX. Penalty and rectification

Applicable  Not applicable

## X. Integrity of the Company, its controlling shareholders and actual controllers

Applicable  Not applicable

## XI. Major related party transaction

### 1. Related party transaction involved with daily operation

Applicable  Not applicable

Related party	Relationship	Type of related transaction	Content of related party transaction	Pricing principle	Related party transaction price	Related party transaction amount (in 10 thousand yuan)	Proportion in similar transactions	Trading limit approved (in 10 thousand yuan)	Whether over the approved limit or not (Y/N)	Clearing form for related transaction	Available similar market price	Date of disclosure	Index of disclosure
WFPM	Associated enterprise	Procurement of goods and services	Procurement of goods and services	Fair market pricing	Market price	1,981.55	0.42%	5,600	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
RBCD	Associated enterprise, controlling subsidiary of Robert Bosch	Procurement of goods and services	Procurement of goods and services	Fair market pricing	Market price	13,103.94	2.75%	38,000	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017

WFEC	Joint venture of WFLD	Procurement of goods	Procurement of goods	Fair market pricing	Market price	37,981.67	7.96%	60,100	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
Robert Bosch Company	Second largest shareholder of the Company	Procurement of goods and services	Procurement of goods and services	Fair market pricing	Market price	11,169.23	2.34%	30,000	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
Changchun Xuyang	Joint venture of WFLD	Procurement of goods	Procurement of goods	Fair market pricing	Market price	0	0.00%	150	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
Guokai Metal	Holding company of Wuxi Industry Group	Procurement of goods and services	Procurement of goods and services	Fair market pricing	Market price	1,586.70	0.33%	0	Y	According to the contract	Market price	Apr. 28, 2023	
Lezhuo Bowei	Associated enterprise	Sales of goods and services	Sales of goods and services	Fair market pricing	Market price	0	0.00%	100	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
WFPM	Associated enterprise	Sales of goods and services	Sales of goods and services	Fair market pricing	Market price	50.60	0.01%	500	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
RBCD	Associated enterprise, controlling subsidiary of Robert Bosch	Sales of goods and services	Sales of goods and services	Fair market pricing	Market price	109,078.97	17.80%	300,000	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
WFEC	JOINT VENTURE OF WFLD	Sales of goods and services	Sales of goods and services	Fair market pricing	Market price	467.77	0.08%	900	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
Robert Bosch Company	Second largest shareholder of the Company	Sales of goods and services	Sales of goods and services	Fair market pricing	Market price	84,627.37	13.81%	219,305	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
Changchun Xuyang	Joint venture of WFLD	Sales of goods	Sales of goods	Fair market pricing	Market price	67.82	0.01%	500	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
Lezhuo Bowei	Associated enterprise	Procurement of goods and services	Procurement of goods and services	Fair market pricing	Market price	22.24	0.00%	2,000	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
WFPM	Associated enterprise	Others	Procurement of goods and services	Fair market pricing	Market price	10.60		200	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
RBCD	Associated enterprise, controlling subsidiary of Robert Bosch	Other	Payable technical service fees	Fair market pricing	Market price	0		50	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017

RBCD	Associated enterprise, controlling subsidiary of Robert Bosch	Other	Payment of technical commission fee etc.	Fair market pricing	Market price	0	150	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
RBCD	Associated enterprise, controlling subsidiary of Robert Bosch	Other	Procurement of fixed assets	Fair market pricing	Market price	0	450	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
RBCD	Associated enterprise, controlling subsidiary of Robert Bosch	Other	Provide technical service, etc.	Fair market pricing	Market price	0	250	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
Robert Bosch Company	Second largest shareholder of the Company	Other	Payment of technical commission fee etc.	Fair market pricing	Market price	0	300	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
Robert Bosch Company	Second largest shareholder of the Company	Other	Procurement of fixed assets	Fair market pricing	Market price	105.30	1,000	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
Robert Bosch Company	Second largest shareholder of the Company	Other	Rent fees receivable	Fair market pricing	Market price	11.02	250	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
Robert Bosch Company	Second largest shareholder of the Company	Other	Utilities payable-water, electricity power and gas	Fair market pricing	Market price	39.36	80	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
Robert Bosch Company	Second largest shareholder of the Company	Other	Provide technical service, etc.	Fair market pricing	Market price	199.09	400	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
WFEC	JOINT VENTURE OF WFLD	Other	Technical service fees payable etc.	Fair market pricing	Market price	0	20	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
WFEC	JOINT VENTURE OF WFLD	Other	Provide technical services, etc.	Fair market pricing	Market price	0	30	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
WFEC	JOINT VENTURE OF WFLD	Other	Rental fees receivable	Fair market pricing	Market price	100.33	250	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017



WFEC	Joint venture of WFLD	Other	Utilities payable-water, electricity power and gas	Fair market pricing	Market price	52.81		150	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
Lezhuo Bowei	Associated enterprise		Rental fees receivable	Fair market pricing	Market price	105.72		250	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
Lezhuo Bowei	Associated enterprise		Utilities payable-water, electricity power and gas	Fair market pricing	Market price	30.47		80	N	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
Urban Public Delivery	Holding company of Wuxi Industry Group			Fair market pricing	Market price	70.92		0	Y	According to the contract	Market price	Apr. 28, 2023	Notice No.:2023-017
Total				--	--	260,863.48	--	661,065	--	--	--	--	--
Detail of sales return with major amount involved				Not applicable									
Report the actual implementation of the day-to-day related transactions which were projected about their total amount by types during the reporting period (if applicable)				Being deliberated and approved by AGM of 2022, total related party transaction involved with daily operation for year of 2023 was predicted as 6,610.65 million yuan, and actually 2,608,634,800.00 yuan occurred in the Period. The related transactions classified according to types are as: 1.it estimated that procurement of goods and labor service from related party in 2023 will be up to 1,339,500,000.00 yuan, while 658,230,900.00 yuan occurred actually in the Period; 2. it estimated that sales of goods and labor service to related party in 2023 will be up to 5,232,050,000.00 yuan, while 1,943,147,700.00 yuan actually occurred. 3. it estimated that other related transactions with related party for year of 2023 will up to 39,100,000.00 yuan while 7,256,200.00 yuan actually occurred.									
Reasons for major differences between trading price and market reference price (if applicable)				Not applicable									

## 2. Related party transactions of assets or acquisition and sold

Applicable  Not applicable

No related party transactions of assets or equity acquisition and sold occurred during the reporting period

## 3. Related party transactions of mutual investment outside

Applicable  Not applicable

No related party transactions of mutual investment outside occurred during the reporting period.

## 4. Contact of related party credit and debt

Applicable  Not applicable

Whether the company have contact of related party credit and debt in the reporting period or not

Yes  No

Credit of related party receivable

Related party	Relationship	Reason for formation	Occupy operating fund or not?	Opening balance('0000 yuan)	Increase in current period('0000 yuan)	Recovery amount in current period('0000 yuan)	Interest rate	Interest in current period('0000 yuan)	Ending balance('0000 yuan)

Company A	Company controlled by related parties of company directors/senior management personnel	“platform trade” business	Nil	241,515.19		5,675.38		235,839.81
The impact of related debt on the Company's operating results and financial condition		The details of the impact on the Company's operating costs and financial condition can be found in the Note XVI. 7. “Major transaction and events influencing investor's decision”.						

Note: Based on the principle of caution, the Company combines the balance of 4 companies that may be controlled by Company A into the following list. The balance is the difference between the "purchase fund" paid by WFTR based on the "platform trade" business and the "sales fund" received by WFTR. In accordance with the principle of substance over form, the company does not treat the "platform trade" business of WFTR as normal trade business but as fund collection and payment business for accounting treatment, so it is listed as other receivables.

## 5. Contact with the related finance companies

Applicable  Not applicable

There were no deposits, loans, credits or other financial business between the finance companies with associated relationship and related parties

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

Applicable  Not applicable

There were no deposits, loans, credits or other financial business between the finance companies controlled by the Company and related parties

## 7. Other material related party transactions

Applicable  Not applicable

There was no other material related party transactions in the reporting period.

## XII. Significant contract and implementations

### 1. Trusteeship, contract and leasing

#### (1) Trusteeship

Applicable  Not applicable

No trusteeship occurred during the reporting period

#### (2) Contracting

Applicable  Not applicable

No contract occurred during the reporting period

**(3) Leasing**

Applicable  Not applicable

No leasing occurred during the reporting period

**2. Material guarantees**

Applicable  Not applicable

In ten thousand yuan

The Company' guarantee towards subsidiaries										
Name of guarantee object	Disclosure date of announcement related to the guaranteed amount	Guaranteed amount	Actual occurring date	Actual guaranteed amount	Guarantee type	Collateral	Counter guarantee	guarantee period	Fulfilled or not	Guaranteed by related parties or not
VHIT Automotive Systems (Wuxi) Co. Ltd.	December 9, 2022	1,000	December 12, 2022	1,000	Joint liability guarantee	Nil	Nil	From the date of execution of the main contract up to and including two years from the date of expiry of the performance period of the obligations under the main contract or December 30, 2026 (whichever is the earlier)	Nil	Nil
Approved total guaranteed amount towards the subsidiaries within the reporting period					84,000	Total actual amount occurred towards subsidiaries within the reporting period				0
Approved total guaranteed amount towards the subsidiaries at the year end					85,000	Total actual guarantee balance towards subsidiaries at the year end				1,000
Total amount of the company's guarantee (total amount of the aforesaid three items)										
Approved total amount guaranteed within the reporting period					84,000	Total actual guaranteed amount occurred within the reporting period				0
Approved total amount guaranteed at the end of reporting period					85,000	Actual total guarantee balance at the end of reporting period				1,000

Proportion of actual total guaranteed amount to net assets	0.05%
Wherein:	
Total guaranteed amount towards shareholders, actual controllers and related parties	0
Guaranteed amount provided for guaranteed objects with a liability rate of assets of over 70% directly or indirectly	0
Excess of total guaranteed amount over 50% of net assets	0
The aforementioned total amount guaranteed of three items	0

Specific description for using the guarantee by complex method: Nil

### 3. Trusted cash asset management

#### (1) Trust financing

Applicable  Not applicable

In ten thousand yuan

Type	Capital sources	Amount occurred	Outstanding balance	Overdue amount	Amount with impairment accrual for the overdue financial products which has not been recovered
Financing products of banks	Own funds	20,050	11,850	0	0
Financial products of securities firms	Own funds	77,000	52,000	0	0
Trust financial products	Own funds	126,550	84,400	0	0
Other types	Own funds	114,231	100,232	0	0
Total		337,831	248,482	0	0

Details of the single major amount, or high-risk trust investment with low security, poor fluidity

Applicable  Not applicable

In ten thousand yuan

Trustee institution name	Trustee type	Type	Amount	Source of funds	Start date	End date	Capital investment purpose	Criteria for fixing reward	Reference annual rate of return	Anticipated income (if applicable)	Actual gains/losses in period	Actual collected gains/losses in period	Amount of reserve for devaluation of withdrawing (if applicable)	Whether approved by legal procedure (Y/N)	Whether has entrusted finance plan in the future	Summary of the items and related query index (if applicable)
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Bank	Bank	Non-guaranteed floating income	40,170	Own fund	2023-01-09	2023-08-08	Bank financial products	Reference annual rate of return by the contract	2.20%-2.85%	215.16	206.73	Collected according to the contract	0	Y	Y	Apr.28, 2023 (Announcement No.:2023-018)
Securities	Securities	Non-guaranteed floating income	25,000	Own fund	2023-01-06	2023-02-10	Asset management Plan, income receipt	Reference annual rate of return by the contract	9.00%-15.90%	7,219.38	2,882.35	Collected according to the contract	0	Y	Y	
Trust	Trust	Non-guaranteed floating income	40,000	Own fund	2023-02-09	2023-04-28	Collection trust plan	Reference annual rate of return by the contract	3.40%-3.70%	121.1	2,695.84	Collected according to the contract	0	Y	Y	
Other	Other professional financial institutions	Non-guaranteed floating income	-	Own fund	-	-	Private Equity Products	Reference annual rate of return by the contract	-	-	1,227.5	Collected according to the contract	0	Y	Y	
Total			105,170	--	--	--	--	--	--	7,555.64	7,012.42	--	0	--	--	--

It is expected that the principal of entrusted financial management fails to recover or there are other situations leading to impairment in entrusted financial management

Applicable  Not applicable

#### 4. Other significant contract

Applicable  Not applicable

The company had no other significant contract in the reporting period.

### **XIII. Explanation on other material matters**

Applicable    Not applicable

The company has no explanation on other material matters.

### **XIV. Material matters of subsidiary of the Company**

Applicable    Not applicable

# Section VII. Changes in Shares and Particulars about Shareholders

## I. Changes in share capital

### 1. Changes in share capital

In Share

	Before the Change		Change during the reporting period(+/-)					After the change	
	Amount	Proportion	New shares issued	Bonus shares	Public reserve transfer into share capital	Others	Subtotal	Amount	Proportion
I. Restricted shares	12,021,836	1.19%				-5,902,106	-5,902,106	6,119,730	0.61%
1. State-owned shares									
2. State-owned legal person's shares									
3. Other domestic shares	12,021,836	1.19%				-5,902,106	-5,902,106	6,119,730	0.61%
Including: Domestic legal person's shares									
Domestic natural person's shares	12,021,836	1.19%				-5,902,106	-5,902,106	6,119,730	0.61%
4. Foreign shares									
Including: Foreign legal person's shares									
Foreign natural person's shares									
II. Unrestricted shares	996,581,457	98.81%				-121,394	-121,394	996,460,063	99.39%
1. RMB ordinary shares	824,201,457	81.72%				-121,394	-121,394	824,080,063	82.20%
2. Domestically listed foreign shares	172,380,000	17.09%						172,380,000	17.19%
3. Overseas listed foreign shares									
4. Others									
III. Total shares	1,008,603,293	100.00%				-6,023,500	-6,023,500	1,002,579,793	100.00%

Reasons for share changed

Applicable Not applicable

- During the reporting period, the company repurchased and canceled 5,593,500 shares of 2020 restricted stock that had been granted but not unlocked, resulting in a change in restricted shares;
- During the reporting period, titles of some directors, supervisors, and senior executives of the company were adjusted, and the lock-up shares held by senior executives changed, resulting in changes in unrestricted shares.

Approval status of share changes

Applicable Not applicable

- On April 26, 2023, the Company held the 16<sup>th</sup> meeting of the 10<sup>th</sup> session of BOD, deliberated and adopted the "Proposal on Repurchase Cancellation of Part of Restricted Shares of the Restricted Stock Incentive Plan 2020", and decided to conduct repurchase cancellation of a total of 5,593,500 restricted shares of 568 incentive objects that had been granted but did not meet the

conditions for lifting the restriction. As of June 16, 2023, the Company has completed the repurchase cancellation procedures of the above-mentioned shares at China Securities Depository and Clearing Corporation Limited, Shenzhen Branch.

2. On May 27, 2023, the Company disclosed the Announcement on the Retirement of Senior Management Personnel. Mr. Miao Yuming applied to resign from the position of Deputy General Manager of the Company for reaching the statutory retirement age. According to relevant regulations, Mr. Miao Yuming's resignation report shall become effective on the date of being served to the Board of Directors of the Company.

3. On June 1, 2023, the Company held the 17<sup>th</sup> meeting of the 10<sup>th</sup> session of BOD, deliberated and adopted the "Proposal on the Appointment of Deputy General Manager" and the "Proposal on the By-election of Non-independent Director", and respectively agreed to appoint Mr. Feng Zhiming the Deputy General Manager of the Company, with the term of office from the date of deliberation and adoption by the Board of Directors to the date of expiration of the 10<sup>th</sup> Board of Directors; agreed to by-elect Mr. Feng Zhiming as a non-independent director of the 10<sup>th</sup> Board of Directors of the Company, with the term of office from the date of deliberation and adoption by the general meeting of shareholders to the date of expiration of the 10<sup>th</sup> session of BOD. On June 19, 2023, the Company held the first extraordinary general meeting of shareholders in 2023, deliberated and adopted the "Proposal on the By-election of Non-Independent Director".

Ownership transfer of share changed

Applicable Not applicable

Progress of the implementation of repurchase share

Applicable  Not applicable

On April 15, 2022, the Company held the 8<sup>th</sup> meeting of the 10<sup>th</sup> session of BOD, deliberated and adopted the Proposal on the Plan to Repurchase Part of A-shares of the Company. The Company decided to repurchase part of A-shares of the Company through centralized bidding trading, with the total repurchase amount no less than 362.5 million (inclusive) yuan and not more than 725 million (inclusive) yuan, and the price of repurchase shares (A-shares) no more than 29 yuan per share (inclusive) 【As the annual equity distribution of the Company in 2021 has been completed, according to relevant regulations, from the ex-dividend date of equity distribution (June 10, 2022), the price of repurchase shares (A-shares) will be adjusted from no more than 29 yuan per share (inclusive) to no more than 27.41 yuan per share】.

On February 28, 2023, the Company disclosed the "Announcement on the Completion of Repurchase of Part of A-Shares of the Company and Share Change". As of the announcement date, the Company has bought back 25,000,000 shares (A-shares) in the form of centralized bidding trading through the buyback securities account, accounting for 2.48% of the total capital stock of the Company at that time, of which the highest transaction price was 20.85 yuan per share and the lowest transaction price was 17.17 yuan per share. The total consideration was 469,722,092.24 yuan (including transaction fees). The repurchase complied with relevant laws and regulations and the established buyback program of the Company, and has been completed.

Progress of the implementation of reducing buyback shares by means of centralized bidding

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 or need to disclosed under requirement from security regulators

Applicable  Not applicable

## 2. Changes of lock-up stocks

Applicable Not applicable



In Share

Shareholders	Opening shares restricted	Shares released in the reporting period	Restricted shares increased in the reporting period	Ending shares restricted	Restricted reasons	Date for released
Wang Xiaodong	315,586	120,000		195,586	Lock-up shares held by senior executives and Restricted Stock Incentive Plan 2020	Jun. 16, 2023
Xu Yunfeng	272,250	105,000		167,250	Lock-up shares held by senior executives and Restricted Stock Incentive Plan 2020	Jun. 16, 2023
Feng Zhiming	0		48,894	48,894	Lock-up shares held by senior executives	
Ou Jianbin	217,500	84,000		133,500	Lock-up shares held by senior executives and Restricted Stock Incentive Plan 2020	Jun. 16, 2023
Miao Yuming	217,500	84,000	72,500	206,000	Lock-up shares held by senior executives and Restricted Stock Incentive Plan 2020	Jun. 16, 2023
Rong bin	210,000	84,000		126,000	Lock-up shares held by senior executives and Restricted Stock Incentive Plan 2020	Jun. 16, 2023
Liu Jinjun	210,000	84,000		126,000	Lock-up shares held by senior executives and Restricted Stock Incentive Plan 2020	Jun. 16, 2023
Li Gang	210,000	84,000		126,000	Lock-up shares held by senior executives and Restricted Stock Incentive Plan 2020	Jun. 16, 2023
Xu Sheng	210,000	84,000		126,000	Lock-up shares held by senior executives and Restricted Stock Incentive Plan 2020	Jun. 16, 2023
Middle management etc	10,159,000	5,294,500		4,864,500	Restricted Stock Incentive Plan 2020	Feb. 16, 2023, Jun. 16, 2023
Total	12,021,836	6,023,500	121,394	6,119,730	--	--

Note: In the table above, shares released in the reporting period is the number that the company repurchases and cancels the shares it has been granted but has not yet lifted the restrictions on sale in the reporting period.

## II. Securities issuance and listing

Applicable  Not applicable

## III. Particulars about shareholders and actual controller of the Company

In Share

Total common stock shareholders at end of the reporting period		71,080	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed (if applicable)(refer to Note 8)		0			
Particulars about shares held above 5% by shareholders or top 10 shareholders								
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total of common shares held at the end of reporting period	Changes in reporting period	Number of restricted shares held	Amount of unrestricted shares held	Information of shares pledged, tagged or frozen	
							State of share	Amount
Wuxi Industry Development Group Co., Ltd.	State-owned corporate	20.35%	204,059,398	0	0	204,059,398		
Robert Bosch Co., Ltd	Foreign corporate	14.25%	142,841,400	0	0	142,841,400		

Hong Kong Securities Clearing Company	Foreign corporate	2.37%	23,810,734	-9,817,210	0	23,810,734		
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	Foreign corporate	1.09%	10,952,719	-3,053,596	0	10,952,719		
NSSF-413	Other	1.06%	10,650,000	540,000	0	10,650,000		
Basic Pension Insurance Fund-1003	Other	0.82%	8,175,559	4,400,000	0	8,175,559		
Ping An Insurance Life Insurance Co., Ltd. - investment linked - individual insurance investment linked	Other	0.69%	6,899,810	6,899,810	0	6,899,810		
FIDELITY INVMT TRT FIDELITY INTL SMALL CAP FUND	Foreign corporate	0.68%	6,863,386	0	0	6,863,386		
Shanghai Chongyang Strategic Investment Co., Ltd. - Chongyang Strategic Yingzhi Fund	Other	0.55%	5,500,106	0	0	5,500,106		
Xie Zuogang	Domestic natural person	0.51%	5,132,967	0	0	5,132,967		
Strategy investor or general legal person becoming the top 10 shareholders by placing new shares (if applicable) (refer to Note 3)	Nil							
Explanation on associated relationship concerted action among the aforesaid shareholders	Among the aforesaid shareholders, there has no associated relationship between Wuxi Industry Development Group Co., Ltd., the first largest shareholder of the Company, and other shareholders; and they do not belong to the persons acting in concert regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Company.							
Description of the above shareholders in relation to delegate/entrusted voting rights and abstention from voting rights.	Nil							
Special note on the repurchase account among the top 10 shareholders (if applicable)	As of June 30, 2023, the repurchase special securities account of Weifu High-Technology Group Co., Ltd has 25,000,000 shares of ordinary A-Share, hereby stated that in according with the relevant requirement, they are not included in the top 10 shareholders of the Company.							
Particular about top 10 shareholders with unrestricted shares held								
Shareholders' name	Amount of unrestricted shares held at Period-end	Shares held						
		Type	Amount					
Wuxi Industry Development Group Co., Ltd.	204,059,398	RMB common shares	204,059,398					

Robert Bosch Co., Ltd	142,841,400	RMB common shares	115,260,600
		Domestically listed foreign shares	27,580,800
Hong Kong Securities Clearing Company	23,810,734	RMB common shares	23,810,734
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	10,952,719	Domestically listed foreign shares	10,952,719
NSSF-413	10,650,000	RMB common shares	10,650,000
Basic Pension Insurance Fund- 1003	8,175,559	RMB common shares	8,175,559
Ping An Insurance Life Insurance Co., Ltd. - investment linked - individual insurance investment linked	6,899,810	RMB common shares	6,899,810
FIDELITY INVMT TRT FIDELITY INTL SMALL CAP FUND	6,863,386	Domestically listed foreign shares	6,863,386
Shanghai Chongyang Strategic Investment Co., Ltd. - Chongyang Strategic Yingzhi Fund	5,500,106	RMB common shares	5,500,106
Xie Zuogang	5,132,967	Domestically listed foreign shares	5,132,967
Explanation on associated relationship or consistent actors within the top 10 restricted shareholders and between top 10 unrestricted shareholders and top 10 shareholders	Among the aforesaid shareholders, there has no associated relationship between Wuxi Industry Development Group Co., Ltd., the first largest shareholder of the Company, and other shareholders; and they do not belong to the persons acting in concert regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Company.		
Explanation on top 10 shareholders involving margin business (if applicable)	Among the top 10 shareholders, Shanghai Chongyang Strategic Investment Co., Ltd. - Chongyang Strategic Yingzhi Fund holds 5,500,106 shares through investor credit securities accounts;		

Did top 10 common shareholders or top 10 unrestricted shareholders have agreed repurchase dealing in reporting period?

Yes  No

The top 10 common shareholders or top 10 unrestricted shareholders didn't have agreed repurchase dealing in reporting period.

Yes  No

#### IV. Changes in shareholding of directors, supervisors, and senior management

Applicable  Not applicable

Name	Title	Working status	Number of shares held at period-begin (Share)	Number of shares increased in reporting period (Share)	Number of shares decreased in reporting period (Share)	Number of shares held at period-end (Share)	Number of restricted shares granted at period-begin(Share)	Number of restricted shares granted in reporting period (Share)	Number of restricted shares granted at period-end(Share)
Wang Xiaodong	Chairman	Currently in office	420,781		120,000	300,781	400,000		280,000
Xu Yunfeng	Vice Chairman and General Manager	Currently in office	363,000		105,000	258,000	350,000		245,000
Ou Jianbin	Executive Vice General Manager and Financial Director(suspension)	Currently in office	290,000		84,000	206,000	280,000		196,000
Miao Yuming	Deputy General Manager	Leave office	290,000		84,000	206,000	280,000		196,000

Xu Sheng	Deputy General Manager	Currently in office	280,000		84,000	196,000	280,000		196,000
Rongbin	Deputy General Manager, Financial Director(filling in)	Currently in office	280,000		84,000	196,000	280,000		196,000
Liu Jinjun	Deputy General Manager, Secretary of the Board of Directors	Currently in office	280,000		84,000	196,000	280,000		196,000
Li Gang	Chief Engineer	Currently in office	280,000		84,000	196,000	280,000		196,000
Total	--	--	2,483,781		729,000	1,754,781.00	2,430,000		1,701,000

Note: the number of shares decreased in reporting period in the above table is the number of shares which were repurchased and canceled by the company but has not yet been lifted from restrictions on sale.

## V. Changes of controlling shareholders or actual controller in reporting period

Changes of controlling shareholders in the reporting period

Applicable  Not applicable

The Company had no changes of controlling shareholders in the reporting period

Changes of actual controller in the reporting period

Applicable  Not applicable

The Company had no changes of actual controller in the reporting period

## Section VIII. Preferred Stock

Applicable  Not applicable

The Company had no preferred stock in the reporting period.

## Section IX. Corporate Bonds

Applicable  Not applicable

# Section X. Financial Report

## I. Audit report

Whether the semi annual report is audited or not

Yes No

The company's semi annual financial report has not been audited

## II. Financial Statement

Statement in Financial Notes are carried in RMB/CNY

### 1. Consolidated Balance Sheet

Prepared by Weifu High-Technology Group Co., Ltd.

June 30, 2023

In RMB

Item	June 30, 2023	January 1, 2023
Current assets:		
Monetary funds	2,487,786,142.04	2,389,551,930.76
Settlement provisions		
Capital lent		
Trading financial assets	2,250,198,464.28	2,718,820,654.87
Derivative financial assets		
Note receivable	104,980,712.30	135,559,024.27
Account receivable	3,317,387,077.56	3,127,490,177.25
Receivable financing	1,920,348,206.04	1,918,368,845.21
Prepayments	67,710,664.23	94,323,853.87
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Other account receivable	2,874,547,071.97	1,264,507,456.47
Including: Interest receivable		
Dividend receivable	1,955,605,474.71	147,000,000.00
Buying back the sale of financial assets		
Inventory	1,921,084,065.82	2,283,119,656.27
Contract assets		
Assets held for sale		
Non-current asset due within 1 year		

Other current assets	240,962,367.80	430,547,201.24
Total current assets	15,185,004,772.04	14,362,288,800.21
Non-current assets:		
Loans and payments on behalf		
Debt investment		
Other debt investment		
Long-term account receivable		
Long-term equity investment	5,187,995,234.43	6,282,818,108.96
Other equity instrument investment	677,790,690.00	677,790,690.00
Other non-current financial assets	1,166,342,387.00	1,326,608,914.00
Investment real estate	56,185,135.36	49,296,869.73
Fixed assets	3,745,590,665.96	3,769,984,185.94
Construction in progress	639,963,756.99	509,105,587.49
Productive biological assets		
Oil and gas assets		
Right-of-use assets	39,364,840.80	41,865,100.38
Intangible assets	489,758,310.65	487,627,987.92
Expense on research and development		
Goodwill	251,813,115.66	237,682,375.72
Long-term expenses to be apportioned	27,143,337.26	28,586,235.84
Deferred income tax assets	273,908,331.15	275,627,772.45
Other non-current assets	611,808,088.23	479,630,436.37
Total non-current assets	13,167,663,893.49	14,166,624,264.80
Total assets	28,352,668,665.53	28,528,913,065.01
Current liabilities:		
Short-term loans	2,256,900,925.45	3,604,376,527.82
Loans from central bank		
Capital borrowed		
Trading financial liabilities		
Derivative financial liabilities	737,424.50	747,115.75
Note payable	1,584,124,651.19	1,411,089,606.00
Account payable	3,271,926,231.00	3,454,601,023.60
Advance payment	462,221.88	3,633,878.33
Contractual liabilities	104,491,724.54	94,850,083.23
Selling financial asset of repurchase		
Absorbing deposit and interbank deposit		
Security trading of agency		
Security sales of agency		
Wage payable	225,684,651.78	317,434,386.24
Tax payable	64,158,658.16	54,586,315.53



Other account payable	156,729,445.68	198,990,948.23
Including: Interest payable		
Dividend payable	10,373,454.00	
Commission charge and commission payable		
Reinsurance payable		
Liabilities held for sale		
Non-current liabilities due within 1 year	36,959,064.67	14,285,348.90
Other current liabilities	262,650,217.54	211,763,779.77
Total current liabilities	7,964,825,216.39	9,366,359,013.40
Non-current liabilities:		
Insurance contract reserve		
Long-term loans	600,000,000.00	238,000,000.00
Bond payable		
Including: Preferred stock		
Perpetual capital securities		
Lease liabilities	30,799,799.49	31,589,277.20
Long-term account payable	30,785,082.11	30,785,082.11
Long-term wage payable	155,985,385.60	154,093,044.28
Accrual liabilities	9,980,678.92	10,106,268.87
Deferred income	199,209,771.05	223,123,978.78
Deferred income tax liabilities	39,772,528.51	40,149,550.99
Other non-current liabilities		
Total non-current liabilities	1,066,533,245.68	727,847,202.23
Total liabilities	9,031,358,462.07	10,094,206,215.63
Owner's equity:		
Share capital	1,002,579,793.00	1,008,603,293.00
Other equity instrument		
Including: Preferred stock		
Perpetual capital securities		
Capital reserve	3,335,177,095.84	3,398,368,567.63
Less: Inventory shares	538,410,272.24	541,623,002.63
Other comprehensive income	60,328,251.06	-911,310.13
Reasonable reserve	3,583,407.75	2,119,800.95
Surplus reserve	510,100,496.00	510,100,496.00
Provision of general risk		
Retained profit	14,171,024,206.15	13,320,021,325.90
Total owner's equity attributable to parent company	18,544,382,977.56	17,696,679,170.72
Minority interests	776,927,225.90	738,027,678.66
Total owner's equity	19,321,310,203.46	18,434,706,849.38
Total liabilities and owner's equity	28,352,668,665.53	28,528,913,065.01

Legal Representative: Wang Xiaodong

Person in charge of accounting works: Rong Bin

Person in charge of accounting institute: Wu Junfei

## 2. Balance sheet of parent company

In RMB

Item	June 30, 2023	January 1, 2023
<b>Current assets:</b>		
Monetary funds	658,847,374.34	823,574,329.53
Trading financial assets	2,134,459,399.76	2,693,150,975.20
Derivative financial assets		
Note receivable	38,585,991.52	29,575,852.04
Account receivable	1,106,215,964.34	906,808,283.22
Receivable financing	231,837,502.28	216,462,262.44
Prepayments	38,880,788.18	56,037,892.68
Other account receivable	3,206,692,791.69	1,472,102,439.27
Including: Interest receivable	32,195,758.91	206,325.34
Dividend receivable	1,881,769,939.06	
Inventories	554,131,949.66	571,571,431.95
Contract assets		
Assets held for sale		
Non-current assets maturing within 1 year		
Other current assets	1,755,265.16	107,462,112.82
<b>Total current assets</b>	<b>7,971,407,026.93</b>	<b>6,876,745,579.15</b>
<b>Non-current assets:</b>		
Debt investment		
Other debt investment		
Long-term account receivable		
Long-term equity investment	7,290,721,357.80	8,369,843,351.10
Other equity instrument investment	601,850,690.00	601,850,690.00
Other non-current financial assets	1,166,342,387.00	1,326,608,914.00
Investment real estate	35,018,863.59	35,584,279.11
Fixed assets	2,232,822,699.74	2,251,495,050.80
Construction in progress	344,391,742.48	251,304,655.41
Productive biological assets		
Oil and natural gas assets		
Right-of-use assets	4,321,883.64	6,061,693.75
Intangible assets	211,423,280.19	209,246,490.17
Research and development costs		
Goodwill		
Long-term deferred expenses	6,417,238.81	6,895,352.43

Deferred income tax assets	88,907,446.28	109,624,761.50
Other non-current assets	222,124,598.31	168,744,695.04
Total non-current assets	12,204,342,187.84	13,337,259,933.31
Total assets	20,175,749,214.77	20,214,005,512.46
Current liabilities		
Short-term loans	1,461,515,277.78	2,121,354,415.53
Trading financial liabilities		
Derivative financial liabilities	737,424.50	737,424.50
Note payable	332,041,918.11	251,867,652.05
Account payable	1,103,757,868.99	1,048,268,519.52
Advance payment		
Contract liabilities	8,032,872.19	6,564,332.93
Wage payable	106,415,365.78	166,314,985.33
Tax payable	16,561,316.90	6,048,505.30
Other account payable	431,093,918.61	926,276,130.15
Including: Interest payable	1,369,121.16	835,069.83
Dividend payable	10,373,454.00	
Liabilities held for sale		
Non-current liabilities due within 1 year	28,238,743.21	4,306,935.71
Other current liabilities	85,179,531.11	102,322,311.03
Total current liabilities	3,573,574,237.18	4,634,061,212.05
Non-current liabilities:		
Long-term loans	400,000,000.00	
Bond payable		
Including: preferred stock		
Perpetual capital securities		
Lease liabilities	3,044,575.55	2,690,812.43
Long-term account payable		
Long term employee compensation payable	121,683,760.89	121,683,760.89
Accrued liabilities		13,750.00
Deferred income	169,822,415.83	198,149,511.20
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	694,550,752.27	322,537,834.52
Total liabilities	4,268,124,989.45	4,956,599,046.57
Owners' equity:		
Share capital	1,002,579,793.00	1,008,603,293.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		

Capital reserve	3,451,969,145.81	3,515,005,861.23
Less: Inventory shares	538,410,272.24	541,623,002.63
Other comprehensive income		
Special reserve		
Surplus reserve	510,100,496.00	510,100,496.00
Retained profit	11,481,385,062.75	10,765,319,818.29
Total owner's equity	15,907,624,225.32	15,257,406,465.89
Total liabilities and owner's equity	20,175,749,214.77	20,214,005,512.46

### 3. Consolidated profit statement

In RMB

Item	2023 semi-annual	2022 semi-annual
I. Total operating income	6,129,649,047.40	7,137,172,857.97
Including: Operating income	6,129,649,047.40	7,137,172,857.97
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	5,988,688,585.81	6,730,969,892.10
Including: Operating cost	5,163,871,731.26	6,026,454,182.03
Interest expense		
Commission charge and commission expense		
Cash surrender value		
Net amount of expense of compensation		
Net amount of withdrawal of insurance contract reserve		
Bonus expense of guarantee slip		
Reinsurance expense		
Tax and extra	32,240,422.99	28,877,421.78
Sales expense	103,031,481.40	79,020,592.43
Administrative expense	299,195,729.59	277,212,254.79
R&D expense	351,887,038.12	289,631,376.50
Financial expense	38,462,182.45	29,774,064.57
Including: Interest expenses	65,616,425.64	34,275,262.65
Interest income	15,706,416.56	13,927,929.36
Add: other income	40,979,593.51	26,095,621.93
Investment income (Loss is listed with "-")	811,406,633.49	928,792,343.97
Including: Investment income on affiliated company and joint venture	742,783,514.37	823,400,731.10
The termination of income recognition for financial assets measured by amortized cost		-680,357.44
Exchange income (Loss is listed with "-")		
Net exposure hedging income (Loss is listed with "-")		
Income from change of fair value (Loss is listed with "-")	-18,069,553.29	-74,432,928.14

Loss of credit impairment (Loss is listed with “-”)	-846,725.76	2,083,427.81
Loss of devaluation of asset (Loss is listed with “-”)	-90,263,537.00	-104,219,783.98
Income from assets disposal (Loss is listed with “-”)	125,530,905.04	1,890,279.95
III. Operating profit (Loss is listed with “-”)	1,009,697,777.58	1,186,411,927.41
Add: Non-operating income	2,707,696.00	218,285.29
Less: Non-operating expense	758,381.69	2,196,565.87
IV. Total profit (Loss is listed with “-”)	1,011,647,091.89	1,184,433,646.83
Less: Income tax expense	29,332,279.74	55,645,075.75
V. Net profit (Net loss is listed with “-”)	982,314,812.15	1,128,788,571.08
(i) Classify by business continuity		
1. Continuous operating net profit (net loss listed with “-”)	982,314,812.15	1,128,788,571.08
2. Termination of net profit (net loss listed with “-”)		
(ii) Classify by ownership		
1. Net profit attributable to owner’s of parent company	948,760,859.55	1,091,126,480.08
2. Minority shareholders’ gains and losses	33,553,952.60	37,662,091.00
VI. Net after-tax of other comprehensive income	61,239,561.19	-12,679,652.16
Net after-tax of other comprehensive income attributable to owners of parent company	61,239,561.19	-12,679,652.16
(i) Other comprehensive income items which will not be reclassified subsequently to profit or loss	-305,484.37	
1. Changes of the defined benefit plans that re-measured	-305,484.37	
2. Other comprehensive income under equity method that cannot be transfer to gain/loss		
3. Change of fair value of other equity instrument investment		
4. Fair value change of enterprise's credit risk		
5. Other		
(ii) Other comprehensive income items which will be reclassified subsequently to profit or loss	61,545,045.56	-12,679,652.16
1. Other comprehensive income under equity method that can transfer to gain/loss		
2. Change of fair value of other debt investment		
3. Amount of financial assets re-classify to other comprehensive income		
4. Credit impairment provision for other debt investment		
5. Cash flow hedging reserve		
6. Translation differences arising on translation of foreign currency financial statements	61,545,045.56	-12,679,652.16
7. Other		
Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	1,043,554,373.34	1,116,108,918.92
Total comprehensive income attributable to owners of parent Company	1,010,000,420.74	1,078,446,827.92
Total comprehensive income attributable to minority shareholders	33,553,952.60	37,662,091.00
VIII. Earnings per share:		
(i) Basic earnings per share	0.98	1.10
(ii) Diluted earnings per share	0.98	1.10

Legal Representative: Wang Xiaodong

Person in charge of accounting works: Rong Bin

Person in charge of accounting institute: Wu Junfei

#### 4. Profit statement of parent company

In RMB

Item	2023 semi-annual	2022 semi-annual
I. Operating income	1,999,983,446.71	2,411,189,208.04
Less: Operating cost	1,582,800,180.15	1,919,986,159.54
Taxes and surcharge	12,898,023.37	13,501,778.32
Sales expenses	14,804,263.68	14,392,542.42
Administration expenses	151,432,225.43	144,366,869.06
R&D expenses	121,018,486.34	115,694,064.37
Financial expenses	-30,173,931.83	-8,310,144.29
Including: interest expenses	46,417,119.10	18,380,946.47
Interest income	71,778,851.32	31,657,392.66
Add: other income	29,302,719.53	15,713,320.73
Investment income (Loss is listed with “-”)	711,673,709.71	835,209,662.03
Including: Investment income on affiliated Company and joint venture	644,975,916.19	734,429,287.99
The termination of income recognition for financial assets measured by amortized cost (Loss is listed with “-”)		
Net exposure hedging income (Loss is listed with “-”)		
Changing income of fair value (Loss is listed with “-”)	-18,284,414.84	-74,417,034.85
Loss of credit impairment (Loss is listed with “-”)	-782,758.06	477,241.11
Losses of devaluation of asset (Loss is listed with “-”)	-37,325,504.75	-45,999,971.02
Income on disposal of assets (Loss is listed with “-”)	3,183,872.63	146,113.46
II. Operating profit (Loss is listed with “-”)	834,971,823.79	942,687,270.08
Add: Non-operating income	20,798.16	138,467.56
Less: Non-operating expense	452,082.96	613,619.53
III. Total Profit (Loss is listed with “-”)	834,540,538.99	942,212,118.11
Less: Income tax	20,717,315.23	33,033,489.65
IV. Net profit (Net loss is listed with “-”)	813,823,223.76	909,178,628.46
(i) continuous operating net profit (net loss listed with “-”)	813,823,223.76	909,178,628.46
(ii) termination of net profit (net loss listed with “-”)		
V. Net after-tax of other comprehensive income		
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1. Changes of the defined benefit plans that re-measured		
2. Other comprehensive income under equity method that cannot be transfer to gain/loss		
3. Change of fair value of other equity instrument investment		
4. Fair value change of enterprise's credit risk		

5. Other		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1. Other comprehensive income under equity method that can transfer to gain/loss		
2. Change of fair value of other debt investment		
3. Amount of financial assets re-classify to other comprehensive income		
4. Credit impairment provision for other debt investment		
5. Cash flow hedging reserve		
6. Translation differences arising on translation of foreign currency financial statements		
7. Other		
VI. Total comprehensive income	813,823,223.76	909,178,628.46
VII. Earnings per share:		
(i) Basic earnings per share		
(ii) Diluted earnings per share		

## 5. Consolidated cash flow statement

In RMB

Item	2023 semi-annual	2022 semi-annual
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	7,220,274,822.77	7,278,359,413.36
Net increase of customer deposit and interbank deposit		
Net increase of loan from central bank		
Net increase of capital borrowed from other financial institution		
Cash received from original insurance contract fee		
Net cash received from reinsurance business		
Net increase of insured savings and investment		
Cash received from interest, commission charge and commission		
Net increase of capital borrowed		
Net increase of returned business capital		
Net cash received by agents in sale and purchase of securities		
Write-back of tax received	290,682,518.69	232,035,625.20
Other cash received concerning operating activities	350,434,811.67	1,276,954,478.94
Subtotal of cash inflow arising from operating activities	7,861,392,153.13	8,787,349,517.50
Cash paid for purchasing commodities and receiving labor service	5,293,150,104.57	5,605,274,974.42
Net increase of customer loans and advances		
Net increase of deposits in central bank and interbank		
Cash paid for original insurance contract compensation		
Net increase of capital lent		
Cash paid for interest, commission charge and commission		

Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	845,487,116.19	736,897,874.74
Tax paid	223,362,710.57	223,299,890.76
Other cash paid concerning operating activities	409,430,984.38	4,715,858,822.47
Subtotal of cash outflow arising from operating activities	6,771,430,915.71	11,281,331,562.39
Net cash flows arising from operating activities	1,089,961,237.42	-2,493,982,044.89
II. Cash flows arising from investing activities:		
Cash received from recovering investment	1,792,373,483.22	6,783,202,982.62
Cash received from investment income	227,184,527.61	510,529,403.51
Net cash received from disposal of fixed, intangible and other long-term assets	130,808,256.39	7,007,242.74
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities	2,150,366,267.22	7,300,739,628.87
Cash paid for purchasing fixed, intangible and other long-term assets	521,593,700.42	622,264,336.12
Cash paid for investment	1,384,532,499.32	5,121,895,293.87
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities		
Subtotal of cash outflow from investing activities	1,906,126,199.74	5,744,159,629.99
Net cash flows arising from investing activities	244,240,067.48	1,556,579,998.88
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Including: Cash received from absorbing minority shareholders' investment by subsidiaries		
Cash received from loans	2,472,142,881.63	4,061,893,674.46
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	2,472,142,881.63	4,061,893,674.46
Cash paid for settling debts	3,430,505,040.97	1,122,521,453.43
Cash paid for dividend and profit distributing or interest paying	150,449,335.07	1,499,815,013.36
Including: Dividend and profit of minority shareholder paid by subsidiaries		25,671,100.00
Other cash paid concerning financing activities	144,576,715.88	100,866,543.83
Subtotal of cash outflow from financing activities	3,725,531,091.92	2,723,203,010.62
Net cash flows arising from financing activities	-1,253,388,210.29	1,338,690,663.84
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	29,533,974.54	-4,522,251.76
V. Net increase of cash and cash equivalents	110,347,069.15	396,766,366.07
Add: Balance of cash and cash equivalents at the period -begin	2,277,117,604.82	1,094,018,936.73
VI. Balance of cash and cash equivalents at the period -end	2,387,464,673.97	1,490,785,302.80



**6. Cash flow statement of parent company**

Item	In RMB	
	2023 semi-annual	2022 semi-annual
<b>I. Cash flows arising from operating activities:</b>		
Cash received from selling commodities and providing labor services	1,931,059,388.32	2,206,683,069.38
Write-back of tax received	125,050,063.31	186,226,813.27
Other cash received concerning operating activities	28,151,813.75	13,662,628.42
Subtotal of cash inflow arising from operating activities	2,084,261,265.38	2,406,572,511.07
Cash paid for purchasing commodities and receiving labor service	1,283,789,999.36	1,469,241,728.46
Cash paid to/for staff and workers	371,210,630.31	389,448,409.74
Taxes paid	76,834,144.17	138,600,504.19
Other cash paid concerning operating activities	85,355,061.82	94,078,994.56
Subtotal of cash outflow arising from operating activities	1,817,189,835.66	2,091,369,636.95
Net cash flows arising from operating activities	267,071,429.72	315,202,874.12
<b>II. Cash flows arising from investing activities:</b>		
Cash received from recovering investment	1,285,673,483.22	4,401,242,982.62
Cash received from investment income	76,692,639.68	515,008,090.22
Net cash received from disposal of fixed, intangible and other long-term assets	5,120,859.04	2,092,031.77
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities	266,890,277.63	333,677,757.87
Subtotal of cash inflow from investing activities	1,634,377,259.57	5,252,020,862.48
Cash paid for purchasing fixed, intangible and other long-term assets	312,219,496.56	427,352,475.87
Cash paid for investment	740,630,287.05	3,082,493,337.87
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities	54,000,000.00	3,408,840,000.00
Subtotal of cash outflow from investing activities	1,106,849,783.61	6,918,685,813.74
Net cash flows arising from investing activities	527,527,475.96	-1,666,664,951.26
<b>III. Cash flows arising from financing activities</b>		
Cash received from absorbing investment		
Cash received from loans	1,795,000,000.00	2,618,386,800.00
Other cash received concerning financing activities	15,000,000.00	783,729,243.68
Subtotal of cash inflow from financing activities	1,810,000,000.00	3,402,116,043.68
Cash paid for settling debts	2,026,644,800.00	326,483,000.00
Cash paid for dividend and profit distributing or interest paying	133,911,606.16	1,459,828,775.80
Other cash paid concerning financing activities	611,812,390.04	100,720,981.37
Subtotal of cash outflow from financing activities	2,772,368,796.20	1,887,032,757.17
Net cash flows arising from financing activities	-962,368,796.20	1,515,083,286.51
<b>IV. Influence on cash and cash equivalents due to fluctuation in exchange rate</b>		
	3,103,799.68	-3,140,478.44
<b>V. Net increase of cash and cash equivalents</b>		
	-164,666,090.84	160,480,730.93
Add: Balance of cash and cash equivalents at the period-begin	803,410,185.18	488,417,498.83
<b>VI. Balance of cash and cash equivalents at the period-end</b>		
	638,744,094.34	648,898,229.76

## 7. Consolidated statement of change in owners' equity

Current Period

In RMB

Item	2023 semi-annual														
	Owners' equity attributable to the parent company													Minority interests	Total owners' equity
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk	Retained profit	Other	Subtotal		
	Preferred stock	Perpetual capital securities	Other												
I. Balance at the end of the last year	1,008,603,293.00				3,398,368,567.63	541,623,002.63	-911,310.13	2,119,800.95	510,100.496.00		13,320,021,325.90		17,696,679,170.72	738,027.678.66	18,434,706,849.38
Add: Changes of accounting policy															
Error correction of the last period															
Enterprise combine under the same control															
Other															
II. Balance at the beginning of this year	1,008,603,293.00				3,398,368,567.63	541,623,002.63	-911,310.13	2,119,800.95	510,100.496.00		13,320,021,325.90		17,696,679,170.72	738,027.678.66	18,434,706,849.38
III. Increase/Decrease in reporting period (Decrease is listed with "-")	-6,023,500.00				-63,191,471.79	-3,212,730.39	61,239,561.19	1,463,606.80			851,002,880.25		847,703,806.84	38,899,547.24	886,603,354.08
(i) Total comprehensive income							61,239,561.19				948,760,859.55		1,010,000,420.74	33,553,952.60	1,043,554,373.34
(ii) Owners' devoted and decreased capital	-6,023,500.00				-63,191,471.79	-3,212,730.39							-66,002,241.40	5,161,978.57	-60,840,262.83
1. Common shares invested by shareholders														5,000,000.00	5,000,000.00

2. Capital invested by holders of other equity instruments															
3. Amount reckoned into owners equity with share-based payment					5,361,906.64							5,361,906.64	160,173.01	5,522,079.65	
4. Other	6,023,500.00				68,553,378.43	3,212,730.39						71,364,148.04	1,805.56	-71,362,342.48	
(III) Profit distribution											-97,757,979.30			-97,757,979.30	
1. Withdrawal of surplus reserves															
2. Withdrawal of general risk provisions															
3. Distribution for owners (or shareholders)											-97,757,979.30			-97,757,979.30	
4. Other															
(IV) Carrying forward internal owners' equity															
1. Capital reserves converted to capital (share capital)															
2. Surplus reserves converted to capital (share capital)															
3. Remedying loss with surplus reserve															

4. Carry-over retained earnings from the defined benefit plans															
5. Carry-over retained earnings from other comprehensive income															
6. Other															
(V) Reasonable reserve								1,463,606.80					1,463,606.80	183,616.07	1,647,222.87
1. Withdrawal in the reporting period								14,709,266.91					14,709,266.91	1,646,999.84	16,356,266.75
2. Usage in the reporting period								13,245,660.11					13,245,660.11	1,463,383.77	14,709,043.88
(VI) Others															
IV. Balance at the end of the reporting period	1,002,579,793.00				3,335,177,095.84	538,410,272.24	60,328,251.06	3,583,407.75	510,100,496.00		14,171,024,206.15		18,544,382,977.56	776,927,225.90	19,321,310,203.46

Last Period

In RMB

Item	2022 semi-annual														
	Owners' equity attributable to the parent company													Minority interests	Total owners' equity
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk	Retained profit	Other	Subtotal		
	Preferred stock	Perpetual capital securities	Other												
I. Balance at the end of the last year	1,008,659,570.00				3,371,344,172.82	270,249,797.74	-36,746,344.60	712,215.31	510,100,496.00		14,814,787,377.86		19,398,607,689.65	564,094,065.82	19,962,701,755.47
Add: Changes of accounting policy															
Error correction of the last period															
Enterprise combine under the same control															
Other															
II. Balance at the beginning of this year	1,008,659,570.00				3,371,344,172.82	270,249,797.74	-36,746,344.60	712,215.31	510,100,496.00		14,814,787,377.86		19,398,607,689.65	564,094,065.82	19,962,701,755.47
III. Increase/Decrease in reporting period (Decrease is listed with "-")					34,733,141.01	69,202,657.07	-12,679,652.16	1,003,249.94			-517,933,188.72		-564,079,107.00	38,843,918.21	-525,235,188.79
(i) Total comprehensive income							-12,679,652.16				1,091,126,480.08		1,078,446,827.92	37,662,091.00	1,116,108,918.92
(ii) Owners' devoted and decreased capital					34,733,141.01	69,202,657.07							-34,469,516.06	1,086,139.92	-33,383,376.14

1. Common shares invested by shareholders															
2. Capital invested by holders of other equity instruments															
3. Amount reckoned into owners equity with share-based payment					34,733,141.01							34,733,141.01	1,086,139.92	35,819,280.93	
4. Other						69,202,657.07						-69,202,657.07		-69,202,657.07	
(III) Profit distribution											-	-		-	
1. Withdrawal of surplus reserves											1,609,059,668.80	1,609,059,668.80		1,609,059,668.80	
2. Withdrawal of general risk provisions															
3. Distribution for owners (or shareholders)											-	-		-	
4. Other											1,609,059,668.80	1,609,059,668.80		1,609,059,668.80	
(IV) Carrying forward internal owners' equity															
1. Capital reserves converted to capital (share capital)															
2. Surplus reserves converted to capital (share capital)															
3. Remedying loss with surplus reserve															

4. Carry-over retained earnings from the defined benefit plans															
5. Carry-over retained earnings from other comprehensive income															
6. Other															
(V) Reasonable reserve							1,003,249.94					1,003,249.94	95,687.29	1,098,937.23	
1. Withdrawal in the reporting period							13,239,465.25					13,239,465.25	1,346,071.86	14,585,537.11	
2. Usage in the reporting period							12,236,215.31					12,236,215.31	1,250,384.57	13,486,599.88	
(VI)Others															
IV. Balance at the end of the reporting period	1,008,659,570.00				3,406,077,313.83	339,452,454.81	-49,425,996.76	1,715,465.25	510,100,496.00		14,296,854,189.14	18,834,528,582.65	602,937,984.03	19,437,466,566.68	

## 8. Statement of changes in owners' equity of parent company

Current Period

In RMB

Item	2023 semi-annual											
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Other	Total owners' equity
		Preferred stock	Perpetual capital securities	Other								
I. Balance at the end of the last year	1,008,603,293.00				3,515,005,861.23	541,623,002.63			510,100,496.00	10,765,319,818.29		15,257,406,465.89
Add: Changes of accounting policy												
Error correction of the last period												
Other												
II. Balance at the beginning of this year	1,008,603,293.00				3,515,005,861.23	541,623,002.63			510,100,496.00	10,765,319,818.29		15,257,406,465.89
III. Increase/Decrease in reporting period (Decrease is listed with "-")	6,023,500.00				-63,036,715.42	-3,212,730.39				716,065,244.46		650,217,759.43
(i) Total comprehensive income										813,823,223.76		813,823,223.76
(ii) Owners' devoted and decreased capital	6,023,500.00				-63,036,715.42	-3,212,730.39						-65,847,485.03



1. Common shares invested by shareholders												
2. Capital invested by holders of other equity instruments												
3. Amount reckoned into owners equity with share-based payment					5,522,079.67							5,522,079.67
4. Other	6,023,500.00	-			-68,558,795.09	-3,212,730.39						-71,369,564.70
(III) Profit distribution										-97,757,979.30		-97,757,979.30
1. Withdrawal of surplus reserves												
2. Distribution for owners (or shareholders)										-97,757,979.30		-97,757,979.30
3. Other												
(IV) Carrying forward internal owners' equity												
1. Capital reserves converted to capital (share capital)												
2. Surplus reserves converted to capital (share capital)												
3. Remedying loss with surplus reserve												
4. Carry-over retained earnings from the defined benefit plans												

5. Carry-over retained earnings from other comprehensive income												
6. Other												
(V) Reasonable reserve												
1. Withdrawal in the reporting period								3,237,252.50				3,237,252.50
2. Usage in the reporting period								3,237,252.50				3,237,252.50
(VI)Others												
IV. Balance at the end of the reporting period	1,002,579.79 3.00				3,451,969,145.81	538,410,272.24			510,100,496.00	11,481,385,062.75		15,907,624,225.32

Last Period

In RMB

Item	2022 semi-annual											
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Other	Total owners' equity
		Pref erred stock	Perp etual capit al secu ritie s	Othe r								
I. Balance at the end of the last year	1,008,659.57 0.00				3,487,154,855.59	270,249,797.74	0.00		510,100,496.00	12,396,934,922.01		17,132,600,045.86
Add: Changes of accounting policy												
Error correction of the last period												
Other												
II. Balance at the beginning of this year	1,008,659.57 0.00				3,487,154,855.59	270,249,797.74	0.00		510,100,496.00	12,396,934,922.01		17,132,600,045.86

III. Increase/ Decrease in reporting period (Decrease is listed with “-”)					35,819,280.96	69,202,657.07				-699,881,040.34		-733,264,416.45
(i) Total comprehensive income										909,178,628.46		909,178,628.46
(ii) Owners’ devoted and decreased capital					35,819,280.96	69,202,657.07						-33,383,376.11
1. Common shares invested by shareholders												
2. Capital invested by holders of other equity instruments												
3. Amount reckoned into owners equity with share- based payment					35,819,280.96							35,819,280.96
4. Other						69,202,657.07						-69,202,657.07
(III) Profit distribution										-1,609,059,668.80		-1,609,059,668.80
1. Withdrawal of surplus reserves												
2. Distribution for owners (or shareholders)										-1,609,059,668.80		-1,609,059,668.80
3. Other												
(IV) Carrying forward internal owners’ equity												

1. Capital reserves converted to capital (share capital)												
2. Surplus reserves converted to capital (share capital)												
3. Remedying loss with surplus reserve												
4. Carry-over retained earnings from the defined benefit plans												
5. Carry-over retained earnings from other comprehensive income												
6. Other												
(V) Reasonable reserve												
1. Withdrawal in the reporting period								3,366,170.40				3,366,170.40
2. Usage in the reporting period								3,366,170.40				3,366,170.40
(VI) Others												
IV. Balance at the end of the reporting period	1,008,659,570.00				3,522,974,136.55	339,452,454.81	0.00		510,100,496.00	11,697,053,881.67		16,399,335,629.41

### **III. Basic information of the Company**

#### **1. Historical origin of the Company**

By the approval of STGS (1992) No. 130 issued by Jiangsu Economic Restructuring Committee, Weifu High-Technology Group Co., Ltd. (hereinafter referred to “the Company” or “Company”) was established as a company of limited liability with funds raised from targeted sources, and registered at Wuxi Administration for Industry & Commerce in October 1992. The original share capital of the Company totaled 115.4355 million yuan, including state-owned share capital amounting to 92.4355 million yuan, public corporate share capital amounting to 8 million yuan and inner employee share capital amounting to 15 million yuan.

Between year of 1994 and 1995, the Company was restructured and became a holding subsidiary of Wuxi Weifu Group Co., Ltd (hereinafter referred to as “Weifu Group”).

By the approval of Jiangsu ERC and Shenzhen Securities Administration Office in August 1995, the Company issued 68 million special ordinary shares (B-share) with value of 1.00 yuan for each, and the total value of those shares amounted to 68 million yuan. After the issuance, the Company’s total share capital increased to 183.4355 million yuan.

By the approval of CSRC in June 1998, the Company issued 120 million RMB ordinary shares (A-share) at Shenzhen Stock Exchange through on-line pricing and issuing. After the issuance, the total share capital of the Company amounted to 303.4355 million yuan.

In the middle of 1999, deliberated and approved by the Board and Shareholders’ General Meeting, the Company implemented the plan of granting 3 bonus shares for each 10 shares. After that, the total share capital of the Company amounted to 394.46615 million yuan, of which state-owned shares amounted to 120.16615 million yuan, public corporate shares 10.4 million yuan, foreign-funded shares (B-share) 88.40 million yuan, RMB ordinary shares (A-share) 156 million yuan and inner employee shares 19.5 million yuan.

In the year 2000, by the approval of the CSRC and based upon the total share capital of 303.4355 million shares after the issuance of A-share in June 1998, the Company allotted 3 shares for each 10 shares, with a price of 10 yuan for each allotted share. Actually 41.9 million shares was allotted, and the total share capital after the allotment increased to 436.36615 million yuan, of which state-owned corporate shares amounted to 121.56615 million yuan, public corporate shares 10.4 million yuan, foreign-funded shares (B-share) 88.4 million yuan and RMB ordinary shares (A-share) 216 million yuan.

In April 2005, Board of Directors of the Company has examined and approved 2004 Profit Pre-distribution Plan, and examined and approved by 2004 Shareholders’ General Meeting, the Company distributed 3 shares for each 10 shares to the whole shareholders totaling to 130,909,845 shares in 2005.

According to the Share Merger Reform Scheme of the Company that passed by related shareholders’ meeting of Share Merger Reform and SGZF [2006] No.61 Reply on Questions about State-owned Equity Management in Share Merger Reform of Weifu High-Technology Co., Ltd. issued by State-owned Assets Supervision & Administration Commission of Jiangsu Province, the Weifu Group etc. 8 non-circulating shareholders arranged pricing with granting 1.7 shares for each 10 shares to circulating A-share shareholders (totally granted 47,736,000 shares), so as to realize the originally non-circulating shares can be traded on market when satisfied certain conditions, the scheme has been implemented on April 5, 2006.

On May 27, 2009, Weifu Group satisfied the consideration arrangement by dispatching 0.5 shares for each 10 shares based on the number of circulating A share as prior to Share Merger Reform, according to the aforesaid Share Merger Reform, with an aggregate of 14,039,979 shares dispatched. Subsequent to implementation of dispatch of consideration shares, Weifu Group then held 100,021,999 shares of the Company, representing 17.63% of the total share capital of the Company.

Pursuant to the document (XGZQ(2009)No.46) about *Approval for Merger of Wuxi Weifu Group Co., Ltd. by Wuxi Industry Development Group Co., Ltd.* issued by the State-owned Assets Supervision and Administration Commission of Wuxi City Government, Wuxi Industry Development Group Co., Ltd. (hereinafter referred to as Wuxi Industry Group) acquired Weifu Group. After the merger, Weifu Group was then revoked, and its assets and credits & debts were transferred to be under the name of Wuxi Industry Group. Accordingly, Wuxi Industry Group became the first largest shareholder of the Company since then.

In accordance with the resolutions of shareholders' meeting and provisions of amended constitution, and approved by [2012] No. 109 document of China Securities Regulatory Commission, in February 2012, the Company issued RMB ordinary shares (A-share) of 112,858,000 shares to Wuxi Industry Groups and overseas strategic investor privately, Robert Bosch Co., Ltd. (ROBERT BOSCHGMBH) (hereinafter referred to as Robert Bosch Company), face value was 1.00 yuan per share, added registered capital of 112,858,000 yuan, and the registered capital after change was 680,133,995 yuan. Wuxi Industry Group is the first majority shareholder of the Company, and Robert Bosch Company is the second majority shareholder of the Company.

In March 2013, the profit distribution pre-plan for year of 2012 was deliberated and approved by the Board, and also passed in Annual General Meeting 2012 of the Company in May 2013. On basis of total share capital 680,133,995 shares, distribute 5-share for every 10 shares held by whole shareholders, 340,066,997 shares in total are distributed. Total share capital of the Company amounting 1,020,200,992 yuan up to December 31, 2013.

Deliberated and approved by the company's first extraordinary general meeting in 2015, the company has repurchased 11,250,422 shares of A shares from August 26, 2015 to September 8, 2015, and has finished the cancellation procedures for above repurchase shares in China Securities Depository and Clearing Corporation Limited Shenzhen Branch on September 16, 2015; after the cancellation of repurchase shares, the company's paid-up capital (share capital) becomes 1,008,950,570 yuan after the change.

After deliberation and approved by the 5<sup>th</sup> meeting of 10<sup>th</sup> session of the BOD for year of 2021, the 291,000 restricted shares are buy-back and canceled by the Company initially granted under the 2020 Restricted Share Incentive Plan. The cancellation of the above mentioned buy-back shares are completed at the Shenzhen Branch of CSDC on December 20, 2021; the paid-in capital (equity) of the Company comes to 1,008,659,570.00 yuan after changed.

After deliberated and approved by the 8<sup>th</sup> meeting of 10<sup>th</sup> session of the BOD for year of 2022, the 56,277 restricted shares are buy-back and canceled by the Company initially granted under the 2020 Restricted Share Incentive Plan. The cancellation of the above mentioned buy-back shares are completed at the Shenzhen Branch of CSDC on July 8, 2022; the paid-in capital (equity) of the Company came to 1,008,603,293.00 yuan after changed.

After deliberated and approved by the 14<sup>th</sup> meeting of 10<sup>th</sup> session of the BOD in 2022, the company repurchased

and canceled 430,000 restricted stock granted for the first time under Restricted Share Incentive Plan 2020, and completed the cancellation procedures of the repurchased shares in China Securities Depository and Clearing Corporation Co., Ltd., Shenzhen Branch on February 16, 2023; The Paid-in capital (share capital) of the Company after the change is 1,008,603,293.00 yuan.

Deliberated and approved by the 16<sup>th</sup> meeting of 10<sup>th</sup> session of the BOD in 2023, the company repurchased and canceled 5,593,500 restricted stock granted for the first time under Restricted Share Incentive Plan 2020, and completed the cancellation procedures of the repurchased shares in China Securities Depository and Clearing Corporation Co., Ltd., Shenzhen Branch on June 16, 2023; The Paid-in capital (share capital) of the Company after the change is 1,002,579,793.00 yuan.

## **2. Registered place, organization structure and head office of the Company**

Registered place and head office of the Company: No.5 Huashan Road, Xinwu District, Wuxi

Unified social credit code: 91320200250456967N

The Company sets up Shareholders' General Meeting, the Board of Directors (BOD) and the Board of Supervisors. The Company sets up Administration Department, Technology Centre, organization & personnel department, Office of the Board, Compliance Department, IT department, Strategy & New Business Department, Market Development Department, Party-masses Department, Finance Department, Purchase Department, Manufacturing Quality Department, MS (Mechanical System) Division, AC(Automotive Components) Division and DS (Diesel System ) Division, etc. and subsidiaries such as WUXI WEIFU LIDA CATALYTIC CONVERTER CO., LTD, NANJING WEIFU JINNING CO., LTD, IRD Fuel Cells A/S and Borit NV.

## **3. Business nature and major operation activities of the Company**

Operation scope of parent company: Technology development and consulting service in the machinery industry; manufacture of engine fuel oil system products, fuel oil system testers and equipment, manufacturing of auto electronic parts, automotive electrical components, non-standard equipment, non-standard knife tool and exhaust post-processing system; sales of the general machinery, hardware & electrical equipment, chemical products & raw materials (excluding hazardous chemicals), automotive components and vehicles (excluding nine-seat passenger car); internal combustion engine maintenance; leasing of the own houses; import and export business in respect of diversified commodities and technologies (other than those commodities and technologies limited or forbidden by the State for import and export) by self-operation and works as agent for such business. Research and test development of engineering and technical; R&D of the energy recovery system; manufacture of auto components and accessories; general equipment manufacturing (excluding special equipment manufacturing), (any projects that needs to be approved by laws can only be carried out after getting approval by relevant authorities) General items: engage in investment activities with self-owned funds (except for items subject to approval according to the law, independently carry out business activities according to laws with business licenses )

Major subsidiaries respectively activate in production and sales of engine accessories, automotive components, mufflers, purifiers and fuel cell components etc.

## **4. Authorized reporting parties and reporting dates for the financial report**

The financial report of the Company was approved by the Board of Directors for reporting dated August 22, 2023.

## 5. Scope of consolidate financial statement

Name of subsidiary	Short name of subsidiary	Shareholding ratio (%)		Proportion of votes (%)	Registered capital (in 10 thousand yuan)	Business scope	Statement consolidated (Y/N)
		Directly	Indirectly				
NANJING WFJN CO., LTD.	WFJN	80.00	--	80.00	34,628.70	Internal-combustion engine accessories	Y
WUXI WEIFU LIDA CATALYTIC CONVERTER CO., LTD.	WFLD	94.81	--	94.81	50,259.63	Purifier and muffler	Y
WUXI WEIFU MASHAN FUEL INJECTION EQUIPMENT CO., LTD.	WFMA	100.00	--	100.00	16,500	Internal-combustion engine accessories	Y
WUXI WEIFU CHANG 'AN CO.,LTD.	WFCA	100.00	--	100.00	21,000	Internal-combustion engine accessories	Y
WUXI WEIFU INTERNATIONAL TRADE CO.,LTD.	WFTR	100.00	--	100.00	3,000	Trade	Y
WUXI WEIFU SCHMITTER POWERTRAIN COMPONENTS CO.,LTD.	WFSC	66.00	--	66.00	7,600	Internal-combustion engine accessories	Y
NINGBO WFTT TURBOCHARGING TECHNOLOGY CO.,LTD.	WFTT	98.83	1.17	100.00	11,136	Internal-combustion engine accessories	Y
WUXI WFAM PRECISION MACHINERY CO.,LTD.	WFAM	51.00	--	51.00	USD3,310	Automotive components	Y
WUXI WEIFU LIDA CATALYTIC CONVERTER (WUHAN) CO., LTD.	WFLD (WUHAN)	--	60.00	60.00	1,000	Purifier and muffler	Y
Weifu Lida (Chongqing) Automotive components Co., Ltd.	WFLD (Chongqing)	--	100.00	100.00	5,000	Purifier and muffler	Y
Nanchang Weifu Lida Automotive Components Co., Ltd.	WFLD (Nanchang)	--	100.00	100.00	5,000	Purifier and muffler	Y
WUXI WEIFU AUTOSMART SEATING SYSTEM CO., LTD.	WFAS	--	66.00	66.00	10,000	Smart car device	Y
WUXI WEIFU E-DRIVE TECHNOLOGIES CO., LTD.	WFDT	80.00	--	80.00	USD2,000	Wheel motor	Y
Wuxi Weifu Qinglong Power Technology Co., Ltd.	WFQL	45.00	30.00	75.00	50,000	Fuel cell components	Y
VHIT Automotive Systems(Wuxi) Co.Ltd	VHWX	100.00	--	100.00	13,400	Vacuum and hydraulic pump	Y
Weifu Holding ApS	SPV	100.00	--	100.00	DKK9,257	Investment	Y
IRD Fuel Cells A/S	IRD	--	100.00	100.00	DKK10,579	Fuel cell components	Y
IRD FUEL CELLS LLC	IRD America	--	100.00	100.00	USD1,201.83	Fuel cell components	Y
Borit NV	Borit	--	100.00	100.00	EUR1,183.21	Fuel cell components	Y
Borit Inc.	Borit America	--	100.00	100.00	USD0.1	Fuel cell components	Y
VHIT S.p.A. Societ à Unipersonale	VHIO	--	100.00	100.00	EUR500	Vacuum and hydraulic pump	Y



## IV. Basis of preparation of financial statements

### 1. Preparation base

The financial statement were stated in compliance with *Accounting Standard for Business Enterprises –Basic Norms* issued by Ministry of Finance, the specific 42 accounting rules revised and issued dated February 15, 2006 and later, the Application Instruments of Accounting Standards and interpretation on Accounting standards and other relevant regulations (together as “Accounting Standards for Business Enterprise”), as well as the *Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15 – General Provision of Financial Report* (Amended in 2014) issued by CSRC in respect of the actual transactions and proceedings, on a basis of ongoing operation.

In line with relevant regulations of Accounting Standards of Business Enterprise, accounting of the Company is on accrual basis. Except for certain financial instruments, the financial statement measured on historical cost. Assets have impairment been found, corresponding depreciation reserves shall accrual according to relevant rules.

### 2. Going concern

The Company comprehensively assessed the available information, and there are no obvious factors that impact sustainable operation ability of the Company within 12 months since end of the reporting period.

## V. Major accounting policies and estimation

Specific accounting policies and estimation attention:

The Company and its subsidiaries are mainly engaged in the manufacture and sales of engine fuel oil system products, automotive components, mufflers, purifiers and fuel cell components etc., in line with the actual operational characteristics and relevant accounting standards, many specific accounting policies and estimation have been formulated for the transactions and events with revenue recognized concerned. As for the explanation on major accounting judgment and estimation, found more in Note V- 36. Other major accounting policy and estimation

### 1. Statement on observation of Accounting Standard for Business Enterprises

Financial statements prepared by the Company were in accordance with requirements of Accounting Standard for Business Enterprises, which truly and completely reflected the financial information of the Company in the reporting period, such as financial status, operation achievements and cash flow.

### 2. Accounting period

Accounting period of the Company consist of annual and mid-term, mid-term refers to the reporting period shorter than one annual accounting year. The company adopts Gregorian calendar as accounting period, namely form each 1 January to 31 December.

### 3. Business cycles

Normal business cycle is the period from purchasing assets used for process by the Company to the cash and cash equivalent achieved. The Company’s normal business cycle was one-year (12 months).

#### 4. Recording currency

The Company's reporting currency is the RMB yuan.

#### 5. Accounting treatment method for business combinations under the same/different control

Business combination is the transaction or events that two or two above independent enterprises combined as a reporting entity. Business combination including enterprise combined under the same control and business combined under different control.

##### (1) The business combination under the same control

Enterprise combination under the same control is the enterprise who take part in the combination are have the same ultimate controller or under the same controller, the control is not temporary. The assets and liability acquired by combining party are measured by book value of the combined party on combination date. Balance of net asset's book value acquired by combining party and combine consideration paid (or total book value of the shares issued), shall adjusted capital reserve (share premium); if the capital reserves (share premium) is not enough for deducted, adjusted for retained earnings. Vary directly expenses occurred for enterprise combination, the combining party shall reckon into current gains/losses while occurring. Combination day is the date when combining party obtained controlling rights from the combined party.

##### (2) Combine not under the same control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. As a purchaser, fair value of the assets (equity of purchaser held before the date of purchasing included) for purchasing controlling right from the purchaser, the liability occurred or undertake on purchasing date less the fair value of identifiable net assets of the purchaser obtained in combination, recognized as goodwill if the results is positive; if the number is negative, the acquirer shall firstly review the measurement of the fair value of the identifiable assets obtained, liabilities incurred and contingent liabilities incurred, as well as the combination costs. After that, if the combination costs are still lower than the fair value of the identifiable net assets obtained, the acquirer shall recognize the difference as the profit or loss in the current period. Other directly expenses cost for combination shall be reckoned into current gains/losses. Difference of the fair value of assets paid and its book values, reckoned into current gains/losses. On purchasing date, the identifiable assets, liability or contingency of the purchaser obtained by the Company recognized by fair value, that required identification conditions; Acquisition date refers to the date on which the acquirer effectively obtains control of the purchaser.

#### 6. Preparation method for consolidated financial statement

##### (1) Recognition principle of consolidated scope

On basis of the financial statement of the parent company and owned subsidiaries, prepared consolidated statement in line with relevant information. The scope of consolidation of consolidated financial statements is ascertained on the basis of effective control. Once certain elements involved in the above definition of control change due to changes of relevant facts or circumstances, the Company will make separate assessment.

##### (2) Basis of control

Control is the right to govern an invested party so as to obtain variable return through participating in the invested party's relevant activities and the ability to affect such return by use of the aforesaid right over the invested party. Relevant activates refers to activates have major influence on return of the invested party's.

##### (3) Consolidation process

Subsidiaries are consolidated from the date on which the company obtains their actual control, and are de-consolidated from the date

that such control ceases. All significant inter-group balances, investment, transactions and unrealized profits are eliminated in the consolidated financial statements. For subsidiaries being disposed, the operating results and cash flows prior to the date of disposal are included in the consolidated income statement and consolidated cash flow statement; for subsidiaries disposed during the period, the opening balances of the consolidated balance sheet would not be restated. For subsidiaries acquired from a business combination not under common control, their operating results and cash flows subsequent to the acquisition date are included in the consolidated income statement and consolidated cash flow statement, and the opening balances and comparative figures of the consolidated balance sheet would not be restated. For subsidiaries acquired from a business combination under common control, their operating results and cash flows from the date of commencement of the accounting period in which the combination occurred to the date of combination are included in the consolidated income statement and consolidated cash flow statement, and the comparative figures of the consolidated balance sheet would be restated.

In preparing the consolidated financial statements, where the accounting policies or the accounting periods are inconsistent between the company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the company.

Concerning the subsidiary obtained under combination with different control, adjusted several financial statement of the subsidiary based on the fair value of recognizable net assets on purchased day while financial statement consolidation; concerning the subsidiary obtained under combination with same control, considered current status of being control by ultimate controller for consolidation while financial statement consolidation.

The unrealized gains and losses from the internal transactions occurred in the assets the Company sold to the subsidiaries fully offset "the net profit attributable to the owners of the parent company". The unrealized gains and losses from the internal transactions occurred in the assets the subsidiaries sold to the Company are distributed and offset between "the net profit attributable to the owners of the parent company" and "minority interest" according to the distribution ratio of the Company to the subsidiary. The unrealized gains and losses from the internal transactions occurred in the assets sold among the subsidiaries are distributed and offset between "the net profit attributable to the owners of the parent company" and "minority interest" according to the distribution ratio of the Company to the subsidiary of the seller.

The share of the subsidiary's ownership interest not attributable to the Company is listed as "minority interest" item under the ownership interest in the consolidated balance sheet. The share of the subsidiary's current profit or loss attributable to the minority interests is listed as "minority interest" item under the net profit item in the consolidated income statement. The share of the subsidiary's current consolidated income attributable to the minority interests is listed as the "total consolidated income attributable to the minority shareholders" item under the total consolidated income item in the consolidated income statement. If there are minority shareholders, add the "minority interests" item in the consolidated statement of change in equity to reflect the changes of the minority interests. If the losses of the current period shared by a subsidiary's minority shareholders exceed the share that the minority shareholders hold in the subsidiary ownership interest in the beginning of the period, the balance still charges against the minority interests.

When the control over a subsidiary is ceased due to disposal of a portion of an interest in a subsidiary, the fair value of the remaining equity interest is re-measured on the date when the control ceased. The difference between the sum of the consideration received from disposal of equity interest and the fair value of the remaining equity interest, less the net assets attributable to the company since the acquisition date, is recognized as the investment income from the loss of control. Other comprehensive income relating to original equity investment in subsidiaries shall be treated on the same basis as if the relevant assets or liabilities were disposed of by the purchaser directly when the control is lost, namely be transferred to current investment income other than the relevant part of the movement arising from re-measuring net liabilities or net assets under defined benefit scheme by the original subsidiary. Subsequent measurement of the remaining equity interests shall be in accordance with relevant accounting standards such as *Accounting Standards for business Enterprises 2 – Long-term Equity Investments* or *Accounting Standards for business Enterprises 22 – Financial Instruments Recognition and Measurement*.

The company shall determine whether loss of control arising from disposal in a series of transactions should be regarded as a bundle

of transactions. When the economic effects and terms and conditions of the disposal transactions met one or more of the following situations, the transactions shall normally be accounted for as a bundle of transactions: ① The transactions are entered into after considering the mutual consequences of each individual transaction; ② The transactions need to be considered as a whole in order to achieve a deal in commercial sense; ③ The occurrence of an individual transaction depends on the occurrence of one or more individual transactions in the series; ④ The result of an individual transaction is not economical, but it would be economical after taking into account of other transactions in the series. When the transactions are not regarded as a bundle of transactions, the individual transactions shall be accounted as “disposal of a portion of an interest in a subsidiary which does not lead to loss of control” and “disposal of a portion of an interest in a subsidiary which lead to loss of control”. When the transactions are regarded as a bundle of transactions, the transactions shall be accounted as a single disposal transaction; however, the difference between the consideration received from disposal and the share of net assets disposed in each individual transaction before loss of control shall be recognized as other comprehensive income, and reclassified as profit or loss arising from the loss of control when control is lost.

## **7. Joint arrangement classification and accounting treatment for joint operations**

In accordance with the Company’s rights and obligation under a joint arrangement, the Company classifies joint arrangements into: joint ventures and joint operations.

The Company confirms the following items related to the share of interests in its joint operations, and in accordance with the provisions of the relevant accounting standards for accounting treatment:

- (1) Recognize the assets held solely by the Company, and recognize assets held jointly by the Company in appropriation to the share of the Company;
- (2) Recognize the obligations assumed solely by the Company, and recognize obligations assumed jointly by the Company in appropriation to the share of the Company;
- (3) Recognize revenue from disposal of the share of joint operations of the Company;
- (4) Recognize fees solely occurred by Company;
- (5) Recognize fees from joint operations in appropriation to the share of the Company.

## **8. Recognition standards for cash and cash equivalent**

Cash refers to stock cash, savings available for paid at any time; cash and cash equivalent refers to the cash held by the Company with short terms (expired within 3 months since purchased), and liquid and easy to transfer as known amount and investment with minor variation in risks.

## **9. Foreign currency business and conversion**

The occurred foreign currency transactions are converted into the recording currency in accordance with the middle rate of the market exchange rate published by the People's Bank of China on the transaction date. There into, the occurred foreign currency exchange or transactions involved in the foreign currency exchange are converted in accordance with the actual exchange rate in the transactions.

At the balance sheet date, the account balance of the foreign currency monetary assets and liabilities is converted into the recording currency amount in accordance with the middle rate of the market exchange rate published by the People's Bank of China on the transaction date. The balance between the recording currency amount converted according to exchange rate at the balance sheet date and the original recording currency amount is disposed as the exchange gains or losses. There into, the exchange gains or losses occurred in the foreign currency loans related to the purchase and construction of fixed assets are disposed according to the principle of capitalization of borrowing costs; the exchange gains and losses occurred during the start-up are included in the start-up costs; the

rest is included in the current financial expenses.

At the balance sheet date, the foreign currency non-monetary items measured with the historical costs are converted in accordance with the middle rate of the market exchange rate published by the People's Bank of China on the transaction date without changing its original recording currency amount; the foreign currency non-monetary items measured with the fair value are converted in accordance with the middle rate of the market exchange rate published by the People's Bank of China on the fair value date, and the generated exchange gains and losses are included in the current profits and losses as the gains and losses from changes in fair value.

The following displays the methods for translating financial statements involving foreign operations into the statements in RMB: The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the owners' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the average exchange rates of the transaction dates. The exchange difference arising from the above mentioned translation are recognized in other comprehensive income and is shown separately under owner' equity in the balance sheet; such exchange difference will be reclassified to profit or loss in current year when the foreign operation is disposed according to the proportion of disposal.

The cash flows of overseas operations are translated at the average exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

## 10. Financial instrument

Financial instrument is the contract that taken shape of the financial assets for an enterprise and of the financial liability or equity instrument for other units.

### (1) Recognition and termination of financial instrument

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

The recognition of a financial assets shall be terminated if it meets one of the following conditions:

- ① The contractual right to receive the cash flow of the financial assets terminates; and
- ② The financial assets are transferred and the company transfers substantially all the risks and rewards of ownership of the financial asset to the transferring party;
- ③ The financial asset was transferred and control, although the company has neither transferred nor retained almost all the risks and rewards of the ownership of a financial asset, it relinquishes control over the financial asset.

If all or part of the current obligations of a financial liability has been discharged, the financial liability or part of it is terminated for recognition. When the Company (debtor) and the creditor sign an agreement to replace the existing financial liabilities with new financial liabilities, and the new financial liabilities and the existing financial liabilities are substantially different from the contract terms, terminated the recognition of the existing financial liabilities and recognize the new financial liabilities at the same time.

Financial assets are traded in the normal way and their accounting recognition and terminated the recognition of proceed on a trade date basis.

### (2) Classification and measurement of financial assets

At the initial recognition, according to the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the Company classifies the financial assets into the financial assets measured at amortized cost, the financial assets measured at fair value and whose changes are included in other comprehensive income, and the financial assets measured at fair value and whose changes are included in current profit or loss. Financial assets are measured at fair value at initial recognition, but if the receivables or receivables financing arising from the sale of goods or the provision of services do not include a significant financing component or do not consider a financing component that does not exceed one year, it shall be initially measured in accordance with the transaction value. For financial assets measured at fair value and whose changes are included in the current profit or loss, related transaction costs are directly included in the current profit and loss; for other types of financial assets, related

transaction costs are included in the initially recognized amount.

The business model for managing financial assets refers to how the Company manages financial assets to generate cash flows. The business model determines whether the cash flow of financial assets managed by the Company is based on contract cash flow, selling financial assets or both. The Company determines the business model for managing financial assets based on objective facts and based on the specific business objectives of financial assets management determined by key management personnel.

The Company evaluates the contractual cash flow characteristics of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on a specific date are only payments for the principal and the interest based on the outstanding principal amount. The principal is the fair value of the financial assets at initial recognition; the interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, and other basic borrowing risks, costs and consideration of profit. In addition, the Company evaluates the contractual terms that may result in changes in the time distribution or the amount of contractual cash flows of the financial assets to determine whether they meet the requirements of the above contractual cash flow characteristics.

Only when the Company changes its business model of managing financial assets, all affected financial assets are reclassified on the first day of the first reporting period after the business model changes, otherwise the financial assets are not allowed to be reclassified after initial recognition.

① Financial assets measured at amortized cost

The Company classifies the financial assets that meet the following conditions and haven't been designated as financial assets measured at fair value and whose changes are included in current profit or loss as financial assets measured at amortized cost:

- A. the group's business model for managing the financial assets is to collect contractual cash flows; and
- B. the contractual terms of the financial assets stipulate that cash flow generated on a specific date is only paid for the principal and interest based on the outstanding principal amount.

After initial recognition, such financial assets are measured at amortized cost by using the effective interest method. Gains or losses arising from financial assets which are measured at amortized cost and are not a component of any hedging relationship are included in current profit or loss when being terminated for recognition, amortized by effective interest method, or impaired.

② Financial assets measured at fair value and whose changes are included in other comprehensive income

The Company classifies the financial assets that meet the following conditions and haven't been designated as financial assets measured at fair value and whose changes are included in current profit or loss as financial assets measured at fair value and whose changes are included in other comprehensive income:

- A. the Group's business model for managing the financial assets is targeted at both the collection of contractual cash flows and the sale of financial assets; and
- B. the contractual terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount.

After initial recognition, such financial assets are subsequently measured at fair value. Interests, impairment losses or gains and exchange gains and losses calculated by using the effective interest method are included in profit or loss for the period, and other gains or losses are included in other comprehensive income. When being terminate for recognition, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income and included in current profit or loss.

③ Financial assets measured at fair value and whose changes are included in current profit or loss

Except for the above financial assets measured at amortized cost and measured at fair value and whose changes are included in other comprehensive income, the Company classifies all other financial assets as financial assets measured at fair value and whose changes are included in current profit or loss. In the initial recognition, in order to eliminate or significantly reduce accounting mismatch, the Company irreversibly designates part of the financial assets that should be measured at amortized cost or measured at fair value and whose changes are included in the other comprehensive income as the financial assets measured at fair value and whose changes are

included in current profit or loss.

After the initial recognition, such financial assets are subsequently measured at fair value, and the gains or losses (including interests and dividend income) are included in the current profit and loss, unless the financial assets are part of the hedging relationship.

However, for non-trading equity instrument investments, the Company irreversibly designates them as the financial assets that are measured at fair value and whose changes are included in other comprehensive income in the initial recognition. The designation is made based on a single investment and the relevant investment is in line with the definition of equity instruments from the issuer's perspective. After initial recognition, such financial assets are subsequently measured at fair value. Dividend income that meets the conditions is included in profit or loss, and other gains or losses and changes in fair value are included in other comprehensive income. When it is terminated for recognition, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income and included in retained earnings.

### (3) Classification and measurement of financial liabilities

The financial liabilities of the Company are classified as financial liabilities measured at fair value and whose changes are included in current profit or loss and financial liabilities measured at amortized cost at the initial recognition. For financial liabilities that are not classified as financial liabilities measured at fair value and whose changes are included in current profit or loss, the related transaction expenses are included in the initial recognition amount.

#### ① Financial liability measured by fair value and with variation reckoned into current gains/losses

Financial liability measured by fair value and with variation reckoned into current gains/losses including tradable financial liability and the financial liabilities that are designated as fair value in the initial recognition and whose changes are included in current profit or loss. For such financial liabilities, the subsequent measurement is based on fair value, and the gains or losses arising from changes in fair value and the dividends and interest expenses related to these financial liabilities are included in current profit or loss.

#### ② Financial liability measured by amortized cost

Other financial liabilities are subsequently measured at amortized cost by using the effective interest method. The gain or loss arising from recognition termination or amortization is included in current profit or loss.

#### ③ Distinctions between financial liabilities and equity instruments

Financial liabilities are liabilities that meet one of the following conditions:

- A. Contractual obligations to deliver cash or other financial assets to other parties.
- B. Contractual obligations to exchange financial assets or financial liabilities with other parties under potentially adverse conditions.
- C. Non-derivative contracts that must be settled or that can be settled by the company's own equity instruments in the future, and the enterprise will deliver a variable amount of its own equity instruments according to the contract.
- D. Derivative contracts that must be settled or that can be settled by the company's own equity instruments in the future, except for derivatives contracts that exchange a fixed amount of cash or other financial assets with a fixed amount of their own equity instruments.

An equity instrument is a contract that proves it has a residual equity in the assets of an enterprise after deducting all liabilities.

If the Company cannot unconditionally avoid performing a contractual obligation by delivering cash or other financial assets, the contractual obligation is consistent with the definition of financial liability.

If a financial instrument is required to be settled or can be settled by the Company's own equity instruments, it is necessary to consider whether the Company's own equity instruments used to settle the instrument are a substitute for cash or other financial assets, or to make the instrument holder enjoy the residual equity in the assets of the issuer after deducting all liabilities. In the former case, the instrument is the Company's financial liability; if it is the latter, the instrument is the Company's equity instrument.

### (4) Fair value of financial instruments

The company uses valuation techniques that are applicable under current circumstances and that have sufficient available data and other information support to determine the fair value of related financial assets and financial liabilities. The company divides the

input values used by valuation techniques into the following levels and uses them in sequence:

- ① The first-level input value is the unadjusted quotation of the same assets or liabilities that can be obtained on the measurement date in the active market;
- ② The second-level input value is the direct or indirect observable input value of the relevant assets or liabilities other than the first-level input value, including quotations of similar assets or liabilities in an active market; quotations of same or similar assets or liabilities in an active market; other observable input value other than quotations, such as interest rate and yield curves that are observable during the normal quote interval; market-validated input value, etc.;
- ③ The third-level input value is the unobservable input value of the relevant assets or liabilities, including the interest rate that cannot be directly observed or cannot be verified by observable market data, stock volatility, future cash flow of the retirement obligation assumed in the business combination, and financial forecasting made by its own data, etc.

#### (5) Impairment of financial assets

On the basis of expected credit losses, the Company performs impairment treatment on financial assets measured at amortized cost and creditors' investment etc. measured at fair value and whose changes are included in other comprehensive income and recognize the provisions for loss.

##### ① Measurement of expected credit losses

Expected credit loss refers to the weighted average of credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows that the Company discounts at the original actual interest rate and are receivable in accordance with contract and all cash flows expected to be received, that is, the present value of all cash shortages. Among them, for the purchase or source of financial assets that have suffered credit impairment, the Company discounts the financial assets at the actual interest rate adjusted by credit.

When measuring expected credit losses, the Company individually evaluates credit risk for financial assets with significantly different credit risks, such as receivables involving litigation and arbitration with the other party, or receivables having obvious indications that the debtor is likely to be unable to fulfill its repayment obligations, and so on.

Except for the financial assets that separately assess the credit risks, the Company classified the account receivable according to their characteristic of risks, calculated the expected credit losses on basis of portfolio. Basis for determining the portfolio as follow:

##### A - Note receivable

Note receivable 1: bank acceptance

Note receivable 2: trade acceptance

##### B - Account receivable

Account receivable 1: receivable from clients

Account receivable 2: receivable from internal related party

##### C- Receivable financing

Receivable financing 1: bank acceptance

Receivable financing 2: trade acceptance

##### D - Other accounts receivable

Other accounts receivable 1: receivable from internal related party

Other accounts receivable 2: receivable from others

As for the note receivable, account receivable, receivable financing and other account receivable classified in portfolio, by referring to the experience of historical credit loss, the expected credit loss is calculated by combining the current situation and the forecast of future economic conditions.

Except for the financial assets adopting simplified metering method, the Company assesses at each balance sheet date whether its credit risk has increased significantly since initial recognition. If credit risk has not increased significantly since initial recognition, it



is in the first stage, the Company measures the loss provisions based on the amount equivalent to the expected credit loss in the next 12 months; if the credit risk has increased significantly since initial recognition but no credit impairment has occurred, it is in the second stage, the Company measures the loss provisions based on the amount equivalent to the expected credit loss for the entire duration; if credit impairment occurs after initial recognition, it is in the third stage, the Company measures the loss provisions based on the amount equivalent to the expected credit loss for the entire duration. For financial instruments with low credit risks at the balance sheet date, the Company assumes that their credit risks have not increased significantly since initial recognition.

The Company evaluates the expected credit losses of financial instruments based on individual items and portfolios. When assessing expected credit losses, the Company considers reasonable and evidence-based information about past events, current conditions, and forecasts of future economic conditions.

When the Company no longer reasonably expects to be able to fully or partially recover the contractual cash flow of a financial asset, the Company directly writes down the book balance of the financial asset.

② Assessment of a significant increase in credit risk:

The Company determines the relative changes in default risk of the financial instrument occurred in the expected duration and assess whether the credit risks of financial instrument has increased significantly since the initial recognition by comparing the risk of default of the financial instrument on the balance sheet date with the risk of default of financial instrument on the initial recognition date. When determining whether the credit risk has increased significantly since the initial recognition, the Company considers reasonable and evidence-based information that can be obtained without unnecessary additional costs or effort, including forward-looking information. The information considered by the Company includes:

- A. The debtor fails to pay the principal and interest according to the contractual maturity date;
- B. Serious worsening of external or internal credit rating (if any) of the financial instruments that have occurred or are expected;
- C. Serious deterioration of the debtor's operating results that have occurred or are expected;
- D. Changes in existing or anticipated technical, market, economic or legal circumstances that will have a material adverse effect on the debtor's ability to repay the company.

Based on the nature of financial instruments, the Company assesses whether credit risk has increased significantly on the basis of a single financial instrument or combination of financial instruments. When conducting an assessment based on a combination of financial instruments, the Company can classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk ratings.

The Company believes that financial assets are subject to default in the following circumstances:

The debtor is unlikely to pay the full amount to the Company, and the assessment does not consider the Company to take recourse actions such as realizing collateral (if held).

③ Financial assets with credit impairment

On the balance sheet date, the Company assesses whether the credit of financial assets measured at amortized cost and the credit of debt investments measured at fair value and whose changes are included in other comprehensive income has been impaired. 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 that has suffered credit impairment. Evidence that credit impairment has occurred in financial assets includes the following observable information:

- A. The issuer or the debtor has significant financial difficulties;
- B. The debtor breaches the contract such as default or overdue repayment of interest or principal;
- C. The Company gives concessions to the debtor that will not be made in any other circumstances for economic or contractual considerations relating to the financial difficulties of the debtor;
- D. The debtor is likely to go bankrupt or carry out other financial restructurings;
- E. The financial difficulties of the issuer or the debtor have caused the active market of the financial asset to disappear.

## ④ Presentation of expected credit loss provisions

In order to reflect the changes in the credit risk of financial instruments since the initial recognition, the Company re-measures the expected credit losses on each balance sheet date, and the resulting increase or reversal of the loss provisions shall be included in current profit and loss as impairment losses or gains. For financial assets measured at amortized cost, the loss provisions are written off against the book value of the financial assets listed in the balance sheet; for debt investments measured at fair value and whose changes are included in other comprehensive income, the Company recognizes the loss provisions in other comprehensive income and does not deduct the book value of the financial asset.

## ⑤ Write-off

If the Company no longer reasonably expects that the financial asset contract cash flow can be fully or partially recovered, directly write down the book balance of the financial asset. Such write-downs constitute the termination of recognition for related financial assets. This usually occurs when the Company determines that the debtor has no assets or sources of income to generate sufficient cash flow to repay the amount that will be written down. However, according to the Company's procedures for recovering the due amount, the financial assets that have been written down may still be affected by the execution activities.

If the financial assets that have been written down are recovered afterwards, they shall be included in the profit or loss of the period being recovered as the reversal of the impairment loss

## (6) Transfer of financial assets

The transfer of financial assets refers to the transfer or delivery of financial assets to the other party (the transferee) other than the issuer of the financial assets.

For financial assets that the Company has transferred almost all risks and rewards of ownership of financial assets to the transferee, terminate the recognition of the financial assets; if almost all the risks and rewards of ownership of financial assets have been retained, do not terminate the recognition of the financial assets.

If the Company has neither transferred nor retained almost all the risks and rewards of ownership of financial assets, dispose as following situations: If the control of the financial assets is abandoned, terminate the recognition of the financial assets and determine the resulting assets and liabilities. If the control of the financial assets is not abandoned, determine the relevant financial assets according to the extent to which they continue to be involved in the transferred financial assets, and determine the related liabilities accordingly.

## (7) Balance-out between the financial assets and liabilities

As the Group has the legal right to balance out the financial liabilities by the net or liquidation of the financial assets, the balance-out sum between the financial assets and liabilities is listed in the balance sheet. In addition, the financial assets and liabilities are listed in the balance sheet without being balanced out.

**11. Note receivable**

Note receivable 1: bank acceptance

Note receivable 2: trade acceptance

The Company calculates expected credit losses by referring to historical credit loss experience, taking into account current conditions and forecasts of the future economic situation.

**12. Account receivable**

Account receivable 1: receivable from clients

Account receivable 2: receivable from internal related party

The Company calculates expected credit losses by referring to historical credit loss experience, taking into account current conditions

and forecasts of the future economic situation.

### 13. Receivable financing

The note receivable and account receivable which are measured at fair value and whose changes are included in other comprehensive income are classified as receivables financing within one year (including one year) from the date of acquisition. Relevant accounting policy found more in Note V. 10. "Financial Instrument" .

### 14. Other accounts receivable

Determination method of expected credit loss and accounting treatment

Other accounts receivable 1: receivable from internal related party

Other accounts receivable 2: receivable from others

The Company calculates expected credit losses by referring to historical credit loss experience, taking into account current conditions and forecasts of the future economic situation.

### 15. Inventory

#### (1) Classification of inventories

The Company's inventories are categorized into stock materials, product in process and stock goods etc.

#### (2) Pricing for delivered inventories

The cost of inventory at the time of acquisition and delivery is calculated according to the standard cost method, and the difference in cost that it should bear is carried forward at the end of the period, and the standard cost is adjusted to the actual cost.

#### (3) Recognition evidence for net realizable value of inventories and withdrawal method for inventory impairment provision

Inventories as at period-end are priced at the lower of costs and net realizable values; at period end, on the basis of overall clearance about inventories, inventory impairment provision is withdrawn for uncollectible part of costs of inventories which result from destroy of inventories, out-of-time of all and part inventories, or sales price lowering than cost. Inventory impairment provision for stock goods and quantity of raw materials is subject to the difference between costs of single inventory item over its net realizable value. As for other raw materials with large quantity and comparatively low unit prices, inventory impairment provision is withdrawn pursuant to categories.

As for finished goods, commodities and materials available for direct sales, their net realizable values are determined by their estimated selling prices less estimated sales expenses and relevant taxes. For material inventories held for purpose of production, their net realizable values are determined by the estimated selling prices of finished products less estimated costs, estimated sales expenses and relevant taxes accumulated till completion of production. As for inventories held for implementation of sales contracts or service contracts, their net realizable values are calculated on the basis of contract prices. In the event that inventories held by a company exceed order amount as agreed in sales contracts, net realizable values of the surplus part are calculated on the basis of normal sale price.

#### (4) Inventory system

Perpetual Inventory System is adopted by the Company and takes a physical inventory.

#### (5) Amortization of low-value consumables and wrappage

##### ① Low-value consumables

The Company adopts one-off amortization method to amortize the low-value consumables.

##### ② Wrappage

The Company adopts one-off amortization method to amortize the wrappage at the time of receipt.

## 16. Contract assets

The Company presents the contract assets or contract liabilities in the balance sheet based on the relationship between the performance obligation and the customer's payment.

Recognition method and standard of contract assets: contract assets refer to the right of a company to receive consideration after transferring goods or providing services to customers, and this right depends on other factors besides the passage of time. The company's unconditional (that is, only depending on the passage of time) right to collect consideration from customers are separately listed as receivables.

Method for determining expected credit losses of contract assets: the method for determining expected credit losses of contract assets is consistent with the method for determining expected credit losses of accounts receivable.

Accounting treatment method of expected credit losses of contract assets: if the contract assets are impaired, the company shall debit the "asset impairment loss" subject and credit the "contract asset impairment provision" subject according to the amount that should be written down. When reversing the provision for asset impairment that has already been withdrawn, make opposite accounting entries.

## 17. Assets held for sale

The Company classifies non-current assets or disposal groups that meet all of the following conditions as held-for-sale: according to the practice of selling this type of assets or disposal groups in a similar transaction, the non-current assets or disposal group can be sold immediately at its current condition; The sale is likely to occur, that is, the Company has made resolution on the selling plan and obtained definite purchase commitment, the selling is estimated to be completed within one year. Those assets whose disposal is subject to approval from relevant authority or supervisory department under relevant requirements are subject to that approval.

Where the Company loses control over its subsidiary due to disposal of investment in subsidiary, whether or not the Company retains part equity investment after such disposal, investment in subsidiary shall be classified in its entirety as held for sale in the separate financial statement of the parent company subject to that the investment in subsidiary proposed to be disposed satisfies the conditions for being classified as held for sale, and all the assets and liabilities of the subsidiary shall be classified as held for sale in consolidated financial statement.

The purchase commitment identified refers to the legally binding purchase agreement entered into between the Company and other parties, which sets out certain major terms relating to transaction price, time and adequately stringent punishment for default, which render an extremely minor possibility for material adjustment or revocation of the agreement.

Assets held for sale are measured at the lower of their carrying value and fair value less selling expense. If the carrying value is higher than fair value less selling expense, the excess shall be recognized as impairment loss and recorded in profit or loss for the period, and allowance for impairment shall be provided for in respect of the assets. In respect of impairment loss recognized for disposal group held for sale, carrying value of the goodwill in the disposal group shall be deducted first, and then deduct the carrying value of the non-current assets within the disposal group applicable to this measurement standard on a pro rata basis according to the proportion taken by their carrying value.

If the net amount of fair value of non-current assets held for sale less sales expense on subsequent balance sheet date increases, the amount previously reduced for accounting shall be recovered and reverted from the impairment loss recognized after the asset is classified under the category of held for sale, with the amount reverted recorded in profit or loss for the period. Impairment loss recognized before the asset is classified under the category of held for sale shall not be reverted. If the net amount of fair value of the disposal group held for sale on the subsequent balance sheet date less sales expenses increases, the amount reduced for accounting in previous periods shall be restored, and shall be reverted in the impairment loss recognized in respect of the non-current assets which

are applicable to relevant measurement provisions after classification into the category of held for sale, with the reverted amount charged in profit or loss for the current period. The written-off carrying value of goodwill shall not be reverted.

The non-current assets in the non-current assets or disposal group held for sale is not depreciated or amortized, and the debt interests and other fees in the disposal group held for sale continue to be recognized.

If the non-current assets or disposal group are no longer classified as held for sale since they no longer meet the condition of being classified as held for sale or the non-current assets are removed from the disposal group held for sale, they will be measured at the lower of the following:

- (i) The amount after their book value before they are classified as held for sale is adjusted based on the depreciation, amortization or impairment that should have been recognized given they are not classified as held for sale;
- (ii) The recoverable amount.

## 18. Long-term equity investment

Long-term equity investments refer to long-term equity investments in which the Company has control, joint control or significant influence over the invested party. Long-term equity investment without control or joint control or significant influence of the Group is accounted for as available-for-sale financial assets or financial assets measured by fair value and with variation reckoned into current gains/losses. As for other accounting policies found more in Note V.10. "Financial instrument".

### (1) Determination of initial investment cost

Investment costs of the long-term equity investment are recognized by the follow according to different way of acquirement:

① For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial cost of the long-term equity investment and the cash paid, non-cash assets transferred as well as the book value of the debts borne by the absorbing party shall offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. If the consideration of the merger is satisfied by issue of equity securities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. With the total face value of the shares issued as share capital, the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall be used to offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. For business combination resulted in an enterprise under common control by acquiring equity of the absorbing party under common control through a stage-up approach with several transactions, these transactions will be judged whether they shall be treat as "transactions in a basket". If they belong to "transactions in a basket", these transactions will be accounted for a transaction in obtaining control. If they do not belong to "transactions in a basket", the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial cost of the long-term equity investment and the aggregate of the carrying amount of the long-term equity investment before merging and the carrying amount the additional consideration paid for further share acquisition on the date of combination shall offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. Other comprehensive income recognized as a result of the previously held equity investment accounted for using equity method on the date of combination or recognized for available-for-sale financial assets will not be accounted for.

② For the long-term equity investment obtained by business combination not under the same control, the fair value of the assets involved, the equity instruments issued and the liabilities incurred or assumed on the transaction date, plus the combined cost directly related to the acquisition is used as the initial investment cost of the long-term equity investment. The identifiable assets of the combined party and the liabilities (including contingent liabilities) assumed by the combined party on the combining date are all

measured at fair value, regardless of the amount of minority shareholders' equity. The amount of the combined cost exceeding the fair value of the identifiable net assets of the combined party obtained by the Company is recorded as goodwill, and the amount below the fair value of the identifiable net assets of the combining party is directly recognized in the consolidated income statement. (For business combination resulted in an enterprise not under common control by acquiring equity of the acquire under common control through a stage-up approach with several transactions, these transactions will be judged whether they shall be treat as "transactions in a basket". If they belong to "transactions in a basket", these transactions will be accounted for a transaction in obtaining control. If they do not belong to "transactions in a basket", the initial investment cost of the long-term equity investment accounted for using cost method shall be the aggregate of the carrying amount of equity investment previously held by the acquire and the additional investment cost. For previously held equity accounted for using equity method, relevant other comprehensive income will not be accounted for. For previously held equity investment classified as available-for-sale financial asset, the difference between its fair value and carrying amount, as well as the accumulated movement in fair value previously included in the other comprehensive income shall be transferred to profit or loss for the current period.)

③ Long-term investments obtained through other ways:

A. Initial investment cost of long-term equity investment obtained through cash payment is determined according to actual payment for purchase;

B. Initial investment cost of long-term equity investment obtained through issuance of equity securities is determined at fair value of such securities;

C. Initial investment cost of long-term equity investment (exchanged-in) obtained through exchange with non-monetary assets, which is of commercial nature, is determined at fair value of the assets exchanged-out; otherwise determined at carrying value of the assets exchanged-out if it is not of commercial nature;

D. Initial investment cost of long-term equity investment obtained through debt reorganization is determined at fair value of such investment.

(2) Subsequent measurement on long-term equity investment

① Presented controlling ability on invested party, the investment shall use cost method for measurement.

② Long-term equity investments with joint control (excluding those constitute joint ventures) or significant influence on the invested party are accounted for using equity method.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair value of the invested party's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost. Where the initial investment cost is less than the investor's interest in the fair value of the invested party's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current period, and the cost of the long term equity investment shall be adjusted accordingly.

Under the equity method, investment gain and other comprehensive income shall be recognized based on the Group's share of the net profits or losses and other comprehensive income made by the invested party, respectively. Meanwhile, the carrying amount of long-term equity investment shall be adjusted. The carrying amount of long-term equity investment shall be reduced based on the Group's share of profit or cash dividend distributed by the invested party. In respect of the other movement of net profit or loss, other comprehensive income and profit distribution of invested party, the carrying value of long-term equity investment shall be adjusted and included in the capital reserves. The Group shall recognize its share of the invested party's net profits or losses based on the fair values of the invested party's individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto. In the event of in-conformity between the accounting policies and accounting periods of the invested party and the Company, the financial statements of the invested party shall be adjusted in conformity with the accounting policies and accounting periods of the Company. Investment gain and other comprehensive income shall be recognized accordingly. In respect of the transactions between the Group and its associates and joint ventures in which the assets disposed of or sold are not classified as operation, the share of unrealized gain or loss arising from inter-group transactions shall be eliminated by the portion attributable to the Company. Investment gain shall be recognized accordingly. However, any unrealized loss arising from inter-group transactions between the

Group and an invested party is not eliminated to the extent that the loss is impairment loss of the transferred assets. In the event that the Group disposed of an asset classified as operation to its joint ventures or associates, which resulted in acquisition of long-term equity investment by the investor without obtaining control, the initial investment cost of additional long-term equity investment shall be the fair value of disposed operation. The difference between initial investment cost and the carrying value of disposed operation will be fully included in profit or loss for the current period. In the event that the Group sold an asset classified as operation to its associates or joint ventures, the difference between the carrying value of consideration received and operation shall be fully included in profit or loss for the current period. In the event that the Company acquired an asset which formed an operation from its associates or joint ventures, relevant transaction shall be accounted for in accordance with “Accounting Standards for Business Enterprises No. 20 “Business combination”. All profit or loss related to the transaction shall be accounted for.

The Group’s share of net losses of the invested party shall be recognized to the extent that the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of the investor’s net investment in the invested party are reduced to zero. If the Group has to assume additional obligations, the estimated obligation assumed shall be provided for and charged to the profit or loss as investment loss for the period. Where the invested party is making profits in subsequent periods, the Group shall resume recognizing its share of profits after setting off against the share of unrecognized losses.

### ③ Acquisition of minority interest

Upon the preparation of the consolidated financial statements, since acquisition of minority interest increased of long-term equity investment which was compared to fair value of identifiable net assets recognized which are measured based on the continuous measurement since the acquisition date (or combination date) of subsidiaries attributable to the Group calculated according to the proportion of newly acquired shares, the difference of which recognized as adjusted capital surplus, capital surplus insufficient to set off impairment and adjusted retained earnings.

### ④ Disposal of long-term equity investments

In these consolidated financial statements, for disposal of a portion of the long-term equity investments in a subsidiary without loss of control, the difference between disposal cost and disposal of long-term equity investments relative to the net assets of the subsidiary is charged to the owners’ equity. If disposal of a portion of the long-term equity investments in a subsidiary by the parent company results in a change in control, it shall be accounted for in accordance with the relevant accounting policies as described in Note V-6 “Preparation Method of the Consolidated Financial Statements”.

On disposal of a long-term equity investment otherwise, the difference between the carrying amount of the investment and the actual consideration paid is recognized through profit or loss in the current period.

In respect of long-term equity investment accounted for using equity method with the remaining equity interest after disposal also accounted for using equity method, other comprehensive income previously under owners’ equity shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by invested party on pro rata basis at the time of disposal. The owners’ equity recognized for the movement of other owners’ equity (excluding net profit or loss, other comprehensive income and profit distribution of invested party) shall be transferred to profit or loss for the current period on pro rata basis.

In respect of long-term equity investment accounted for using cost method with the remaining equity interest after disposal also accounted for cost equity method, other comprehensive income measured and reckoned under equity method or financial instrument before control of the invested party unit acquired shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by invested party on pro rata basis at the time of disposal and shall be transferred to profit or loss for the current period on pro rata basis; among the net assets of invested party unit recognized by equity method (excluding net profit or loss, other comprehensive income and profit distribution of invested party) shall be transferred to profit or loss for the current period on pro rata basis.

In the event of loss of control over invested party due to partial disposal of equity investment by the Group, in preparing separate financial statements, the remaining equity interest which can apply common control or impose significant influence over the invested party after disposal shall be accounted for using equity method. Such remaining equity interest shall be treated as accounting for

using equity method since it is obtained and adjustment was made accordingly. For remaining equity interest which cannot apply common control or impose significant influence over the invested party after disposal, it shall be accounted for using the recognition and measurement standard of financial instruments. The difference between its fair value and carrying amount as at the date of losing control shall be included in profit or loss for the current period. In respect of other comprehensive income recognized using equity method or the recognition and measurement standard of financial instruments before the Group obtained control over the invested party, it shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by invested party at the time when the control over invested party is lost. Movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution under net asset of invested party accounted for and recognized using equity method) shall be transferred to profit or loss for the current period at the time when the control over invested party is lost. Of which, for the remaining equity interest after disposal accounted for using equity method, other comprehensive income and other owners' equity shall be transferred on pro rata basis. For the remaining equity interest after disposal accounted for using the recognition and measurement standard of financial instruments, other comprehensive income and other owners' equity shall be fully transferred.

In the event of loss of common control or significant influence over invested party due to partial disposal of equity investment by the Group, the remaining equity interest after disposal shall be accounted for using the recognition and measurement standard of financial instruments. The difference between its fair value and carrying amount as at the date of losing common control or significant influence shall be included in profit or loss for the current period. In respect of other comprehensive income recognized under previous equity investment using equity method, it shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by invested party at the time when equity method was ceased to be used. Movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution under net asset of invested party accounted for and recognized using equity method) shall be transferred to profit or loss for the current period at the time when equity method was ceased to be used.

The Group disposes its equity investment in subsidiary by a stage-up approach with several transactions until the control over the subsidiary is lost. If the said transactions belong to "transactions in a basket", each transaction shall be accounted for as a single transaction of disposing equity investment of subsidiary and loss of control. The difference between the disposal consideration for each transaction and the carrying amount of the corresponding long-term equity investment of disposed equity interest before loss of control shall initially recognized as other comprehensive income, and subsequently transferred to profit or loss arising from loss of control for the current period upon loss of control.

### (3) Impairment test method and withdrawal method for impairment provision

Found more in Note V.25. "Impairment of long-term assets"

### (4) Criteria of joint control and significant influence

Joint control is the Company's contractually agreed sharing of control over an arrangement, which relevant activities of such arrangement must be decided by unanimously agreement from parties who share control. All the participants or participant group whether have controlling over such arrangement as a group or not shall be judge firstly, than judge that whether the decision-making for such arrangement are agreed unanimity by the participants or not.

Significant influence is the power of the Company to participate in the financial and operating policy decisions of an invested party, but to fail to control or joint control the formulation of such policies together with other parties. While recognizing whether have significant influence by invested party, the potential factors of voting power as current convertible bonds and current executable warrant of the invested party held by investors and other parties shall be thank over.

## 19. Investment real estate

Measurement model of investment real estate

Cost measurement

Depreciation or amortization



Investment real estate is stated at cost. During which, the cost of externally purchased properties held-for-investment includes purchasing price, relevant taxes and surcharges and other expenses which are directly attributable to the asset. Cost of self construction of properties held for investment is composed of necessary expenses occurred for constructing those assets to a state expected to be available for use. Properties held for investment by investors are stated at the value agreed in an investment contract or agreement, but those under contract or agreement without fair value are stated at fair value.

The Company adopts cost methodology amid subsequent measurement of properties held for investment, while depreciation and amortization is calculated using the straight-line method according to their estimated useful lives.

The basis of provision for impairment of properties held for investment is referred to Note V. 25. "Impairment of long-term assets"

## 20. Fixed assets

### (1) Recognition conditions

Fixed assets refer to the tangible assets for production of products, provision of labor, lease or operation, with a service life excess one year and has more unit value.

### (2) Depreciation methods

Category	Depreciation method	Years of depreciation	Scrap value rate	Yearly depreciation rate
House and Building	Straight-line depreciation	20~35	5	2.71~4.75
Machinery equipment	Straight-line depreciation	10	5	9.50
Transportation equipment	Straight-line depreciation	4~5	5	19.00~23.75
Electronic and other equipment	Straight-line depreciation	3~10	5	9.50~31.67

For the fixed assets with impairment provision, the depreciation amount shall be calculated after deducting the accumulated amount of impairment provision for fixed assets

### (3) Recognition basis, valuation and depreciation method for financial lease assets

The Company affirms those that conform to below one or several criteria as the finance lease fixed assets:

- ① Agreed in the lease contract (or made a reasonable judgment according to the correlated conditions on the lease commencement date), the ownership of lease fixed assets can be transferred to the Company after the expiry of the lease period;
- ② The Company has the option to purchase or lease the fixed assets, and the purchase price is estimated to be much less than the fair value of the lease of fixed assets when exercises the options, so whether the Company will exercise the option can be reasonably determined on the lease commencement date;
- ③ Even though the fixed asset ownership is not transferred, the lease term accounts for 75% of the service life of the lease fixed assets;
- ④ The present value of the Company's of minimum lease payment on the lease commencement date is equivalent to 90% or more of the fair value of the lease fixed assets on the lease commencement date; the present value of the leaser's of minimum lease payment on the lease commencement date is equivalent to 90% or more of the fair value of the lease fixed assets on the lease commencement date;
- ⑤ The leased assets with special properties can only be used by the Company without major modifications. The fixed assets rented by finance leases is calculated as the book value according to the lower one between the fair value of leased assets on the lease

commencement date and the present value of the minimum lease payments.

#### **(4) The impairment test method and provision for impairment of fixed assets**

The impairment test method and provision for impairment of fixed assets found more in Note V. 25. “Impairment of long-term assets”.

### **21. Construction in progress**

From the date on which the fixed assets built by the Company come into an expected usable state, the construction in progress are converted into fixed assets on the basis of the estimated value of project estimates or pricing or project actual costs, etc. Depreciation is calculated from the next month. Further adjustments are made to the difference of the original value of fixed assets after final accounting is completed upon completion of projects.

The basis of provision for impairment of properties held for construction in process is referred to Note V-“25. Impairment of long-term assets”

### **22. Borrowing costs**

#### **(1) Recognition of capitalization of borrowing costs**

Borrowing costs comprise interest occurred, amortization of discounts or premiums, ancillary costs and exchange differences in connection with foreign currency borrowings. The borrowing costs of the Company, which incur from the special borrowings occupied by the fixed assets that need more than one year (inclusive) for construction, development of investment properties or inventories or from general borrowings, are capitalized and recorded in relevant assets costs; other borrowing costs are recognized as expenses and recorded in the profit or loss in the period when they are occurred. Relevant borrowing costs start to be capitalized when all of the following three conditions are met:

- ① Capital expenditure has been occurred;
- ② Borrowing costs have been occurred;
- ③ Acquisition or construction necessary for the assets to come into an expected usable state has been carried out.

#### **(2) Period of capitalization of borrowing costs**

Borrowing costs arising from purchasing fixed asset, investment real estate and inventory, and occurred after such assets reached to its intended use of status or sales, than reckoned into assets costs while satisfy the above mentioned capitalization condition; capitalization of borrowing costs shall be suspended and recognized as current expenditure during periods in which construction of fixed assets, investment real estate and inventory are interrupted abnormally, when the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production of the qualifying asset is resumed; capitalization shall discontinue when the qualifying asset is ready for its intended use or sale, the borrowing costs occurred subsequently shall reckoned into financial expenses while occurring for the current period.

#### **(3) Measure of capitalization for borrowing cost**

In respect of the special borrowings borrowed for acquisition, construction or production and development of the assets qualified for capitalization, the amount of interests expenses of the special borrowings actually occurred in the period less interest income derived from unused borrowings deposited in banks or less investment income derived from provisional investment, are recognized.

With respect to the general borrowings occupied for acquisition, construction or production and development of the assets qualified for capitalization, the capitalized interest amount for general borrowings is calculated and recognized by multiplying a weighted average of the accumulated expenditure on the assets in excess of the expenditure on some assets of the special borrowings, by a capitalization rate for general borrowings. The capitalization rate is determined by calculation of the weighted average interest rate of the general borrowings.

## 23. Right-of-use assets

The right-of-use asset refers to the right of the Company, as the lessee, to use the leased asset during the lease term.

On the commencement date of the lease term, the Company recognizes the right-of-use assets for leases other than short-term leases and leases of low-value assets. Right-of-use assets are initially measured at cost. The cost includes the initial measurement amount of the lease liability; the lease payments made on or before the commencement date of the lease term, deduct the relevant amount of the lease incentive already enjoyed if there is a lease incentive; the initial direct expenses incurred by the lessee; the cost expected to be incurred by the lessee to dismantle and remove the leased assets, restore the site where the leased assets locate, or restore the leased assets to the condition agreed upon in the lease terms, but this does not include the cost attributable to the production of inventory.

The Company subsequently uses the straight-line method to depreciate the right-of-use assets. If it can be reasonably determined that the ownership of the leased asset can be obtained at the expiration of the lease term, the Company shall accrue depreciation over the remaining useful life of the leased asset. If it cannot be reasonably determined that the ownership of the leased asset can be obtained at the expiration of the lease term, the Company shall accrue depreciation within the shorter of the lease term and the remaining useful life of the leased asset. When the recoverable amount is lower than the book value of the right-of-use asset, the Company shall write down its book value to the recoverable amount.

## 24. Intangible assets

### (1) Measurement, use of life and impairment testing

#### ① Measurement of intangible assets

The intangible assets of the Company include land use rights, patented technology and non-patents technology etc.

The cost of a purchased intangible asset shall be determined by the expenditure actually occurred and other related costs.

The cost of an intangible asset contributed by an investor shall be determined in accordance with the value stipulated in the investment contract or agreement, except where the value stipulated in the contract or agreement is not fair.

The intangible assets acquired through exchange of non-monetary assets, which is commercial in substance, is carried at the fair value of the assets exchanged out; for those not commercial in substance, they are carried at the carrying amount of the assets exchanged out.

The intangible assets acquired through debt reorganization are recognized at the fair value.

#### ② Amortization methods and time limit for intangible assets:

Land use right of the company had average amortization by the transfer years from the beginning date of transfer (date of getting land use right); Patented technology, non-patented technology and other intangible assets of the Company are amortized by straight-line method with the shortest terms among expected useful life, benefit years regulated in the contract and effective age regulated by the laws. The amortization amount shall count in relevant assets costs and current gains/losses according to the benefit object.

As for the intangible assets such as trademark, with uncertain benefit terms, amortization shall not be carried.

Impairment testing methods and accrual for depreciation reserves for the intangible assets found more in Note V. 25. "Impairment of long-term assets".

### (2) Internal accounting policies relating to research and development expenditures

Expenses incurred during the research phase are recognized as profit or loss in the current period; expenses incurred during the development phase that satisfy the following conditions are recognized as intangible assets (patented technology and non-patents technology):

- ① It is technically feasible that the intangible asset can be used or sold upon completion;
- ② There is intention to complete the intangible asset for use or sale;
- ③ The products produced using the intangible asset has a market or the intangible asset itself has a market;
- ④ There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- ⑤ The expenses attributable to the development phase of the intangible asset can be measured reliably.

If the expenses incurred during the development phase did not qualify the above mentioned conditions, such expenses incurred are accounted for in the profit or loss for the current period. The development expenditure reckoned in gains/losses previously shall not be recognized as assets in later period. The capitalized expenses in development stage listed as development expenditure in balance sheet, and shall be transfer as intangible assets since such item reached its expected conditions for service.

## 25. Impairment of long-term assets

The Company will judge if there is any indication of impairment as at the balance sheet date in respect of non-current non-financial assets such as fixed assets, construction in progress, intangible assets with a finite useful life, investment properties measured at cost, and long-term equity investments in subsidiaries, joint controlled entities and associates. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for impairment test. Goodwill, intangible assets with an indefinite useful life and intangible assets beyond working conditions will be tested for impairment annually, regardless of whether there is any indication of impairment.

If the impairment test result shows that the recoverable amount of an asset is less than its carrying amount, the impairment provision will be made according to the difference and recognized as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but the asset is traded in an active market, fair value shall be determined based on the bid price. If there is neither sale agreement nor active market for an asset, fair value shall be based on the best available information. Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the future cash flows expected to be derived from the asset over the course of continued use and final disposal is determined as the amount discounted using an appropriately selected discount rate. Provisions for assets impairment shall be made and recognized for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs. The asset group is the smallest group of assets capable of generating cash flows independently.

For the purpose of impairment testing, the carrying amount of goodwill presented separately in the financial statements shall be allocated to the asset groups or group of assets benefiting from synergy of business combination. If the recoverable amount is less than the carrying amount, the Group shall recognize an impairment loss. The amount of impairment loss shall first reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then reduce the carrying amount of other assets (other than goodwill) within the asset group or set of asset groups, pro rata on the basis of the carrying amount of each asset.

An impairment loss recognized on the aforesaid assets shall not be reversed in a subsequent period in respect of the part whose value can be recovered.

## 26. Long-term deferred expenses

Long-term expenses to be amortized of the Company which are the expenses that are already charged and with the beneficial term of more than one year shall be evenly amortized over the beneficial term. For the long-term deferred expense items cannot benefit the subsequent accounting periods, the amortized value of such items is all recorded in the profit or loss during recognition.

## **27. Contract liability**

The Company lists the obligation to transfer goods or provide labor services to customers for the consideration received or receivable from customers as contractual liabilities, such as the amount that the company has received before the transfer of the promissory goods.

## **28. Employee compensation**

### **(1) Accounting treatment for short-term compensation**

During the accounting period when the staff providing service to the Company, the short-term remuneration actual occurred shall recognized as liability and reckoned into current gains/losses. During the accounting period when staff providing service to the Company, the actual short-term compensation occurred shall recognized as liabilities and reckoned into current gains/losses, except for those in line with accounting standards or allow to reckoned into capital costs; the welfare occurred shall reckoned into current gains/losses or relevant asset costs while actually occurred. The employee compensation shall recognize as liabilities and reckoned into current gains/losses or relevant assets costs while actually occurred. The employee benefits that belong to non-monetary benefits are measured in accordance with the fair value; the social insurances including the medical insurance, work-injury insurance and maternity insurance and the housing fund that the enterprise pays for the employees as well as the labor union expenditure and employee education funds withdrawn by rule should be calculated and determined as the corresponding compensation amount and determined the corresponding liabilities in accordance with the specified withdrawing basis and proportion, and reckoned in the current profits and losses or relevant asset costs in the accounting period that the employees provide services.

### **(2) Accounting treatment for post-employment benefit**

The post-employment benefit included the defined contribution plans and defined benefit plans. Post-employment benefits plan refers to the agreement about the post-employment benefits between the enterprise and employees, or the regulations or measures the enterprise established for providing post-employment benefits to employees. Thereinto, the defined contribution plan refers to the post-employment benefits plan that the enterprise doesn't undertake the obligation of payment after depositing the fixed charges to the independent fund; the defined benefit plans refers to post-employment benefits plans except the defined contribution plan.

### **(3) Accounting treatment for retirement benefits**

When the Company terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, the Company shall recognize employee compensation liabilities arising from compensation for staff dismissal and included in profit or loss for the current period, when the Company cannot revoke unilaterally compensation for dismissal due to the cancellation of labor relationship plans and employee redundant proposals; and the Company recognize cost and expenses related to payment of compensation for dismissal and restructuring, whichever is earlier. The early retirement plan shall be accounted for in accordance with the accounting principles for compensation for termination of employment. The salaries or wages and the social contributions to be paid for the employees who retire before schedule from the date on which the employees stop rendering services to the scheduled retirement date, shall be recognized (as compensation for termination of employment) in the current profit or loss by the Group if the recognition principles for provisions are satisfied.

#### **(4) Accounting treatment for other long-term employee benefits**

Except for the compulsory insurance, the Company provides the supplementary retirement benefits to the employees satisfying some conditions, the supplementary retirement benefits belong to the defined benefit plans, and the defined benefit liability confirmed on the balance sheet is the value by subtracting the fair value of plan assets from the present value of defined benefit obligation. The defined benefit obligation is annually calculated in accordance with the expected accumulated welfare unit method by the independent actuary by adopting the treasury bond rate with similar obligation term and currency. The service charges related to the supplementary retirement benefits (including the service costs of the current period, the previous service costs, and the settlement gains or losses) and the net interest are reckoned in the current profits and losses or other asset costs, the changes generated by recalculating the net liabilities of defined benefit plans or net assets should be reckoned in other consolidated income.

### **29. Lease liability**

On the commencement date of the lease term, the Company recognizes the present value of the unpaid lease payments as lease liabilities. Lease payments include the following five items: fixed payments and in-substance fixed payments, if there is a lease incentive, deduct the amount related to the lease incentive; variable lease payments that depend on an index or ratio, which are determined at the initial measurement according to the index or ratio determination on the commencement date of lease term; exercise price for a purchase option provided that the lessee is reasonably certain that the option shall be exercised; payments for exercising the option to terminate the lease provided that the lease term reflects that the lessee shall exercise the option to terminate the lease option; estimated payments due based on guaranteed residual value provided by the lessee.

When calculating the present value of lease payments, the interest rate implicit in the lease is used as the discount rate. If the interest rate implicit in the lease cannot be determined, the company's incremental borrowing rate is used as the discount rate. The Company calculates the interest expense of the lease liability in each period of the lease term according to the fixed periodic interest rate, and includes it in the current profit and loss, unless it is otherwise stipulated to be included in the cost of the relevant assets. Variable lease payments that are not included in the measurement of lease liabilities are included in the current profit and loss when they are actually incurred, unless otherwise stipulated to be included in the cost of the relevant assets. After the commencement date of the lease term, when there is a change in the in-substance fixed payment, or a change in the estimated amount payable for the guaranteed residual value, or a change in the index or ratio used to determine the lease payment, or a change in the evaluation results of the purchase option, renewal option or termination option or when the actual exercise situation changes, the Company shall re-measure the lease liability according to the present value of the changed lease payments.

### **30. Accrual liability**

#### **(1) Recognition principle**

An obligation related to a contingency, such as guarantees provided to outsiders, pending litigation or arbitration, product warranties, redundancy plans, onerous contracts, reconstructing, expected disposal of fixed assets, etc. shall be recognized as an estimated liability when all of the following conditions are satisfied:

- ① The obligation is a present obligation of the Company;
- ② To settle the obligation may be likely to result in an outflow of economic benefits;
- ③ The amount of the obligation can be measured reliably.

(2) Measurement method: Measure on the basis of the best estimates of the expenses necessary for paying off the contingencies

### 31. Share-based payment

The Company's share-based payment is a transaction that grants equity instruments or assumes liabilities determined on the basis of equity instruments in order to obtain services provided by employees or other parties. The Company's share-based payment is classified as equity-settled share-based payment and cash-settled share-based payment.

#### (1) Equity-settled share-based payment and equity instruments

Equity-settled share-based payment in exchange for services provided by employees shall be measured at the fair value of the equity instruments granted to employees. If the Company uses restricted stocks for share-based payment, employees contribute capital to subscribe for stocks, and the stocks shall not be listed for circulation or transfer until the unlocking conditions are met and unlocked; if the unlocking conditions specified in the final equity incentive plan are not met, the Company shall repurchase the stocks at the pre-agreed price. When the Company obtains the payment for the employees to subscribe for restricted stocks, it shall confirm the share capital and capital reserve (share capital premium) according to the obtained subscription money, and at the same time recognize a liability in full for the repurchase obligation and recognize treasury shares. On each balance sheet date during the waiting period, the Company makes the best estimate of the number of vesting equity instruments based on the changes in the latest obtained number of vested employees, whether they meet the specified performance conditions, and other follow-up information. On this basis, the services obtained in the current period are included in related costs or expenses based on the fair value on the grant date, and the capital reserve shall be increased accordingly.

For share-based payments that cannot be vested in the end, costs or expenses shall not be recognized, unless the vesting conditions are market conditions or non-vesting conditions. At this time, regardless of whether the market conditions or the non-vesting conditions are met, as long as all non-market conditions in the vesting conditions are met, it is deemed as vesting.

If the terms of equity-settled share-based payment are modified, at least the services obtained should be confirmed in accordance with the unmodified terms. In addition, any modification that increases the fair value of the equity instruments granted, or a change that is beneficial to employees on the modification date, is recognized as an increase in services received.

If the equity-settled share payment is canceled, it will be treated as an accelerated vesting on the cancellation day, and the unconfirmed amount will be confirmed immediately. If an employee or other party can choose to meet the non-vesting conditions but fails to meet within the waiting period, it shall be treated as cancellation of equity-settled share-based payment. However, if a new equity instrument is granted and it is determined on the date of grant of the new equity instrument that the new equity instrument granted is used to replace the canceled equity instrument, the granted substitute equity instruments shall be treated in the same way as the modification of the original equity instrument terms and conditions.

#### (2) Cash-settled share-based payment and equity instruments

Cash-settled share-based payments are measured at the fair value of the liabilities calculated and determined on the basis of shares or other equity instruments undertaken by the Company. If it's vested immediately after the grant, the fair value of the liabilities assumed on the date of the grant is included in the cost or expense, and the liability is increased accordingly. If the service within the waiting period is completed or the specified performance conditions are met, the service obtained in the current period shall be included in the relevant costs or expenses based on the best estimate of the vesting situation within the waiting period and the fair value of the liabilities assumed to increase the corresponding liabilities. On each balance sheet date and settlement date before the settlement of the relevant liabilities, the fair value of the liabilities is remeasured, and the changes are included in the current profit and loss.

### 32. Revenue

Accounting policies used in revenue recognition and measurement

#### 1) Revenue recognition principle

On the starting date of the contract, the company evaluates the contract, identifies each individual performance obligation contained

in the contract, and determines whether each individual performance obligation is performed within a certain period of time or at a certain point in time.

When one of the following conditions is met, it belongs to the performance obligation within a certain period of time, otherwise, it belongs to the performance obligation at a certain point in time: ① The customer obtains and consumes the economic benefits brought by the company's performance while the company performs the contract; ② The customer can control the goods or services in progress during the company's performance; ③ The goods or services produced during the company's performance have irreplaceable uses, and the company has the right to collect payment for the performance part that has been completed so far during the entire contract period.

For performance obligations performed within a certain period of time, the company recognizes revenue in accordance with the performance progress during that period. When the performance progress cannot be reasonably determined, if the cost incurred is expected to be compensated, the revenue shall be recognized according to the amount of the cost incurred until the performance progress can be reasonably determined. For performance obligations performed at a certain point in time, revenue is recognized at the point when the customer obtains control of the relevant goods or services. When judging whether the customer has obtained control of the goods, the company considers the following signs: ① The company has the current right to receive payment for the goods, that is, the customer has the current payment obligation for the goods; ② The company has transferred the legal ownership of the goods to the customer, that is, the customer has the legal ownership of the goods; ③ The company has transferred the goods to the customer in kind, that is, the customer has physically taken possession of the goods; ④ The company has transferred the main risks and rewards of the ownership of the goods to the customer, that is, the customer has obtained the main risks and rewards of the ownership of the goods; ⑤ The customer has accepted the goods; ⑥ Other signs that the customer has obtained control of the goods.

## 2) Revenue measurement principle

① The company measures revenue based on the transaction price allocated to each individual performance obligation. The transaction price is the amount of consideration that the company expects to be entitled to receive due to the transfer of goods or services to customers, and does not include payments collected on behalf of third parties and payments expected to be returned to customers.

② If there is variable consideration in the contract, the company shall determine the best estimate of the variable consideration according to the expected value or the most likely amount, but the transaction price including the variable consideration shall not exceed the amount of cumulatively recognized revenue that is unlikely to be significantly turned back when the relevant uncertainty is eliminated.

③ If there is a significant financing component in the contract, the company shall determine the transaction price based on the amount payable that the customer is assumed to pay in cash when obtaining the control of the goods or services. The difference between the transaction price and the contract consideration shall be amortized by the effective interest method during the contract period. On the starting date of the contract, if the company expects that the customer pays the price within one year after obtaining control of the goods or services, the significant financing components in the contract shall not be considered.

④ If the contract contains two or more performance obligations, the company will allocate the transaction price to each individual performance obligation based on the relative proportion of the stand-alone selling price of the goods promised by each individual performance obligation on the starting date of the contract.

(2) The criteria for the recognition of revenue recognition from sales of goods and the specific criteria for the recognition time:

Time point for recognition of the company's domestic sales revenue: the company delivers goods as agreed in the order, checks the goods received and inspected by the buyer during the period from the previous reconciliation date to this reconciliation date with the buyer on the reconciliation date agreed with the buyer, after which the risks and rewards are transferred to the buyer. The company issues invoices to the buyer according to the types, quantities and amounts confirmed in the reconciliation, and recognizes the realization of sales revenue on the reconciliation date.

Time point for recognition of the Company's foreign sales Revenue recognition: after the customs review is completed, the Company will recognize the realization of sales revenue according to the export date specified in the Customs declaration.

Differences in accounting policies for revenue recognition due to different operating models for the same type of business



N/A

### 33. Government grants

#### (1) Types

Government grants are transfer of monetary assets or non-monetary assets from the government to the Group at no consideration. Government grants are classified into government grants related to assets and government grants related to income.

As for the assistance object not well-defined in government's documents, the classification criteria for assets-related or income-related grants are as: whether the grants turn to long-term assets due to purchasing for construction or other means.

#### (2) Recognition and measurement

The government grants shall be recognized while the additional conditions of the grants are satisfied and amount is actually can be obtained.

If a government grant is in the form of a transfer of monetary asset, the item shall be measured at the amount received or receivable.

If a government grant is in the form of a transfer of non-monetary asset, the item shall be measured at fair value. If the fair value can not be reliably acquired, then measured by nominal amount.

#### (3) Accounting treatment

Asset-related government grant shall be recognized as deferred income, and reckoned into current gains/losses according to the depreciation process in use life of such assets.

The income-related government grant which is used to make up relevant expenses and losses for later period will be recognized as deferred income, and should reckoned into current gain/loss during the period while relevant expenses are recognized; The income-related government grant which is used to make up relevant expenses and losses that have occurred should be reckoned into current gains/losses.

The government grant related to daily operation activity of the Company should be reckoned into other income; The government grant not related to daily operation activity should be reckoned into non-operation income and expenses.

The financial discount funds received by the Company shall write down relevant borrowing costs.

### 34. Deferred income tax assets/Deferred income tax liabilities

(1) Deferred income tax assets or deferred income tax liabilities are realized based on the difference between the carrying values of assets and liabilities and their taxation bases (as for the ones did not recognized as assets and liability and with taxation basis recognized in line with tax regulations, different between tax base and its book value) at the tax rates applicable in the periods when the Company recovers such assets or settles such liabilities.

(2) Deferred income tax assets are realized to the extent that it is probable to obtain such taxable income which is used to set off the deductible temporary difference. As at the balance sheet date, if there is obvious evidence showing that it is probable to obtain sufficient taxable income to set off the deductible temporary difference in future periods, deferred income tax assets not realized in previous accounting periods shall be realized.

(3) The carrying value of deferred income tax assets shall be reviewed on the balance sheet date. If it is impossible to obtain sufficient taxable income to set off the benefits of deferred income tax assets in future periods, the carrying value of deferred income tax assets shall be reduced accordingly. If it is probable to obtain sufficient taxable income, the amount reduced shall be switched back.

(4) The current income tax and deferred income tax shall be reckoned into current gains/losses as income tax expenses or incomes, excluding the income tax arises from the following:

① Enterprise combination;

② Transactions or events recognized in owner's equity directly

## 35. Lease

### (1) Accounting for operating lease

Lease refers to a contract in which the lessor transfers the right-of-use assets to the lessee for consideration within a certain period of time. On the commencement date of the contract, the company evaluates whether the contract is a lease or includes a lease. If one party in the contract transfers the right to control the use of one or more identified assets within a certain period in exchange for consideration, the contract is a lease or includes a lease. If the contract includes multiple separate leases at the same time, the company will split the contract and conduct accounting treatment for each separate lease. If the contract includes both the leased and non leased parts, the lessee and the lessor shall separate the leased and non leased parts.

#### (1) The company as lessee

For the general accounting treatment of the company as the lessee, see Note V 23 "right-to-use assets" and Note V 29 "lease liabilities".

For short-term leases with a lease term of no more than 12 months and low value asset leases with a lower value when a single asset is new, the company chooses not to recognize the right-to-use assets and lease liabilities, and the relevant rental expenses are included in the current profit and loss or the cost of relevant assets according to the straight-line method in each period of the lease term.

If the lease changes and meets the following conditions at the same time, the company will treat the lease change as a separate lease for Accounting: the lease change expands the lease scope by adding the right to use one or more leased assets; The increased consideration is equivalent to the amount adjusted according to the conditions of the contract at the separate price for most of the expansion of the lease scope. If the lease change is not accounted for as a separate lease, on the effective date of the lease change, the company will reallocate the consideration of the contract after the change, redetermine the lease term, and remeasure the lease liability according to the present value calculated in terms of the lease payment after the change and the revised discount rate.

#### (2) The company as lessor

On the lease commencement date, the company classifies leases that have substantially transferred almost all the risks and rewards related to the ownership of the leased assets as financial leases, and all other leases are classified as operating leases.

##### 1) Operating lease

During each period of the lease term, the company recognizes the lease receipts as rental income with the straight-line method. The initial direct expenses incurred shall be capitalized, amortized on the same basis as the recognition of rental income, and included in the current profit and loss by stages. The variable lease payments obtained by the company, which are related to operating leases but not included in the lease receipts, will be booked into the current profits and losses at the time of occurrence.

##### 2) Finance lease

On the beginning date of the lease term, the company recognizes the financial lease receipts in terms of the net amount of the lease investment (the sum of the unsecured residual value and the present value of the lease receipts not received on the beginning date of the lease term discounted according to the embedded interest rate of the lease), and terminates the recognition of financial lease assets. During each period of the lease term, the company calculates and recognizes the interest income according to the embedded interest rate of the lease. The amount of variable lease receipts obtained by the company that are not included in the measurement of net lease investment shall be included in the current profit and loss at the time of occurrence.

#### (3) Sale leaseback

The company evaluates and determines whether the asset transfer in the sale leaseback transaction is a sale in accordance with the accounting standards for Business Enterprises No. 14 - revenue.

##### 1) The company as lessee

If the asset transfer in the sale leaseback transaction is a sale, the company measures the right-of-use assets formed by the sale

leaseback in terms of the part of the book value of the original assets related to the right of use obtained by the leaseback, and only recognizes the relevant gains or losses on the rights transferred to the lessor.

If the asset transfer in the sale leaseback transaction is not a sale, the company will continue to recognize the transferred asset, and meanwhile recognize a financial liability equal to the transfer income, and carry out accounting treatment for such financial liability in accordance with the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

#### 2) The company as lessor

If the asset transfer in the sale leaseback transaction is a sale, the company will conduct accounting treatment for asset purchase in accordance with other applicable accounting standards for business enterprises, and perform accounting treatment for asset lease in accordance with Accounting Standards for Business Enterprises No. 21 - Leasing.

If the asset transfer in the sale leaseback transaction does not belong to sales, the company will not recognize the transferred asset, but recognizes a financial asset equal to the transfer income, and carries out accounting treatment for such financial asset in accordance with the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

### **(2) Accounting treatment for financing lease**

Not applicable

## **36. Other major accounting policy and estimation**

In the process of applying the Company's accounting policies, due to the inherent uncertainty of business activities, the Company needs to judge, estimate and assume the book value of the report items which cannot be accurately measured. These judgments, estimates and assumptions are made on the basis of the historical experience of the Company's management and in consideration of other relevant factors, which shall impact the reported amounts of income, expenses, assets and liabilities and the disclosure of contingent liabilities on the balance sheet date. However, the actual results caused by the estimated uncertainties may differ from the current estimates of the company's management and consequently, the significant adjustments shall be made against the book value of the involved assets or liabilities.

The Company regularly reviews the aforementioned judgments, estimates and assumptions on the basis of continuing operations. In case changes in accounting estimates only affect the current period, the impact shall be recognized in the current period; In case changes in accounting estimates not only affect the current period but also the future periods, the impacts shall be recognized in both current and future periods.

On the balance sheet date, the important areas of the financial statements that the Company needs to judge, estimate and assume are as follows:

#### (1) Provision for bad debts

The Company has used the expected credit loss model to assess the impairment of financial instruments, which requires significant judgement and estimates, and must consider all reasonable and evidence-based information, including forward-looking information. In making such judgments and estimates, the Company infers the expected changes in debtors' credit risks based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors.

#### (2) inventory depreciation reserve

According to the inventory accounting policies, the Company measures the inventory at the lower between the cost and the net realizable value. For inventory whose cost is higher than net realizable value and old and unsalable inventories, the Company calculates and withdraws the inventory depreciation reserve. The inventory devalues to the net realizable value by evaluating the inventory's vendibility and net realizable value. To identify the inventory impairment, the management needs to obtain the unambiguous evidences, and consider the purpose to hold the inventory, and judge and estimate the impacts of events after the balance sheet date. The actual results and the differences between the previously estimated results shall affect the book value of

inventory and the provision or return of the inventory impairment during the period estimated to be changed.

### (3) Preparation for the impairment of non-financial and non-current assets

The Company checks whether the non-current assets except for the financial assets may decrease in value at the balance sheet date. For the intangible assets with indefinite service life, in addition to the annual impairment test, the impairment test is also needed when there is a sign of impairment. For the other non-current assets except for the financial assets, the impairment test is needed when it indicates that the book amounts may not be recoverable.

When the book value of the asset or group of assets exceeds its recoverable amount, i.e. the higher between the net amount by subtracting the disposal costs from the fair value and the present value of expected future cash flows, it indicates the impairment.

As for the net amount by subtracting the disposal costs from the fair value, refer to the sales agreement price similar to the assets in the fair trade or the observable market price, and subtract the incremental costs determination directly attributable to the disposal of the asset.

When estimating the present value of the future cash flow, the Company needs to make significant judgments to the output, price, and related operating expenses of the asset (or asset group) and the discount rate used for calculating the present value. When estimating the recoverable amount, the Company shall adopt all the relevant information can be obtained, including the prediction related to the output, price, and related operating expenses based on the reasonable and supportable assumptions.

The Company tests whether its business reputation decreases in value every year, which requires to estimating the present value of the asset group allocated with goodwill or the future cash flow combined by the asset group. When estimating the present value of the future cash flow, the Company needs to estimate the future cash flows generated by the asset group or the combination of asset group, and select the proper discount rate to determine the present value of the future cash flows.

### (4) Depreciation and amortization

The Company depreciates and amortizes the investment property, fixed assets and intangible assets according to the straight-line method in the service life after considering the residual value. The Company regularly reviews the service life to determine the depreciation and amortization expense amount to be reckoned in each reporting period. The service life is determined by the Company based on the past experience of similar assets and the expected technological updating. If the previous estimates have significant changes, the depreciation and amortization expense shall be adjusted in future periods.

### (5) Fair value of financial instrument

Financial instruments that do not have active markets to provide quotes need to use valuation techniques to determine fair value. Valuation techniques include the latest transaction information, discounted cash flow methods, and option pricing models. The Company has established a set of work processes to ensure that qualified personnel are responsible for the calculation, verification and review of fair value. The valuation model used by the Company uses the market information as much as possible and uses the Company-specific information as little as possible. It should be noted that part of the information used in the valuation model requires management's estimation (such as discount rate, target exchange rate volatility, etc.). The Company regularly reviews the above estimates and assumptions and makes adjustments if necessary.

### (6) Income tax

In the Company's normal business activities, there are some uncertainties in the final tax treatment and calculation of some transactions. The tax authorities shall review and approve whether some items can be disbursed from the cost and expenses before taxes. If the final affirmation of these tax matters differs from the initially estimated amount, the difference shall have an impact on its current and deferred income taxes during the final recognition period.

**37. Changes of important accounting policies and estimation****(1) Changes of important accounting policies**

Applicable Not applicable

Content and reasons for changes in accounting policies	Approval process	Note
On Nov. 30, 2021, the Ministry of Finance issued Interpretation No. 16 of the Accounting Standards for Business Enterprises	Not applicable	

On November 30, 2022, the Ministry of Finance issued Interpretation of Accounting Standards for Business Enterprises No. 16 (CK [2022] No.31, hereinafter referred to as "Interpretation No. 16").

The deferred income tax related to assets and liabilities from individual transaction is inapplicable to the accounting treatment exempted from initial recognition (effective from January 1, 2023)

According to the Interpretation No.16, an individual transaction other than an enterprise merger, not affecting accounting profits or affecting the taxable income amount (or deductible loss) at the occurrence of transaction, with equivalent taxable temporary difference and deductible temporary difference caused by initially recognized assets and liabilities (including a lease transaction in which the lessee initially recognizes the lease liability on the commencement date of the lease term and includes into the use right assets, as well as individual transactions recognized as estimated liabilities and included into relevant asset costs due to the presence of disposal obligations for fixed assets) is inapplicable to the provisions of exempting deferred income tax liabilities and deferred income tax assets from initial recognition, and the enterprise shall respectively recognize the corresponding deferred income tax liabilities and deferred income tax assets in accordance with the Accounting Standards for Business Enterprises No. 18 - Income Tax at the occurrence of the transaction.

For individual transactions that occurred between the beginning of the earliest period for which the provision is first applied and the date of implementation of the provision to which the provision applies, as well as the lease liabilities and use right assets recognized as a result of the individual transactions to which the provision applies at the beginning of the earliest period for which the provision is presented in the financial statements, and the recognized estimated liabilities related to the disposal obligation and corresponding assets, where there is a taxable temporary difference or a deductible temporary difference, the enterprise shall make adjustments in accordance with this provision. The implementation of this provision has not had a material impact on the financial position and operating results of the Company.

**(2) Changes of important accounting estimations**

Applicable Not applicable

**(3) Related items of financial statements at the beginning of the first year to implement the new accounting standards adjustment for the first time starting from 2023**

Applicable Not applicable

**38. Others**

Nil

**VI. Taxation****1. Major taxes and tax rates**

Tax	Basis	Tax rate
VAT	The output tax is calculated based on the taxable income, and VAT is calculated based on the difference after deducting the input tax available for deduction for the current period	25% (IRD, Denmark), 22% (VHIO, Italy), 21% (Borit, Belgium), 13%, 9%, 6%, Collection rate 5%
City maintaining & construction tax	Turnover tax payable	7%, 5%
Corporation income tax	Taxable income	15%, 20%, 21% (IRD America, Borit America), 22% (IRD, Denmark), 24% (VHIO, Italy), 25% (Borit, Belgium)
Educational surtax	Turnover tax payable	5%

Disclose reasons for different taxpaying body

Taxpaying body	Income tax rate
WFCA, WFTR, WFAS, WFDT, Borit, VHWX	25%
The Company, WFJN, WFLD, WFTT, WFLD(Chongqing), WFAM, WFMA, WFSC	15%
WFLD(Wuhan), WFLD(Nanchang)	20%
IRD America, Borit America	21%
SPV, IRD	22%
VHIO	24%

## 2. Tax incentives

The Company, WFJN, WFLD, WFTT and WFMA were accredited as high-tech enterprises in 2020, and enjoy a preferential income tax rate of 15% in the period from January 1, 2020 to December 31, 2022. WFAM was accredited as high-tech enterprise in 2021, and enjoy a preferential income tax rate of 15% in the period from January 1, 2021 to December 31, 2023. WFSC was accredited as high-tech enterprise in 2022, and enjoy a preferential income tax rate of 15% in the period from January 1, 2022 to December 31, 2024.

According to the “Continuation of the Enterprise Income Tax Policies for Western Development” No.23 (Year of 2020) issued together by Ministry of Finance, SAT and NDRC, from January 1, 2011 to December 31, 2030, the enterprises located in the west region and mainly engaged in the industrial projects stipulated in the Catalogue of Encouragement Industries in Western China, and whose main business income accounting for more than 60% of the total income of the enterprise in the current year can pay the corporate income tax at the tax rate of 15%. In the first half year of 2023, WFLD (Chongqing) paid its corporate income tax at the tax rate of 15%.

In the first half year of 2023, WFLD (Wuhan) and WFLD(Nanchang) were qualified small and low-profit enterprises, and the part of taxable income that did not exceed 3 million yuan was included in the taxable income at a reduced rate of 25%, and the corporate income tax was paid at the tax rate of 20%.

## 3. Other

Nil

## VII. Notes to major items in consolidated financial statements

### 1. Monetary funds

In RMB

Item	Ending balance	Opening balance
Cash on hand	76,329.51	51,818.51
Cash in bank	2,447,388,349.63	2,304,848,889.90
Other monetary funds	40,321,462.90	84,651,222.35
Total	2,487,786,142.04	2,389,551,930.76
Including: total amount of funds deposited overseas	228,685,960.81	324,409,336.06
The total amount of funds restricted on use due to mortgage, pledge, or freezing	39,059,182.90	51,080,295.65

Other explanation

The ending balance of other monetary funds includes bank acceptance bill deposit 12,066,812.90 yuan, cash deposit for Mastercard 211,620.00 yuan, in-transit dividends 1,262,280.00, IRD performance bond 7,935,750.00 yuan, the foreign exchange contract margin 188,400,000.00 yuan, and ETC freezing 5,000.00 yuan. The in-transit dividends 1,262,280.00 yuan was a portion of the dividend distributed by Miracle Automation (002009), a trading financial asset held by the company, from 2017 to 2022, which was not transferred to the company's current account due to account issues.

## 2. Trading financial asset

In RMB

Item	Ending balance	Opening balance
Financial assets measured at fair value and whose changes are included in current profit or loss	2,250,198,464.28	2,718,820,654.87
Including:		
SNAT	79,224,360.00	78,834,732.00
Miracle Automation	71,026,800.00	66,693,600.00
Lifan Technology	44,871.33	48,516.34
Toyze Auto	267,028.08	462,414.48
Other debt and equity instrument investments	2,099,635,404.87	2,572,781,392.05
Including:		
Total	2,250,198,464.28	2,718,820,654.87

## 3. Note receivable

### (1) Classification of notes receivable

In RMB

Item	Ending balance	Opening balance
Trade acceptance bill	104,980,712.30	135,559,024.27
Total	104,980,712.30	135,559,024.27

In RMB

Category	Ending balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book value		Provision for bad debts		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Including:										

Note receivable with provision for bad debts accrual on portfolio	104,980,712.30	100.00%			104,980,712.30	135,559,024.27	100.00%			135,559,024.27
Including:										
Portfolio 1: bank acceptance bill										
Portfolio 2: trade acceptance bill	104,980,712.30	100.00%			104,980,712.30	135,559,024.27	100.00%			135,559,024.27
Total	104,980,712.30	100.00%			104,980,712.30	135,559,024.27	100.00%			135,559,024.27

If the provision for bad debts of note receivable is made in accordance with the general model of expected credit losses, please refer to the disclosure of other receivables to disclose related information about bad-debt provisions:

Applicable Not applicable

## (2) Provision for bad debts accrual, collected or reversal

Provision for bad debts in the current period:

Applicable  Not applicable

## (3) Notes receivable already pledged by the Company at the end of the period

In RMB

Item	Amount pledge at period-end
Trade acceptance bill	37,607,161.90
Total	37,607,161.90

## (4) Notes endorsement or discount and undue on balance sheet date

Nil

## (5) Notes transfer to account receivable due for failure implementation by drawer at period-end

In RMB

Item	Amount transfer to account receivable at period-end
Trade acceptance bill	7,006,453.02
Total	7,006,453.02

Other explanation

The trade acceptance bill that the company transferred to the accounts receivable due to in 2018 the failure of the drawer to perform the agreement at the end of the period were the bills of the subsidiaries controlled by Baota Petrochemical Group Co., Ltd. and the bills accepted by Baota Petrochemical Group Finance Co., Ltd. (hereinafter referred to as "BD bills"); In 2018, the amount transferred to account receivable was 7 million yuan, and 1.7 million yuan was recovered in 2019, the amount transferred to account



receivable rose by 2.00 million yuan in 2022, and enforced money 98,309 yuan and 195,237.98 yuan were received respectively in the year of 2022 and 2023.

#### (6) Note receivable actually written-off in the period

Nil

### 4. Account receivable

#### (1) Classification of account receivable

In RMB

Category	Ending balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Account receivable with provision for bad debts accrual on a single basis	54,533,829.30	1.61%	54,533,829.30	100.00%		57,806,705.14	1.80%	57,806,705.14	100.00%	
Including:										
Account receivable with provision for bad debts accrual on portfolio	3,342,278,424.11	98.39%	24,891,346.55	0.74%	3,317,387,077.56	3,149,157,700.73	98.20%	21,667,523.48	0.69%	3,127,490,177.25
Including:										
Total	3,396,812,253.41	100.00%	79,425,175.85	2.34%	3,317,387,077.56	3,206,964,405.87	100.00%	79,474,228.62	2.48%	3,127,490,177.25

Provision for bad debts accrual on single basis: 54,533,829.30 yuan

In RMB

Name	Ending balance			
	Book balance	Provisions for bad debts	Accrual ratio	Accrual causes
Hubei Meiyang Auto Industry Co., Ltd.	17,610,371.91	17,610,371.91	100.00%	Have difficulty in collection
Hunan Leopard Auto Co., Ltd.	8,077,361.13	8,077,361.13	100.00%	Have difficulty in collection
BD bills	7,006,453.02	7,006,453.02	100.00%	Have difficulty in collection
Linyi Zotye Automobile Components Manufacturing Co., Ltd.	6,193,466.77	6,193,466.77	100.00%	Have difficulty in collection
Tongling Ruineng Purchasing Co., Ltd.	4,320,454.34	4,320,454.34	100.00%	Have difficulty in collection
Brilliance Automotive Group Holdings Co., Ltd.	3,469,091.33	3,469,091.33	100.00%	Have difficulty in collection
Jiangsu Kawei Auto Industrial Group Co., Ltd.	1,932,476.26	1,932,476.26	100.00%	Have difficulty in collection

Dongfeng Chaoyang Diesel Co., Ltd.	1,823,262.64	1,823,262.64	100.00%	Have difficulty in collection
Jiangsu Jintan Automobile Industry Co., Ltd.	1,059,798.43	1,059,798.43	100.00%	Have difficulty in collection
Tianjin Levol Engine Co., Ltd.	1,018,054.89	1,018,054.89	100.00%	Have difficulty in collection
Other clients	2,023,038.58	2,023,038.58	100.00%	Have difficulty in collection
<b>Total</b>	<b>54,533,829.30</b>	<b>54,533,829.30</b>		

Provisions for bad debts accrual on portfolio: 24,891,346.55 yuan

In RMB

Name	Ending balance		
	Book balance	Provision for bad debts	Accrual ratio
Within 6 months	3,206,178,893.81		
6 months to 1 year	97,331,858.14	9,733,185.83	10.00%
1-2 years	21,212,969.31	4,242,593.82	20.00%
2-3 years	11,065,226.59	4,426,090.64	40.00%
Over 3 years	6,489,476.26	6,489,476.26	100.00%
<b>Total</b>	<b>3,342,278,424.11</b>	<b>24,891,346.55</b>	

Explanation on determining the basis for this combination:

If the provision for bad debts of accounts receivable is made in accordance with the general model of expected credit losses, please refer to the disclosure of other receivables to disclose related information about bad-debt provisions:

Applicable  Not applicable

By account age

In RMB

Account age	Book balance
Within 1 year (1 year included)	3,304,455,538.89
Including: within 6 months	3,206,178,894.62
6 months to 1 year	98,276,644.27
1-2 years	21,457,907.25
2-3 years	14,031,287.79
Over 3 years	56,867,519.48
3-4 years	56,867,519.48
<b>Total</b>	<b>3,396,812,253.41</b>

## (2) Provisions for bad debts accrual, collected or reversal

Provisions for bad debts accrual in the period:

In RMB

Category	Opening balance	Amount changed in the period				Ending balance
		Accrual	Collected or reversal	Charged off	Other	

Provision for bad debts	79,474,228.62	5,996,407.94	6,142,952.15	20,150.61	117,642.05	79,425,175.85
<b>Total</b>	<b>79,474,228.62</b>	<b>5,996,407.94</b>	<b>6,142,952.15</b>	<b>20,150.61</b>	<b>117,642.05</b>	<b>79,425,175.85</b>

Important provision for bad debts collected or reversal: Nil

### (3) Account receivable actually charged off in the Period

In RMB

Item	Amount charged off
Jiangdong Zhizao Technology Co., Ltd	20,150.61
<b>Total</b>	<b>20,150.61</b>

Important accounts receivable charged off: Nil

Explanation of accounts receivable charged off: Nil

### (4) Top 5 receivables at ending balance by arrears party

In RMB

Name	Ending balance of account receivable	Ratio in total ending balance of accounts receivable	Ending balance of provision for bad debts
RBCD	511,897,553.12	15.07%	619,942.02
Robert Bosch Company	423,176,007.79	12.46%	754,342.26
Client 1	176,089,133.91	5.18%	189,464.96
Client 2	167,531,932.86	4.93%	1,488,908.66
Client 3	143,584,376.04	4.23%	
<b>Total</b>	<b>1,422,279,003.72</b>	<b>41.87%</b>	<b>3,052,657.90</b>

### (5) Account receivable derecognition due to financial assets transfer

Nil

### (6) Assets and liabilities resulted by account receivable transfer and continues involvement

Nil

## 5. Receivable financing

In RMB

Item	Ending balance	Opening balance
Bill receivable- bank acceptance bill	1,920,348,206.04	1,918,368,845.21
<b>Total</b>	<b>1,920,348,206.04</b>	<b>1,918,368,845.21</b>

Increase and decrease in current period and changes in fair value of receivables financing

Applicable  Not applicable

If the provision for bad debts of account receivable is calculated and withdrawn according to the general model of expected credit loss, please refer to the disclosure method of other accounts receivable in aspect of impairment provision:

Applicable  Not applicable

Other explanation:

During the management of liquidity, the company will discount some bills or endorse some bills for transference before the maturity of such bills, the business model for managing bills receivable is to collect contractual cash flows and sell the financial asset, so it is classified as financial assets measured at fair value and whose changes are included in other comprehensive income, which is listed in receivables financing.

At the end of the period, the company has pledged notes receivable of 825,831,044.39 yuan, and notes receivable that have been endorsed or discounted and have not yet matured on the balance sheet date are 178,018,855.56 yuan.

## 6. Prepayments

### (1) Account age of Prepayments

In RMB

Account age	Ending balance		Opening balance	
	Amount	Ratio	Amount	Ratio
Within 1 year	59,364,895.05	87.67%	88,207,782.70	93.51%
1-2 years	6,674,170.61	9.86%	5,066,837.28	5.37%
2-3 years	1,489,110.74	2.20%	778,819.68	0.83%
Over 3 years	182,487.83	0.27%	270,414.21	0.29%
Total	67,710,664.23		94,323,853.87	

Explanation of the reasons why prepayments with an aging of over 1 year and significant amounts were not settled in a timely manner: Nil

### (2) Top 5 prepayments at ending balance by prepayment object

Total ending balance of top 5 prepayments by prepayment object amounted to 23,271,002.96 yuan, 34.37% of the total prepayments at the period-end.

Other explanation: Nil

## 7. Other accounts receivable

In RMB

Item	Ending balance	Opening balance
Dividend receivable	1,955,605,474.71	147,000,000.00
Other accounts receivable	918,941,597.26	1,117,507,456.47
Total	2,874,547,071.97	1,264,507,456.47

### (1) Interest receivable

#### 1) Category of interest receivable

Nil

**2) Significant overdue interest**

Nil

**3) Accrual of provision for bad debts** Applicable  Not applicable**(2) Dividend receivable****1) Category of dividend receivable**

In RMB

Item (or invested enterprise)	Ending balance	Opening balance
Wuxi WFEC Catalyst Co., Ltd.		147,000,000.00
RBCD	1,673,605,474.71	
Zhonglian Automobile Electronics Co., Ltd.	282,000,000.00	
Total	1,955,605,474.71	147,000,000.00

**2) Important dividend receivable with account age over one year**

Nil

**3) Accrual of provision for bad debts** Applicable  Not applicable**(3) Other accounts receivable****1) By nature**

In RMB

Nature	Ending book balance	Opening book balance
Intercourse funds from units	1,407,955.77	1,894,818.08
Cash deposit	8,978,638.40	9,087,881.41
Staff loans and petty cash	2,020,922.82	1,823,842.27
Social security and provident fund paid	10,521,493.38	11,341,820.83
WFTR “platform trade” business portfolio	2,542,263,370.70	2,741,499,131.95
Other	3,031,937.89	66,663.56
Total	2,568,224,318.96	2,765,714,158.10

**2) Accrual of provision for bad debts**

In RMB

Provision of bad debts	Phase I	Phase II	Phase III	Total
	Expected credit losses over next 12 months	Expected credit losses for the entire duration (without credit impairment occurred)	Expected credit losses for the entire duration (with credit impairment occurred)	
Balance on Jan. 1, 2023	4,106,646.90		1,644,100,054.73	1,648,206,701.63
Balance of Jan. 1, 2023 in the period				
Current accrual	1,175,781.30			1,175,781.30
Current reversal	182,511.33			182,511.33
Other changes	82,750.10			82,750.10
Balance on June 30, 2023	5,182,666.97		1,644,100,054.73	1,649,282,721.70

Change of book balance of loss provision with amount has major changes in the period

Applicable  Not applicable

By account age

In RMB

Account age	Book balance
Within 1 year (1 year included)	2,560,675,182.39
Including: within 6 months	1,919,640,482.87
6 months to 1 year	641,034,699.52
1-2 years	1,010,751.05
2-3 years	2,804,594.75
Over 3 years	3,733,790.77
3-4 years	3,733,790.77
Total	2,568,224,318.96

### 3) Provision for bad debts accrual, collected or reversal

Provision for bad debts accrual in the period:

In RMB

Category	Opening balance	Change in current period				Ending balance
		Accrual	Collected or reversal	Charge off	Other	
Provision for bad debts	1,648,206,701.63	1,175,781.30	182,511.33		82,750.10	1,649,282,721.70
Total	1,648,206,701.63	1,175,781.30	182,511.33		82,750.10	1,649,282,721.70

Including the important provision for bad debts reversal or collected in the period: Nil

### 4) Other accounts actually charged off during the reporting period

Nil

### 5) Top 5 other accounts receivable at ending balance by arrears party

In RMB

Enterprise	Nature	Ending balance	Account age	Ratio in total ending balance of other accounts receivables	Ending balance of provision for bad debts
WFTR “platform trade” business portfolio	Refer to other notes	2,542,263,370.70	Within 1 year	98.99%	1,644,068,327.93
Wuxi China Resources Gas Co., Ltd.	Deposit margin	1,364,750.00	Within 3 years	0.05%	749,150.00
Zhenkunxing Industrial Supermarket (Shanghai) Co., Ltd.	Deposit margin	1,000,000.00	2-3 years	0.04%	400,000.00
Wuxi Xingzhou Energy Development Co., Ltd	Deposit margin	882,319.65	Within 2 years	0.03%	89,031.78
Wuxi Youlian Thermal Power Co., Ltd	Deposit margin	750,000.00	Over 3 years	0.03%	750,000.00
Total		2,546,260,440.35		99.14%	1,646,056,509.71

Other explanations: For details on the “platform trade” business portfolio of WFTR, please refer to the descriptions in Note XVI. 7. “Major transaction and events influencing investor’s decision”.

## 6) Other accounts receivable related to government grants

Nil

## 7) Other accounts receivable derecognized due to the transfer of financial assets

Nil

## 8) The amount of assets and liabilities formed by transferring other receivables and continuing to be involved

Nil

## 8. Inventory

Whether the Company need to comply with disclosure requirements in the real estate industry or not  
Nil

### (1) Category of inventory

In RMB

Item	Ending balance			Opening balance		
	Book balance	Inventory depreciation reserve or provision for impairment of contract performance costs	Book value	Book balance	Inventory depreciation reserve or provision for impairment of contract performance costs	Book value
Stock materials	674,113,552.27	169,224,572.51	504,888,979.76	796,941,337.63	160,326,360.21	636,614,977.42
Goods in process	421,261,059.47	34,297,563.35	386,963,496.12	437,653,321.23	31,641,606.69	406,011,714.54
Finished goods	1,149,136,067.70	119,904,477.76	1,029,231,589.94	1,382,835,104.89	142,342,140.58	1,240,492,964.31
Total	2,244,510,679.44	323,426,613.62	1,921,084,065.82	2,617,429,763.75	334,310,107.48	2,283,119,656.27

**(2) Inventory depreciation reserve or provision for impairment of contract performance costs**

In RMB

Item	Opening balance	Current increased		Current decreased		Ending balance
		Accrual	Other	Reversal or write-off	Other	
Stock materials	160,326,360.21	43,364,778.05	846,631.35	35,313,197.10		169,224,572.51
Goods in process	31,641,606.69	9,893,111.73	626,433.36	7,863,588.43		34,297,563.35
Finished goods	142,342,140.58	36,730,651.32	280,633.75	59,448,947.89		119,904,477.76
Total	334,310,107.48	89,988,541.10	1,753,698.46	102,625,733.42		323,426,613.62

① Net realizable value of inventory is equal to, during the day-to-day activities, the estimated sale price of inventory minus estimated cost to be incurred till works completed, estimated sales expense and relevant taxes.

② Accrual basis for inventory depreciation reserve:

Item	Accrual basis for inventory impairment provision	Specific basis for recognition
Materials in stock	The materials sold to manufacture finished goods, its net realizable value is lower than its book value	The estimated sale price of finished products minus estimated cost to be incurred till works completed, estimated sales expense and relevant taxes
Goods in process	The goods in process sold to manufacture finished goods, its net realizable value is lower than the book value	The estimated sale price of finished products minus estimated cost to be incurred till works completed, estimated sales expense and relevant taxes
Finished goods	Its net realizable value is lower than the book value	The estimated sale price minus relevant taxes and expenses

③ Reasons of inventory depreciation reserve written off in current period:

Item	Reasons of written off
Materials in stock	Used for production in reporting period and the finished goods have been sold
Goods in process	Goods in process completed in the reporting period and corresponding finished goods have been sold in the reporting period
Finished goods	Have been sold in current period

**(3) Explanation on capitalization of borrowing costs at ending balance of inventory**

Nil

**(4) Explanation on the current amortization amount of contract performance cost**

Nil

**9. Other current assets**

In RMB

Item	Ending balance	Opening balance
Export tax rebates receivable	7,479,670.43	14,325,020.52
VAT refund receivable	55,946,713.17	25,444,657.63
Prepaid taxes and VAT retained	165,724,432.78	364,556,192.43
Input tax to be deducted and certification	11,806.79	1,192,752.68
Other	11,799,744.63	25,028,577.98
Total	240,962,367.80	430,547,201.24

Other explanation:



**10. Long-term equity investment**

In RMB

The invested entity	Opening balance (book value)	Current changes (+/-)								Ending balance (book value)	Ending balance of depreciation reserves
		Additional investment	Capital reduction	Investment gain/loss recognized under equity	Other comprehensive income adjustment	Other equity change	Cash dividend or profit announced to issued	Impairment accrual	Other		
<b>I. Joint venture</b>											
<b>II. Associated enterprise</b>											
WFEC	824,528,809.89			82,219,484.77						906,748,294.66	
RBCD	3,659,761,310.97			487,327,962.11			1,673,605,474.71			2,473,483,798.37	
Zhonglian Electronic	1,559,413,314.05			179,345,688.18			282,000,000.00			1,456,759,002.23	
WFPM	54,829,812.51			2,157,950.41						56,987,762.92	
Changchun Xuyang	9,621,734.83			-302,244.09						9,319,490.74	
Precors GmbH	5,517,924.56	2,791.725.00		-200,110.59					491,312.08	8,600,851.05	
Chelian Tianxia	169,145,202.15			430,317.51						169,575,519.66	
Lezhuo Bowei		110,000,000.00		-3,479,485.20						106,520,514.80	
Subtotal	6,282,818,108.96	112,791,725.00		747,499,563.10			1,955,605,474.71		491,312.08	5,187,995,234.43	
Total	6,282,818,108.96	112,791,725.00		747,499,563.10			1,955,605,474.71		491,312.08	5,187,995,234.43	

## Other explanation

Explanation on those holding less than 20% of the voting rights but with significant influence:

The Company holds 9.6372% equity of Chelian Tianxia, and appointed a director to Chelian Tianxia. Though such representative, the Company can participate in the operation policies formulation of Chelian Tianxia, and thus exercise a significant influence over Chelian Tianxia.

**11. Other equity instrument investment**

In RMB

Item	Ending balance	Opening balance
Wuxi Xidong Science & Technology Industrial Park	5,000,000.00	5,000,000.00
Beijing Zhike Industry Investment Holding Group Co., Ltd.	75,940,000.00	75,940,000.00
Rare earth Catalysis Innovation Research Institute (Dongying) Co., Ltd.	4,108,000.00	4,108,000.00
Wuxi Xichan Microchip Semi-Conductor	592,742,690.00	592,742,690.00
Total	677,790,690.00	677,790,690.00

**12. Other non-current financial assets**

In RMB

Item	Ending balance	Opening balance
Guolian Securities	161,342,387.00	186,608,914.00
Investments in other debt instruments and equity instruments held for more than one year	1,005,000,000.00	1,140,000,000.00
Total	1,166,342,387.00	1,326,608,914.00

**13. Investment real estate****(1) Investment real estate measured by cost** Applicable  Not applicable

In RMB

Item	House and Building	Land use right	Construction in progress	Total
<b>I. Original book value</b>				
1. Opening balance	97,691,776.27			97,691,776.27
2. Current increased	15,143,746.66			15,143,746.66
(1) Outsourcing				
(2) Inventory\fixed assets\construction in process transfer-in	15,143,746.66			15,143,746.66
(3) Increased by combination				
3. Current decreased	2,364,090.24			2,364,090.24
(1) Disposal	2,364,090.24			2,364,090.24
(2) Other transfer-out				
4. Ending balance	110,471,432.69			110,471,432.69
<b>II. Accumulated depreciation and accumulated amortization</b>				
1. Opening balance	48,394,906.54			48,394,906.54
2. Current increased	8,184,558.32			8,184,558.32
(1) Accrual or amortization	1,578,413.90			1,578,413.90
(2) Transferred from inventory, fixed assets, and construction in progress	6,606,144.42			6,606,144.42
3. Current decreased	2,293,167.53			2,293,167.53
(1) Disposal	2,293,167.53			2,293,167.53
(2) Other transfer-out				
4. Ending balance	54,286,297.33			54,286,297.33
<b>III. Depreciation reserves</b>				
1. Opening balance				
2. Current increased				
(1) Accrual				
3. Current decreased				
(1) Disposal				
(2) Other transfer-out				
4. Ending balance				
<b>IV. Book value</b>				
1. Ending Book value	56,185,135.36			56,185,135.36
2. Opening Book value	49,296,869.73			49,296,869.73

**(2) Investment real estate measured at fair value**

Applicable  Not applicable

**(3) Investment real estate without property certification held**

Nil

**14. Fixed assets**

In RMB

Item	Ending balance	Opening balance
Fixed assets	3,745,590,665.96	3,769,984,185.94
Total	3,745,590,665.96	3,769,984,185.94

**(1) Fixed assets**

In RMB

Item	House and Building	Machinery equipment	Transportation equipment	Electronic and other equipment	Land	Total
I. Original book value:						
1. Opening balance	1,934,526,060.96	4,613,504,836.29	38,612,263.18	1,046,301,287.16	30,483,292.05	7,663,427,739.64
2. Current increased	6,008,444.26	113,360,889.00	16,401,981.30	106,730,315.10		242,501,629.66
(1) Purchase	92,603.75	4,642,398.44	5,122,002.64	1,476,883.90		11,333,888.73
(2) Construction in progress transfer-in	5,915,840.51	108,718,490.56	11,279,978.66	105,253,431.20		231,167,740.93
(3) Investment real estate transfer-in						
3. Current decreased	20,711,919.83	25,929,597.53	1,726,864.06	18,507,266.49		66,875,647.91
(1) Disposal or scrapping	20,711,919.83	25,929,597.53	1,726,864.06	18,507,266.49		66,875,647.91
4. Conversion of foreign currency financial statement	7,786,172.25	26,874,425.09	726,445.15	18,660,373.17	1,865,547.08	55,912,962.74
5. Ending balance	1,927,608,757.64	4,727,810,552.85	54,013,825.57	1,153,184,708.94	32,348,839.13	7,894,966,684.13
II. Accumulated depreciation						
1. Opening balance	536,810,138.49	2,470,972,225.66	21,621,368.25	664,099,659.92		3,693,503,392.32
2. Current increased	32,496,132.87	113,728,096.55	1,235,792.50	110,584,663.57		258,044,685.49
(1) Accrual	32,496,132.87	113,728,096.55	1,235,792.50	110,584,663.57		258,044,685.49
3. Current decreased	7,633,458.71	22,066,910.45	1,194,186.78	14,707,800.49		45,602,356.43
(1) Disposal or scrapping	7,633,458.71	22,066,910.45	1,194,186.78	14,707,800.49		45,602,356.43
4. Conversion of foreign currency financial statement	3,458,756.64	18,928,181.63	661.56	14,682,619.54		37,070,219.37
5. Ending balance	565,131,569.29	2,581,561,593.39	21,663,635.53	774,659,142.54		3,943,015,940.75
III. Depreciation reserves						
1. Opening balance	14,097,320.49	148,903,639.01	73,319.90	21,710,795.11	15,155,086.87	199,940,161.38
2. Current increased		274,995.90				274,995.90
(1) Accrual		274,995.90				274,995.90
3. Current decreased		124,646.67		98,219.18		222,865.85

(1) Disposal or scrapping		124,646.67		98,219.18		222,865.85
4. Conversion of foreign currency financial statement	862,515.42	3,805,736.91		772,057.45	927,476.21	6,367,785.99
5. Ending balance	14,959,835.91	152,859,725.15	73,319.90	22,384,633.38	16,082,563.08	206,360,077.42
IV. Book value						
1. Ending book value	1,347,517,352.44	1,993,389,234.31	32,276,870.14	356,140,933.02	16,266,276.05	3,745,590,665.96
2. Opening book value	1,383,618,601.98	1,993,628,971.62	16,917,575.03	360,490,832.13	15,328,205.18	3,769,984,185.94

**(2) Temporarily idle fixed assets**

Nil

**(3) Fixed assets acquired by operating lease**

Nil

**(4) Fixed assets without property certification held**

Nil

In RMB

Item	Book value	Reasons for without the property certification
Plant and office building of WFCA	31,301,783.70	The relevant property rights procedures are still being processed

**(5) Disposal of fixed assets**

Nil

**15. Construction in progress**

In RMB

Item	Ending balance	Opening balance
Construction in progress	639,963,756.99	509,105,587.49
Total	639,963,756.99	509,105,587.49

**(1) Construction in progress**

In RMB

Item	Ending balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Technical transformation of parent company	111,929,396.69		111,929,396.69	132,814,463.95		132,814,463.95
WFMS rebuilding of the parent company	23,300,153.61		23,300,153.61	20,562,758.75		20,562,758.75
Renovation of Xinan Branch, No. 6 Huashan Road of Parent Company	62,697,798.04		62,697,798.04	41,493,029.41		41,493,029.41
Technical transformation of WFAM	89,518,742.76		89,518,742.76	69,450,019.06		69,450,019.06
Technical transformation of WFLD	11,955,259.21		11,955,259.21	16,739,199.84		16,739,199.84
Technical transformation of Denmark RID	130,799,625.17		130,799,625.17	82,081,060.63		82,081,060.63
Technical transformation of Italy VHIO	41,376,242.80		41,376,242.80	47,822,275.01		47,822,275.01
Other projects	168,386,538.71		168,386,538.71	98,142,780.84		98,142,780.84
Total	639,963,756.99		639,963,756.99	509,105,587.49		509,105,587.49

**(2) Changes of major construction in progress**

In RMB

Item	Budget	Opening balance	Current increase	Fixed assets transfer-in in the Period	Other decreased in the Period	Ending balance	Proportion of project investment in budget	Progress	Accumulated amount of interest capitalization	Including: interest capitalized amount of the year	Interest capitalization rate of the year	Source of funds
Technical transformation of parent company		132,814,463.95	90,155,496.59	109,634,054.55	1,406,509.30	111,929,396.69						Accumulated funds by the Company
WFMS rebuilding of the parent company		20,562,758.75	2,737,394.86			23,300,153.61						Accumulated funds by the Company
Renovation of Xinan Branch, No. 6 Huashan Road of Parent Company		41,493,029.41	21,204,768.63			62,697,798.04						Accumulated funds by the Company
Technical transformation of WFAM		69,450,019.06	30,011,849.10	9,943,125.40		89,518,742.76						Accumulated funds by the Company
Technical transformation of WFLD		16,739,199.84	33,141,808.42	37,925,749.05		11,955,259.21						Accumulated funds by the Company
Technical transformation of Denmark IRD		82,081,060.63	48,718,564.54			130,799,625.17						Accumulated funds by the Company
Technical transformation of Italy VHIO		47,822,275.01	2,541,389.03	8,987,421.24		41,376,242.80						Accumulated funds by the Company
<b>Total</b>		410,962,806.65	228,511,271.17	166,490,350.24	1,406,509.30	471,577,218.28						

**(3) The provision for impairment of construction in progress**

Nil

**(4) Engineering materials**

Nil

**16. Right-of-use assets**

In RMB

Item	Building	Mechanical equipment	Total
I. Original book value:			
1. Opening balance	34,416,049.86	25,021,445.63	59,437,495.49
2. Current increased	2,362,331.76		2,362,331.76
(1) Increased lease	2,362,331.76		2,362,331.76
3. Current decreased			
4. Conversion of foreign currency financial statement	1,315,146.09	884,504.09	2,199,650.18
5. Ending balance	38,093,527.71	25,905,949.72	63,999,477.43
II. Accumulated depreciation			
1. Opening balance	11,035,938.99	6,536,456.12	17,572,395.11
2. Current increased	3,113,424.70	3,267,093.16	6,380,517.86
(1) Accrual	3,113,424.70	3,267,093.16	6,380,517.86
3. Current decreased			
(1) Disposal			
4. Conversion of foreign currency financial statement	427,621.05	254,102.61	681,723.66
5. Ending balance	14,576,984.74	10,057,651.89	24,634,636.63
III. Depreciation reserves			
1. Opening balance			
2. Current increased			
(1) Accrual			
3. Current decreased			
(1) Disposal			
4. Ending balance			
IV. Book value			
1. Ending book value	23,516,542.97	15,848,297.83	39,364,840.80
2. Opening book value	23,380,110.87	18,484,989.51	41,865,100.38

**17. Intangible assets****(1) Intangible assets**

In RMB

Item	Land use right	Patent	Non-patent technology	Computer software	Trademark and trademark license	Total
I. Original book value						
1. Opening balance	381,867,130.62		247,735,742.07	156,331,661.37	41,597,126.47	827,531,660.53
2. Current increased			5,000,000.00	22,416,196.26		27,416,196.26
(1) Purchase				3,801,880.28		3,801,880.28
(2) Internal R&D						
(3) Increased by combination						
(4) Transfer from construction in progress			5,000,000.00	18,614,315.98		23,614,315.98
3. Current decreased	8,922,112.00					8,922,112.00
(1) Disposal	8,922,112.00					8,922,112.00
4. Conversion of foreign currency financial statement			13,186,892.90	1,064,798.27		14,251,691.17

5. Ending balance	372,945,018.62		265,922,634.97	179,812,655.90	41,597,126.47	860,277,435.96
II. Accumulated amortization						
1. Opening balance	112,319,506.81		82,143,152.44	118,642,946.06	9,709,000.00	322,814,605.31
2. Current increased	1,798,082.72		12,400,528.93	4,075,392.72	14,152,357.93	32,426,362.30
(1) Amortization	1,798,082.72		12,400,528.93	4,075,392.72	14,152,357.93	32,426,362.30
3. Current decreased	7,410,097.90					7,410,097.90
(1) Disposal	7,410,097.90					7,410,097.90
4. Conversion of foreign currency financial statement			5,068,852.73	503,275.39		5,572,128.12
5. Ending balance	106,707,491.63		99,612,534.10	123,221,614.17	23,861,357.93	353,402,997.83
III. Depreciation reserves						
1. Opening balance				442,167.30	16,646,900.00	17,089,067.30
2. Current increased						
(1) Accrual						
3. Current decreased						
(1) Disposal						
4. Conversion of foreign currency financial statement				27,060.18		27,060.18
5. Ending balance				469,227.48	16,646,900.00	17,116,127.48
IV. Book value						
1. Ending book value	266,237,526.99		166,310,100.87	56,121,814.25	1,088,868.54	489,758,310.65
2. Opening book value	269,547,623.81		165,592,589.63	37,246,548.01	15,241,226.47	487,627,987.92

## (2) Land use right without property certification held

Nil

## 18. Goodwill

### (1) Original book value of goodwill

In RMB

The invested entity or matters forming goodwill	Opening balance	Current increased		Current decreased		Ending balance
		Formed by business combination	Translation of foreign currency statements	Disposal		
Merged with WFTT	1,784,086.79					1,784,086.79
Merged with Borit	235,898,288.93		14,130,739.94			250,029,028.87
Total	237,682,375.72		14,130,739.94			251,813,115.66

### (2) Goodwill depreciation reserves

Other explanation:

1) Goodwill formed by the merger of WFTT:

In 2010, the Company merged WFTT and became its controlling shareholders by increasing cash capital, and goodwill was the part of merge cost greater than the fair value of identifiable net assets of WFTT.

2) Goodwill formed by the merger of Borit:

In 2020, the Company acquired 100.00% equity of Borit in the form of cash purchase, the goodwill was the part of the merge cost

greater than the fair value share of the identifiable net assets of Borit.

## 19. Long-term deferred expense

In RMB

Item	Opening balance	Current increased	Amortized in the Period	Other decrease	Ending balance
Remodeling costs etc.	28,586,235.84	648,309.32	2,091,207.90		27,143,337.26
Total	28,586,235.84	648,309.32	2,091,207.90		27,143,337.26

## 20. Deferred income tax assets/Deferred income tax liabilities

### (1) Deferred income tax assets that are not offset

In RMB

Item	Ending balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Unrealized profit from insider transactions	45,296,516.40	8,088,715.43	43,939,348.59	8,056,161.37
Deductible loss	933,763,077.77	140,064,461.66	942,706,826.57	142,138,790.82
Provision for bad debts	79,963,291.96	12,080,980.69	79,078,766.93	11,972,961.27
Inventory depreciation reserve	289,774,907.65	44,812,137.50	299,752,548.93	46,412,618.47
Depreciation reserves of fixed assets	69,791,042.37	12,669,293.88	70,008,612.21	12,701,929.36
Depreciation reserves of intangible assets	16,646,900.00	2,497,035.00	16,646,900.00	2,497,035.00
Deferred income	192,321,983.67	29,071,265.00	222,850,907.79	33,668,167.75
Payable salary, accrued expenses etc.	815,381,382.95	145,505,140.26	849,436,667.00	139,593,056.66
Differences in asset depreciation and amortization	22,846,772.82	3,716,162.25	25,570,352.82	4,153,581.52
Equity incentive	36,048,963.14	5,527,217.76	3,066,582.11	459,987.32
Fiscal and tax differences for leasing business	1,634,506.39	284,789.34	1,345,462.74	234,721.68
Total	2,503,469,345.12	404,317,198.77	2,554,402,975.69	401,889,011.22

### (2) Deferred income tax liabilities that are not offset

In RMB

Item	Ending balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
The difference between the fair value and taxation basis of WFTT assets in merger not under the same control	9,958,382.35	1,493,757.33	10,192,264.15	1,528,839.60
The difference between the fair value and taxation basis of IRD assets in merger not under the same control	59,677,693.03	13,129,092.46	61,131,061.24	13,448,833.47
The difference between the fair value and taxation basis of Borit assets in merger not under the same control	18,072,610.25	4,518,152.58	21,378,918.49	5,344,729.59
The difference between the fair value and taxation basis of VH business in merger not under the same control	57,938,669.62	13,905,280.76	59,291,649.88	14,229,995.98
Change of fair value of transaction financial asset	136,564,271.14	20,484,640.67	161,415,403.78	24,226,534.89
Accelerated depreciation of fixed assets	760,672,604.44	116,650,472.33	700,548,497.31	107,631,856.23
Total	1,042,884,230.83	170,181,396.13	1,013,957,794.85	166,410,789.76



**(3) Deferred income tax assets and deferred income tax liabilities listed after off-set**

In RMB

Item	Trade-off between the deferred income tax assets and liabilities	Ending balance of deferred income tax assets or liabilities after off-set	Trade-off between the deferred income tax assets and liabilities at period-begin	Opening balance of deferred income tax assets or liabilities after off-set
Deferred income tax assets	-130,408,867.62	273,908,331.15	-126,261,238.77	275,627,772.45
Deferred income tax liabilities	-130,408,867.62	39,772,528.51	-126,261,238.77	40,149,550.99

**(4) Details of unrecognized deferred income tax assets**

In RMB

Item	Ending balance	Opening balance
Provision for bad debts	1,648,744,605.59	1,648,602,163.32
Inventory depreciation reserve	33,651,705.97	34,557,558.55
Loss from subsidiary	650,732,385.24	529,884,134.82
Depreciation reserves of fixed assets	136,569,035.05	129,931,549.17
Depreciation reserves of intangible assets	469,227.48	442,167.30
Other equity instrument investment	13,600,000.00	13,600,000.00
Equity incentive	412,188.43	
Total	2,484,179,147.76	2,357,017,573.16

**(5) Deductible losses of unrecognized deferred income tax assets expired in following years**

In RMB

Maturity year	Ending amount	Opening amount	Note
2023	2,380,501.89	2,380,501.89	Domestic subsidiaries have operating losses
2024	7,241,959.80	12,087,441.12	Domestic subsidiaries have operating losses
2025	12,140,693.54	12,140,693.54	Domestic subsidiaries have operating losses
2026	46,263,839.94	46,418,486.83	Domestic subsidiaries have operating losses
2027	160,833,781.13	160,833,781.13	Domestic subsidiaries have operating losses
2028 and the following years	84,832,478.65		Domestic subsidiaries have operating losses
No expiration period	337,039,130.29	296,023,230.31	Overseas subsidiaries have operating losses
Total	650,732,385.24	529,884,134.82	

**21. Other non-current assets**

In RMB

Item	Ending balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Contract acquisition cost	17,527,137.42		17,527,137.42	19,855,422.27		19,855,422.27
Engineering equipment paid in advance	284,280,950.81		284,280,950.81	239,775,014.10		239,775,014.10

Large deposit certificates with a maturity of more than one year	310,000,000.00		310,000,000.00	220,000,000.00		220,000,000.00
Total	611,808,088.23		611,808,088.23	479,630,436.37		479,630,436.37

## 22. Short-term borrowings

### (1) Category of short-term borrowings

In RMB

Item	Ending balance	Opening balance
Guaranteed Loan		89,074,800.00
Credit loan	2,054,773,697.36	3,511,504,373.65
Pledged loan	200,000,000.00	
Accrued interest	2,127,228.09	3,797,354.17
Total	2,256,900,925.45	3,604,376,527.82

Other explanation:

To obtain the pledged notes receivable of 200,000,000.00 yuan for the above-mentioned bank loan.

### (2) Overdue short-term loans without payment

Nil

## 23. Derivative financial liabilities

In RMB

Item	Ending balance	Opening balance
Forward settlement and sales of foreign exchange	737,424.50	747,115.75
Total	737,424.50	747,115.75

## 24. Note payable

In RMB

Category	Ending balance	Opening balance
Bank acceptance bill	1,584,124,651.19	1,411,089,606.00
Total	1,584,124,651.19	1,411,089,606.00

At the end of the current period, the total amount of matured but unpaid notes payable is 0.00 yuan.

Other explanation:

To issue the above-mentioned bank acceptance bill, a deposit of 12,066,812.90 yuan was paid, and the pledged notes receivable were 663,438,206.29 yuan.

**25. Account payable****(1) Account payable**

In RMB

Item	Ending balance	Opening balance
Within 1 year	2,983,935,371.31	3,165,855,712.48
1-2 years	191,485,742.18	207,702,168.86
2-3 years	39,761,626.79	31,919,163.40
Over 3 years	56,743,490.72	49,123,978.86
Total	3,271,926,231.00	3,454,601,023.60

**(2) Important account payable with account age over one year**

Nil

**26. Advance payment****(1) Advance payment**

In RMB

Item	Ending balance	Opening balance
Within 1 year	462,221.88	3,633,878.33
Total	462,221.88	3,633,878.33

**(2) Important advance payment with account age over one year**

Nil

**27. Contract liabilities**

In RMB

Item	Ending balance	Opening balance
Within 1 year	72,243,802.82	60,916,157.84
1-2 years	26,134,497.08	31,275,903.90
2-3 years	4,222,503.89	1,518,759.78
Over 3 years	1,890,920.75	1,139,261.71
Total	104,491,724.54	94,850,083.23

**28. Wage payable****(1) Wage payable**

In RMB

Item	Opening balance	Current increased	Current decreased	Ending balance
1. Short-term compensation	241,874,758.99	654,939,146.08	728,406,774.16	168,407,130.91
2. Post-employment welfare- defined contribution plans	27,678,116.81	98,215,720.30	110,550,601.42	15,343,235.69

3. Dismissed welfare	973,200.33	318,149.00	318,149.00	973,200.33
4. Incentive funds paid within a year	30,740,000.00		5,404,350.26	25,335,649.74
5. Other short-term welfare-Housing subsidies, employee benefits and welfare funds	16,168,310.11		542,875.00	15,625,435.11
Total	317,434,386.24	753,473,015.38	845,222,749.84	225,684,651.78

**(2) Short-term compensation**

In RMB

Item	Opening balance	Current increased	Current decreased	Ending balance
1. Wages, bonuses, allowances and subsidies	228,262,797.86	529,286,322.08	603,220,806.67	154,328,313.27
2. Welfare for workers and staff		36,075,847.78	35,585,722.75	490,125.03
3. Social insurance	279,543.63	32,083,598.82	31,216,372.33	1,146,770.12
Including: Medical insurance	242,824.57	25,901,593.15	25,090,210.55	1,054,207.17
Work injury insurance	27,398.20	3,325,804.39	3,303,611.91	49,590.68
Maternity insurance	9,320.86	2,856,201.28	2,822,549.87	42,972.27
4. Housing accumulation fund	785,727.00	42,865,346.16	42,397,860.00	1,253,213.16
5. Labor union expenditure and personnel education expense	9,960,112.99	7,341,838.52	7,496,411.82	9,805,539.69
6. Other short-term compensation - social security	2,586,577.51	7,286,192.72	8,489,600.59	1,383,169.64
Total	241,874,758.99	654,939,146.08	728,406,774.16	168,407,130.91

**(3) Define contribution plans**

In RMB

Item	Opening balance	Current increased	Current decreased	Ending balance
1. Basic endowment premium	6,829,377.95	77,731,981.00	80,384,478.75	4,176,880.20
2. Unemployment insurance	36,478.41	2,106,036.83	2,097,337.90	45,177.34
3. Enterprise annuity	20,812,260.45	18,377,702.47	28,068,784.77	11,121,178.15
Total	27,678,116.81	98,215,720.30	110,550,601.42	15,343,235.69

**29. Tax payable**

In RMB

Item	Ending balance	Opening balance
Value-added tax	27,283,192.13	27,961,474.84
Corporation income tax	21,442,470.99	7,847,731.79
Individual income tax	436,400.85	6,846,289.60
City maintaining & construction tax	1,910,545.77	1,546,043.92
Educational surtax	1,366,061.64	1,105,937.33
Other (including stamp tax and local funds)	11,719,986.78	9,278,838.05
Total	64,158,658.16	54,586,315.53

**30. Other account payable**

In RMB

Item	Ending balance	Opening balance
Dividends payable	10,373,454.00	
Other accounts payable	146,355,991.68	198,990,948.23
Total	156,729,445.68	198,990,948.23

**(1) Interest payable**

Nil

**(2) Dividends payable**

In RMB

Item	Ending balance	Opening balance
Common stock dividends	10,373,454.00	
Total	10,373,454.00	

Other explanations, including important dividends payable that have not been paid for more than one year, disclose the reason for not paying such dividends: Nil

**(3) Other account payable****1) Classification of other accounts payable according to nature of account**

In RMB

Item	Ending balance	Opening balance
Deposit and margin	34,168,117.02	15,452,400.65
Withholding social insurance and reserves funds	1,609,945.43	1,967,741.92
Intercourse funds of unit	25,512,145.98	25,512,145.98
Restricted stock repurchase obligations	68,688,180.00	138,495,060.00
Payable unpaid investment funds	14,105,360.83	13,308,176.65
Other	2,272,242.42	4,255,423.03
Total	146,355,991.68	198,990,948.23

**2) Significant other payable with over one year**

In RMB

Item	Ending balance	Reasons for non-repayment or carry-over
Nanjing Jidian Industrial Group Co., Ltd.	4,500,000.00	Intercourse funds
Restricted stock repurchase obligation	68,688,180.00	Restricted stock repurchase business
Total	73,188,180.00	

**31. Non-current liabilities due within one year**

In RMB

Item	Ending balance	Opening balance
Long-term borrowings due within one year	25,000,000.00	2,000,000.00
Lease payments due within one year	11,778,509.11	12,044,793.34
Interest payable	180,555.56	240,555.56
Total	36,959,064.67	14,285,348.90

**32. Other current liabilities**

In RMB

Item	Ending balance	Opening balance
Rebate payable	252,281,512.29	201,734,082.52
Pending sales tax	10,368,705.25	8,815,298.56
Endorsed/discounted undue bills		1,214,398.69
<b>Total</b>	<b>262,650,217.54</b>	<b>211,763,779.77</b>

Changes in short-term bonds payable: Nil

**33. Long-term borrowings****(1) Category of long-term borrowings**

In RMB

Item	Ending balance	Opening balance
Guaranteed loan	600,000,000.00	238,000,000.00
<b>Total</b>	<b>600,000,000.00</b>	<b>238,000,000.00</b>

**34. Lease liability**

In RMB

Item	Ending balance	Opening balance
Lease payments	30,799,799.49	31,589,277.20
<b>Total</b>	<b>30,799,799.49</b>	<b>31,589,277.20</b>

**35. Long-term account payable**

In RMB

Item	Ending balance	Opening balance
Long-term account payable	12,520,000.00	12,520,000.00
Special accounts payable	18,265,082.11	18,265,082.11
<b>Total</b>	<b>30,785,082.11</b>	<b>30,785,082.11</b>

**(1) Long-term account payable listed by nature**

In RMB

Item	Ending balance	Opening balance
Hi-tech Branch of Nanjing Finance Bureau (note ①) Financial support funds (2008)	2,750,000.00	2,750,000.00
Hi-tech Branch of Nanjing Finance Bureau (note ②) Financial support funds (2009)	1,030,000.00	1,030,000.00
Hi-tech Branch of Nanjing Finance Bureau (note ③) Financial support funds (2010)	960,000.00	960,000.00
Hi-tech Branch of Nanjing Finance Bureau (note ④) Financial support funds (2011)	5,040,000.00	5,040,000.00
Hi-tech Branch of Nanjing Finance Bureau (note ⑤) Financial support funds (2013)	2,740,000.00	2,740,000.00
<b>Total</b>	<b>12,520,000.00</b>	<b>12,520,000.00</b>

Other explanation:

Note ①: To encourage WFJN to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from November 10, 2008 to November 10, 2023. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

Note②: To encourage WFJN to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from October 27, 2009 to October 27,

2024. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

Note③: To encourage WFJN to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from December 27, 2010 to December 27, 2025. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

Note④: To encourage WFJN to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from December 28, 2011 to December 28, 2026. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

Note⑤: To encourage WFJN to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from December 18, 2013 to December 18, 2028. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

## (2) Special accounts payable

In RMB

Item	Opening balance	Current increased	Current decreased	Ending balance	Cause of formation
Removal compensation of subsidiary WFJN	18,265,082.11			18,265,082.11	
Total	18,265,082.11			18,265,082.11	

Other explanation

In line with regulation of the house acquisition decision of People's government of Xuanwu District, Nanjing City, Ning Xuan Fu Zheng Zi (2012) No.001, part of the lands and property of WFJN needs expropriation in order to carry out the comprehensively improvement of Ming Great Wall. According to the house expropriation and compensation agreement in state-owned lands signed between WFJN and House Expropriation Management Office of Xuanwu District, Nanjing City, 19,706,700.00 yuan in total are compensate, including operation losses from lessee 1,441,600.00 yuan in total. The above compensation was received in last period and is making up for the losses from lessee, and the above lands and property have not been collected up to June 30, 2023.

## 36. Long-term wages payable

### (1) Long-term wages payable

In RMB

Item	Ending balance	Opening balance
1. Post-employment benefits - Defined benefit plan net liabilities	21,989,427.11	20,380,744.73
2. Dismiss welfare	12,312,197.60	12,028,538.66
3. Other long-term welfare	121,683,760.89	121,683,760.89
Total	155,985,385.60	154,093,044.28

### (2) Defined benefit plan

Present value of defined benefit plan:

In RMB

Item	Amount in current period	Amount in last period
1. Opening balance	20,380,744.73	19,594,011.39
2. Cost of defined benefit plan booked into current profit and loss	385,952.19	38,706.27

(1) Current service cost	385,952.19	38,706.27
3. Cost of defined benefit plan booked into other comprehensive income	704,649.43	399,165.06
(1) Actuarial gains (losses are represented by “-”)	704,649.43	399,165.06
4. Other changes	518,080.76	348,862.01
(1) Welfare paid	-99,925.69	-345,481.69
(2) Translation difference of foreign currency statements	618,006.45	694,343.70
5. Ending balance	21,989,427.11	20,380,744.73

Other explanation:

According to relevant regulations in Italy, the Trattamento di Fine Rapporto (TFR) system is established. VHIO shall withdraw severance to employees in accordance with employees’ employment period and taxable base salary when they leave or are dismissed. The plan predicts future cash outflows at the inflation rate and determines its present value at the discount rate. The above-mentioned benefit plan poses actuarial risks to VHIO, mainly including interest rate risk and inflation risk. In case interest rate is cut down, the present value of the defined benefit plan obligations will rise. In addition, the present value of benefit plan obligations is related to the future payment standards of the plan, which are determined based on inflation rates. Therefore, the upward inflation rate will also lead to rising planned liabilities.

### 37. Anticipated liability

In RMB

Item	Ending balance	Opening balance	Formation cause
Pending litigation		246,653.02	
Product quality assurance	9,980,678.92	8,695,322.61	
Investment losses in joint ventures		13,750.00	
Environmental protection commitment		1,150,543.24	
Total	9,980,678.92	10,106,268.87	

Other explanations, including important assumptions and estimation explanations related to significant estimated liabilities: Nil

### 38. Deferred income

In RMB

Item	Opening balance	Current increased	Current decreased	Ending balance	Cause of formation
Government grant	223,123,978.78	14,325,532.64	38,239,740.37	199,209,771.05	
Total	223,123,978.78	14,325,532.64	38,239,740.37	199,209,771.05	--

Item with government grants involved:

In RMB

Items of liabilities	Opening balance	New grants in the Period	Amount reckoned in non-operation revenue	Amount reckoned into other income in the period	Cost reduction in the period	Other changes	Ending balance	Assets related/Income related
Industrialization project for injection VE pump system with electronically controlled high pressure for less-emission diesel used	5,536,697.24			390,825.70			5,145,871.54	Asset related
Fund of industry upgrade (2013)	18,710,191.69			16,399,408.54			2,310,783.15	Income related



R&D and industrialization of the high-pressure variable pump of the common rail system of diesel engine for automotive	2,699,860.97			506,584.28			2,193,276.69	Assets related
Research institute of motor vehicle exhaust post-processing technology	117,789.93			44,915.68			72,874.25	Assets related
Fund of industry upgrade (2014)	36,831,000.00						36,831,000.00	Income related
New-built assets compensation after the removal of parent company	63,443,087.73			8,961,973.65			54,481,114.08	Assets related
Fund of industry upgrade (2016)	40,000,000.00						40,000,000.00	Income related
Guiding capital for the technical reform from State Hi-Tech Technical Commission	3,787,113.97			607,212.50			3,179,901.47	Assets related
Implementation of the variable cross-section turbocharger for diesel engine	4,254,433.18			774,340.08			3,480,093.10	Assets related
Demonstration project funds for intelligent manufacturing	431,887.80			90,019.10			341,868.70	Assets related
The 2 <sup>nd</sup> batch of provincial special funds for industry transformation of industrial and information in 2019	1,849,844.13			611,563.78			1,238,280.35	Assets related
Municipal technological reform fund allocation in 2020	3,527,096.61			307,948.54			3,219,148.07	Assets related
Strategic cooperation agreement funding for key enterprise of smart manufacturing in high-tech zone	3,374,618.86			416,578.38			2,958,040.48	Assets related
The 3 <sup>rd</sup> batch of provincial special funds for industry transformation of industrial and information in 2021	13,500,000.00						13,500,000.00	Assets related
Other	25,060,356.67	14,121,035.85		9,128,370.14		204,496.79	30,257,519.17	Assets related/Income related
Total	223,123,978.78	14,121,035.85		38,239,740.37		204,496.79	199,209,771.05	Assets related/Income related

Other explanation:

(1) The appropriation for research and development ability of distributive high-pressure common rail system for diesel engine use and production line technological transformation project: according to the document (XCJNo. [2010]59), the Company has received special funds of 7.1 million yuan appropriated by Finance Bureau of Wuxi New District in 2011 and used for the Company's research and development ability of distributive high-pressure common rail system for diesel engine use and production line technological transformation project; this appropriation belongs to government grants related to assets, amount of 390,825.70 yuan was written off based on the depreciation schedule of the related assets during the period.

- (2) Industry upgrading funds (2013): In accordance with the documents XXGJF [2013] No.379, XXGJF [2013] No.455, XXGCF [2013] No.128 and XXGCF[2013] No.153, the Company received funds of 60.52 million yuan appropriated for industry upgrading in 2013 and amount of 16,399,408.54 yuan was written off in the year.
- (3) R&D and industrialization of the high pressure variable pump of the common rail system of diesel engine for automotive: the Company received appropriated for the project in 2013 with 8.05 million yuan in line with documents XKJ[2013] No.186, XKJ[2013] No.208, XCGM[2013] No.104, XCGM [2013] No.138, XKJ [2014] No.125, XCGM[2014] No.58, XKJ[2014] No. 246 and XCGM[2014] No.162. The company received 8.05 million yuan, 3 million yuan and 0.45 million yuan respectively in 2013, 2014 and 2015; such funds belong to government grant with assets concerned, and shall be written off according to the depreciation process, amount of 506,584.28 yuan was written off in reporting period.
- (4) Automotive exhaust post-processing technology research institute project: in 2012, the subsidiary WFLD has applied for equipment purchase assisting funds to Wuxi Huishan Science and Technology Bureau and Wuxi Science and Technology Bureau for the automobile vehicle exhaust post-processing technology research institute project. This declaration has been approved by Wuxi Huishan Science and Technology Bureau and Wuxi Science and Technology Bureau in 2012, and the company has received appropriation of 2.4 million yuan in 2012, and received appropriation of 1.6 million yuan in 2013. This appropriation belongs to government grants related to assets and will be written off according to the depreciation process, amount of 44,915.68 yuan was written off in the year.
- (5) Industry upgrading funds (2014): In accordance with the document XXGJF [2014] No.427 and XXGCF[2014] No.143, the Company received funds of 36.831 million yuan appropriated for industry upgrading in 2014.
- (6) New-built assets compensation after the removal of parent company: policy relocation compensation received by the Company, and will be written off according to the depreciation of new-built assets, amount of 8,961,973.65 yuan was written off in reporting period.
- (7) Fund of industry upgrade (2016): In accordance with the document XXGJF [2016] No.585 and XXF[2016] No.70, the Company received funds of 40.00 million yuan appropriated for industry upgrading in 2016.
- (8) Guiding capital for the technical reform from State Hi-Tech Technical Commission: In accordance with the document XJXZH [2016] No.9 and XCGM [2016] No.56, the Company received a 9.74 million yuan for the guiding capital of technical reform (1<sup>st</sup> batch) from Wuxi for year of 2016, and belongs to government grant with assets concerned, and shall be written off according to the depreciation process, amount of 607,212.50 yuan was written off in reporting period.
- (9) Implementation of the variable cross-section turbocharger for diesel engine: In accordance with the document YCZF[2016] No.623 and “Strong Industrial Base Project Contract for year of 2017”, subsidiary WFTT received a specific subsidy of 16.97 million yuan in 2016 and of 760,000 yuan in 2018, the fund supporting strong industrial base project (made-in-China 2025) of central industrial transformation and upgrading 2016 from Ministry of Industry and Information Technology; It belongs to government grant with assets concerned, and shall be written off according to the depreciation process. Amount of 774,340.08 yuan was written off in reporting period.
- (10) Demonstration project for intelligent manufacturing: under the Notice Relating to Selection of the Intelligent Manufacturing Model Project in Huishan District in 2016 (HJXF[2016]No.36), a fiscal subsidy of 3,000,000 yuan was granted by relevant government authority in Huishan district to our subsidiary WFLD in 2017 to be utilized for transformation and upgrade of WFLD’s intelligent manufacturing facilities. This subsidy belongs to government grant related to assets which shall be written off based on the depreciation progress of the assets. Amount of 90,019.10 yuan was written off in reporting period..
- (11) The 2<sup>nd</sup> batch of provincial special funds for industry transformation of industrial and information in 2019: according to XCGM [2019] No.121, the Company received a special fund of 5.00 million yuan in 2020..This subsidy was related to the “Weifu High-Technology New Factory Internet Construction” projects, and belonged to government grants related to assets. and shall be written off according to the depreciation process, amount of 611,563.78 yuan was written off in the reporting period.
- (12) Municipal technological reform fund allocation in 2020: according to XGXZH [2020]No.16, the Company received 4.77 million yuan of municipal technological transformation fund project allocation in 2020, which was related to key technological

transformation projects and belonged to government grants related to assets. and shall be written off according to the depreciation process. Amount of 307,948.54 yuan was written off in reporting period.

(13) Strategic cooperation agreement funding for key enterprise of smart manufacturing in high-tech zone: according to XXGXF [2020]No.61, the Company received a related grant of 4.06 million yuan in 2020 and 0.7 million yuan received in reporting period. This grant was related to the intelligent transformation project and belonged to the government grants related to assets. and shall be written off according to the depreciation process, amount of 416,578.38 yuan was written off in reporting period.

(14) The 3rd batch of provincial special funds for industry transformation of industrial and information in 2021: according to the SCGM[2021]No.92, the government grant 13.5 million yuan received in 2021 was for the research, development and industrialization of membrane electrodes for high-performance automotive proton exchange membrane fuel cells, which was an assets related government grants.

### 39. Share

In RMB

	Opening balance	Change during the year (+/-)					Ending balance
		New shares issued	Bonus share	Shares transferred from capital reserve	Other	Subtotal	
Total shares	1,008,603,293.00				-6,023,500.00	-6,023,500.00	1,002,579,793.00

Other explanation:

Decreased in share capital was due to the buy-back and cancellation of 430,000 restricted shares initially granted under the Restricted Shares Incentive Plan for year of 2020 and 5,593,500 restricted stocks that did not meet the unlocking conditions.

### 40. Capital reserve

In RMB

Item	Opening balance	Current increased	Current decreased	Ending balance
Capital premium (Share capital premium)	3,318,949,527.98	5,416.66	68,558,795.09	3,250,396,149.55
Other Capital reserve	79,419,039.65	5,361,906.64		84,780,946.29
Total	3,398,368,567.63	5,367,323.30	68,558,795.09	3,335,177,095.84

Other explanation, including changes in the period and reasons for changes;

(1) Share capital premium rose by 5,416.66 yuan in the reporting period, mainly due to excessive investment funds paid by IRD to WFQL; Share capital premium reduced by 68,558,795.09 yuan, due to the share capital premium transferred-in, 68,547,430.00 yuan, arising from for 6,023,500 restricted stock which were canceled by the Company. The difference, 11,365.09 yuan, is the handle fee of repurchase and cancellation.

(2) Other capital reserve rose by 5,361,906.64 yuan in the reporting period, which is a net amount after deducting 160,173.01 yuan of attributable to minority from 5,522,079.65 yuan of the expenses of equity-settled share-based payment.

### 41. Treasury stock

In RMB

Item	Opening balance	Current increased	Current decreased	Ending balance
Share repurchase	397,804,542.63	71,917,549.61		469,722,092.24

Repurchase obligation of restricted stock incentive plan	143,818,460.00		75,130,280.00	68,688,180.00
<b>Total</b>	<b>541,623,002.63</b>	<b>71,917,549.61</b>	<b>75,130,280.00</b>	<b>538,410,272.24</b>

Other explanations, including changes in the current period and explanations of the reasons for the changes:

Share repurchase: rose by 71,917,549.61 yuan in the reporting period due to share repurchase by way of centralized bidding;

Repurchase obligation of restricted stock incentive plan: The decrease of 75130280.00 yuan in this period is composed of two parts:

① reduced by 74,570,930.00 yuan in the reporting period due to the treasury stock as the company repurchased and canceled 6,023,500.00 restricted shares; ② 559,350.00 yuan is the cash dividend received by the restricted stock incentive object in the reporting period.

## 42. Other comprehensive income

In RMB

Item	Opening balance	Current period						Ending balance
		Account before income tax in the year	Less: written in other comprehensive income in previous period and carried forward to gains and losses in current period	Less: written in other comprehensive income in previous period and carried forward to retained earnings in current period	Less: income tax expense	Belong to parent company after tax	Belong to minority shareholders after tax	
1. Other comprehensive income that cannot be reclassified to profit or loss	-383,156.26	-305,484.37				-305,484.37		-688,640.63
Including: Remeasurement changes in defined benefit plans	-399,165.06	-305,484.37				-305,484.37		-704,649.43
Other comprehensive income that cannot be transferred to profit or loss under the equity method	16,008.80							16,008.80
2. Other comprehensive income items which will be reclassified subsequently to profit or loss	-528,153.87	61,545,045.56				61,545,045.56		61,016,891.69
Conversion difference of foreign currency financial statement	-528,153.87	61,545,045.56				61,545,045.56		61,016,891.69
<b>Total other comprehensive income</b>	<b>-911,310.13</b>	<b>61,239,561.19</b>				<b>61,239,561.19</b>		<b>60,328,251.06</b>

## 43. Reasonable reserve

In RMB

Item	Opening balance	Current increased	Current decreased	Ending balance
Work safety expense	2,119,800.95	14,709,266.91	13,245,660.11	3,583,407.75
Total	2,119,800.95	14,709,266.91	13,245,660.11	3,583,407.75

Other explanation, including changes and reasons for changes:

(1) Description on withdrawing reasonable reserves (work safety expense): According to the Administrative Measures on the Withdrawing and Use of Enterprise Work Safety Expense(CZ[2022]No.136) jointly issued by the Ministry of Finance and the State Administration of Work Safety, in the reporting period, based on the actual operating income of the previous period, the company adopted excess retreat method to define the amount of reasonable reserve of the year and withdraw reasonable reserve averagely in each month..

(2) The above work safety expenses included those withdrawn by the Company in line with regulations and the parts enjoyed by shareholders of the Company in work safety expenses withdrawn by subsidiary in line with regulations.

#### 44. Surplus reserve

In RMB

Item	Opening balance	Current increased	Current decreased	Ending balance
Statutory surplus reserves	510,100,496.00			510,100,496.00
Total	510,100,496.00			510,100,496.00

Other explanation, including changes and reasons for changes:

Withdrawal of the statutory surplus reserves: Pursuit to the Company Law and Article of Association, the Company withdraws statutory surplus reserve in terms of 10% of the net profit. No more amounts shall be withdrawn if the accumulated statutory surplus reserve is over 50% of the registered capital.

#### 45. Retained profit

In RMB

Item	Amount in current period	Amount in last period
Retained profits at the end of last period before adjustment	13,320,021,325.90	14,814,787,377.86
Retained profits at the beginning of the period after adjustment	13,320,021,325.90	14,814,787,377.86
Add: The net profits belong to owners of patent company of the reporting period	948,760,859.55	118,819,836.30
Less: Cash dividends payable	97,757,979.30	1,609,059,668.80
Less: Withdraw employee rewards and welfare funds		4,526,219.46
Retained profit at period-end	14,171,024,206.15	13,320,021,325.90

Details about adjusting the retained profits at the beginning of the period:

- 1) The retroactive adjustments due to the Accounting Standards for Business Enterprises and its relevant new regulations affect the retained profits at the beginning of the period amounting to 0 yuan.
- 2) The changes in accounting policies affect the retained profits at the beginning of the period amounting to 0 yuan.
- 3) The major accounting error correction affects the retained profits at the beginning of the period amounting to 0 yuan
- 4) Merge scope changes caused by the same control affect the retained profits at the beginning of the period amounting to 0 yuan.
- 5) Other adjustments affect the retained profits at the beginning of the period amounting to 0 yuan

#### 46. Operating income and cost

In RMB

Item	Amount in current period	Amount in last period
------	--------------------------	-----------------------

	Income	Cost	Income	Cost
Main operating	6,052,163,689.76	5,137,115,309.66	6,928,141,770.13	5,860,429,899.49
Other business	77,485,357.64	26,756,421.60	209,031,087.84	166,024,282.54
Total	6,129,649,047.40	5,163,871,731.26	7,137,172,857.97	6,026,454,182.03

Other explanation

Top 5 revenue confirmed during the reporting period:

In RMB

Serial No.	Name	Revenue
1	RBCD	1,090,789,696.99
2	Robert Bosch Company	848,768,368.36
3	Client 1	370,384,276.77
4	Client 4	252,642,028.88
5	Client 2	178,558,893.41

#### 47. Operating tax and extra

In RMB

Item	Amount in current period	Amount in last period
City maintaining & construction tax	8,517,861.49	8,634,987.02
Educational surtax	6,087,805.08	6,170,777.25
Property tax	11,115,997.34	8,897,091.90
Land use tax	2,013,933.93	2,253,305.65
Vehicle use tax	19,170.06	3,985.52
Stamp duty	4,119,912.74	2,394,141.59
Other taxes	365,742.35	523,132.85
Total	32,240,422.99	28,877,421.78

#### 48. Sales expenses

In RMB

Item	Amount in current period	Amount in last period
Salary and wage related expense	33,589,826.19	24,952,862.28
Consumption of office materials and business travel charge	5,356,063.20	3,302,587.07
Warehouse charge	3,818,351.46	1,044,900.83
Three guarantees and quality cost	38,356,321.13	30,734,960.85
Business entertainment fee	5,701,496.43	9,087,067.46
Other	16,209,422.99	9,898,213.94
Total	103,031,481.40	79,020,592.43

#### 49. Administration expenses

In RMB

Item	Amount in current period	Amount in last period
Salary and wage related expense	157,699,092.98	151,774,582.74
Depreciation charger and long-term assets amortization	53,460,774.32	37,588,034.10
Consumption of office materials and	9,690,794.26	6,085,675.94

business travel charge		
Share-based payment	3,351,570.96	22,799,516.92
Other	74,993,497.07	58,964,445.09
Total	299,195,729.59	277,212,254.79

**50. R&D expenses**

In RMB

Item	Amount in current period	Amount in last period
Technological development expenses	351,887,038.12	289,631,376.50
Total	351,887,038.12	289,631,376.50

**51. Financial expenses**

In RMB

Item	Amount in current period	Amount in last period
Interest expenses	65,616,425.64	34,275,262.65
Note discount interest expenses		3,052,594.14
Less: Deposit interest income	15,706,416.56	13,927,929.36
Gains/losses from exchange	-14,651,449.58	4,316,196.05
Handling charges	3,203,622.95	2,057,941.09
Total	38,462,182.45	29,774,064.57

**52. Other income**

In RMB

Sources of income generated	Amount in current period	Amount in last period
Government grants with routine operation activity concerned	40,157,408.73	25,101,731.50
Refund of individual income tax handling fee	822,184.78	993,890.43
Total	40,979,593.51	26,095,621.93

**53. Investment income**

In RMB

Item	Amount in current period	Amount in last period
Income of long-term equity investment calculated based on equity	742,783,514.37	823,400,731.10
Investment income from disposal of long-term equity investments		964,645.90
Investment income from wealth management products	69,978,714.96	105,107,324.41
Other	-1,355,595.84	-680,357.44
Total	811,406,633.49	928,792,343.97

**54. Income from change of fair value**

In RMB

Sources	Amount in current period	Amount in last period
Changes in the fair value of wealth management products	2,673,177.12	3,290,951.54
Changes in the fair value of the stocks of listed companies held-excluding the stocks of listed companies that are included in other	-20,742,730.41	-77,723,879.68

equity instrument investments		
Total	-18,069,553.29	-74,432,928.14

**55. Credit impairment loss**

In RMB

Item	Amount in current period	Amount in last period
Bad debt loss	-846,725.76	2,083,427.81
Total	-846,725.76	2,083,427.81

**56. Asset impairment loss**

In RMB

Item	Amount in current period	Amount in last period
Loss of inventory falling price and loss of contract performance cost impairment	-89,988,541.10	-104,219,783.98
Impairment loss of fixed assets	-274,995.90	
Total	-90,263,537.00	-104,219,783.98

**57. Income from assets disposal**

In RMB

Sources	Amount in current period	Amount in last period
Income from disposal of non-current assets	126,476,687.75	3,597,231.29
Losses from disposal of non-current assets	-945,782.71	-1,706,951.34
Total	125,530,905.04	1,890,279.95

**58. Non-operating income**

In RMB

Item	Amount in current period	Amount in last period	Amount reckoned into current extraordinary gains and losses
Other	2,707,696.00	218,285.29	2,707,696.00
Total	2,707,696.00	218,285.29	2,707,696.00

Government grants included in the current profit and loss: Nil

**59. Non-operating expense**

In RMB

Item	Amount in current period	Amount in last period	Amount reckoned into current extraordinary gains and losses
Donation	20,000.00		20,000.00
Total of loss on scrapping of fixed assets	661,923.94	2,175,378.87	661,923.94
Including: loss on scrapping of fixed assets	661,923.94	2,175,378.87	661,923.94
Other	76,457.75	21,187.00	76,457.75
Total	758,381.69	2,196,565.87	758,381.69



**60. Income tax expense****(1) Income tax expense**

In RMB

Item	Amount in current period	Amount in last period
Payable tax in current period	29,859,646.45	62,009,331.28
Adjusted the previous income tax	-11,522.40	281,934.62
Increase/decrease of deferred income tax assets	-3,637,244.56	6,279,057.80
Increase/decrease of deferred income tax liability	3,121,400.25	-12,925,247.95
Total	29,332,279.74	55,645,075.75

**(2) Adjustment on accounting profit and income tax expenses**

In RMB

Item	Amount in current period
Total profit	1,011,647,091.89
Income tax measured by statutory/applicable tax rate	151,747,063.78
Impact by different tax rate applied by subsidies	-8,162,395.90
Adjusted the previous income tax	-11,522.40
Impact by non-taxable revenue	-104,839,090.93
Impact by cost, expenses and losses that unable to deducted	-712,332.26
Impact by the deductible losses of the un-recognized previous deferred income tax	31,658,172.36
The deductible temporary differences or deductible losses of the un-recognized deferred income tax assets in the Period	-36,789,640.73
Impact on additional deduction	-4,057,984.09
Other	500,009.91
Income tax expense	29,332,279.74

**61. Other comprehensive income**

See Note VII. 42. "Other comprehensive income"

**62. Items of cash flow statement****(1) Other cash received in relation to operation activities**

In RMB

Item	Amount in current period	Amount in last period
Interest income	15,706,416.56	13,927,929.36
Government grants	16,848,073.14	8,106,249.87
Fund inflow from WFTR "platform trade" business	299,235,761.25	1,254,515,797.22
Other	18,644,560.72	404,502.49
Total	350,434,811.67	1,276,954,478.94

Explanation on other cash received in relation to operation activities: Nil

**(2) Other cash paid in relation to operation activities**

In RMB

Item	Amount in current period	Amount in last period
Cash cost	301,149,590.30	254,434,197.77
Fund outflow from WFTR “platform trade” business	100,000,000.00	4,442,956,606.35
Other	8,281,394.08	18,468,018.35
<b>Total</b>	<b>409,430,984.38</b>	<b>4,715,858,822.47</b>

Explanation to other cash paid in relation to operation activities:

The amount of fund outflow from WFTR “platform trade” business in current period is the final payment of the business before the Company discovered the contract fraud.

### (3) Cash received from other investment activities

Nil

### (4) Cash paid related with investment activities

Nil

### (5) Other cash received in relation to financing activities

Nil

### (6) Cash paid related with financing activities

In RMB

Item	Amount in current period	Amount in last period
Lease payments	3,411,636.27	865,486.76
Payment for stock repurchase	71,917,549.61	100,001,057.07
Payment for restricted stock repurchase	69,247,530.00	
<b>Total</b>	<b>144,576,715.88</b>	<b>100,866,543.83</b>

Explanation to other cash paid related with financing activities: Nil

## 63. Supplementary information to statement of cash flow

### (1) Supplementary information to statement of cash flow

In RMB

Supplementary information	Amount in current period	Amount in last period
<b>1. Net profit adjusted to cash flow of operation activities:</b>		
Net profit	982,314,812.15	1,128,788,571.08
Add: Assets impairment provision	91,110,262.76	102,136,356.17
Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	259,623,099.39	203,750,978.31
Depreciation of right-of-use assets	6,380,517.86	2,124,980.42
Amortization of intangible assets	32,426,362.30	21,643,638.80
Amortization of long-term deferred expenses	2,091,207.90	4,160,293.14
Loss from disposal of fixed assets, intangible assets and other long-term assets (gain is listed with “-”)	-125,530,905.04	-1,890,279.95

Loss on scrapping of fixed assets (gain is listed with “-”)	661,923.94	2,175,378.87
Gain/loss of fair value changes (gain is listed with “-”)	18,069,553.29	74,432,928.14
Financial expenses (gain is listed with “-”)	-11,447,977.73	36,972,909.58
Investment loss (gain is listed with “-”)	-812,762,229.33	-929,472,701.41
Decrease of deferred income tax asset ((increase is listed with “-”)	1,793,420.95	6,279,057.80
Increase of deferred income tax liability (decrease is listed with “-”)	3,135,839.77	-12,925,247.95
Decrease of inventory (increase is listed with “-”)	372,883,000.74	1,265,262,274.11
Decrease of operating receivable accounts (increase is listed with “-”)	370,183,379.30	-3,855,816,972.58
Increase of operating payable accounts (decrease is listed with “-”)	-108,140,333.37	-578,522,427.61
Other	7,169,302.54	36,918,218.19
Net cash flows arising from operating activities	1,089,961,237.42	-2,493,982,044.89
<b>2. Material investment and financing not involved in cash flow</b>		
Conversion of debt into capital		
Switching Company bonds due within one year		
financing lease of fixed assets		
<b>3. Net change of cash and cash equivalents:</b>		
Balance of cash at period end	2,387,464,673.97	1,490,785,302.80
Less: Balance of cash equivalent at year-begin	2,277,117,604.82	1,094,018,936.73
Add: Balance at year-end of cash equivalents		
Less: Balance at year-begin of cash equivalents		
Net increase of cash and cash equivalents	110,347,069.15	396,766,366.07

**(2) Net cash payment for the acquisition of a subsidiary in the period**

Nil

**(3) Net cash received from the disposal of subsidiaries**

Nil

**(4) Constitution of cash and cash equivalent**

In RMB

Item	Ending balance	Opening balance
I. Cash	2,387,464,673.97	2,277,117,604.82
Including: Cash on hand	76,329.51	51,818.51
Bank deposit available for payment at any time	2,387,388,344.46	2,277,065,786.31
II. Balance of cash and cash equivalents at the period-end	2,387,464,673.97	2,277,117,604.82

Other explanation:

The difference between bank deposits available for payment at any time and the bank deposits in Note VII. 1 “Monetary Funds” is the company's fixed deposits in the bank.

**64. Note of the changes of owners' equity**

Explain the items and amount at period-end adjusted for "Other" at end of the last year: Nil

**65. Assets with ownership or use right restricted**

In RMB

Item	Ending book value	Restriction reason
Monetary funds	18,840,000.00	Forex Contracts USD Margin
Monetary funds	12,066,812.90	Margin paid for issuing bank acceptance bills
Monetary funds	7,935,750.00	IRD performance bond
Monetary funds	211,620.00	Cash deposit for Mastercard
Monetary funds	5,000.00	ETC freezing
Receivables financing	825,831,044.39	Notes pledge for bank acceptance
Note receivable	37,607,161.90	Notes pledge for bank acceptance
<b>Total</b>	<b>902,497,389.19</b>	

**66. Item of foreign currency****(1) Item of foreign currency**

In RMB

Item	Closing balance of foreign currency	Rate of conversion	Ending RMB balance converted
Monetary funds			
Including: USD	20,252,686.24	7.22580	146,341,845.38
EUR	31,025,258.27	7.8771	244,389,392.00
HKD	966.00	0.92198	890.63
JPY	7,975,654.00	0.050094	399,532.41
DKK	134,704,837.49	1.0581	142,531,188.55
Account receivable			
Including: USD	3,492,232.71	7.22580	25,234,175.12
EUR	32,573,879.77	7.8771	256,587,708.34
HKD			
JPY	12,920,875.00	0.050094	647,258.31
DKK	12,157,993.84	1.0581	12,864,373.28
Long-term borrowings			
Including: USD			
EUR			
HKD			
Other accounts receivable			
Including: USD	100.00	7.22580	722.58
EUR	248,803.02	7.8771	1,959,846.27
DKK	1,715,115.29	1.0581	1,814,763.49
Short-term borrowings			
Including: USD			
EUR			
Account payable			
Including: USD	709,559.53	7.22580	5,127,135.25

EUR	29,753,425.46	7.8771	234,370,707.71
JPY	24,899,918.00	0.050094	1,247,336.49
CHF	261,904.94	8.0614	2,111,320.48
DKK	12,769,122.98	1.0581	13,511,009.03
GBP			
Other account payable			
Including: USD	1,087.90	7.22580	7,860.95
EUR	3,707.88	7.8771	29,207.38
DKK	149,968.60	1.0581	158,681.78
Non-current liabilities due within one year			
Including: USD	156,513.08	7.22580	1,130,932.21
EUR	490,296.74	7.8771	3,862,116.45
DKK	645,753.26	1.0581	683,271.52
Leasing liabilities			
Including: USD	386,008.72	7.22580	2,789,221.81
EUR	1,042,742.31	7.8771	8,213,785.45
DKK	11,015,070.07	1.0581	11,655,045.64

**(2) Explanation on foreign operational entities, for the major foreign operational entity, disclose main operation place, book-keeping currency and basis for selection, reasons for changes of book-keeping currency if any**

Applicable Not applicable

Subsidiary IRD was established in Denmark in 1996. The 66% equity of IRD were acquired by the Company in cash in April 2019. In October 2020, the Company acquired the remaining 34.00% equity of IRD in cash, thus the Company holds 100% equity of IRD. IRD is denominated in Danish krone, and IRD is mainly engaged in R&D, production and sales of fuel cell components.

Subsidiary Borit was established in Belgium in 2010. The Company acquired 100% equity of Borit in cash in November 2020. Borit is denominated in Euro and engaged in R&D, production and sales of fuel cell components.

Subsidiary VHIO was established in Italy in 2000. The Company acquired 100.00% equity of VHIT in cash in October 2022. The Company is denominated in Euro and engaged in R&D, production, and sales of vacuum and hydraulic pumps.

## 67. Government grants

### (1) Government grants

In RMB

Category	Amount	Item	Amount reckoned in current gain/loss
VHIO tax credit	4,565,105.73	Other income	4,565,105.73
Job stabilization and expanding subsidy	135,524.51	Other income	135,524.51
Training subsidy	95,550.00	Other income	95,550.00
3R	642,615.43	Other income	642,615.43
Loter.CO2M	1,187,678.39	Other income	1,187,678.39
Neptune	145,399.97	Other income	145,399.97
AdvancePEM	1,844,744.94	Other income	1,844,744.94
Pemtastic	2,994,265.06	Other income	2,994,265.06
BORIT intellectual property tax exemption	416,434.43	Other income	416,434.43

CAMEDO	324,791.90	Other income	324,791.90
Subsidy for specialized, new and small giant enterprises	200,000.00	Other income	200,000.00
Talent policy subsidies	557,028.00	Other income	557,028.00
Third generation handling fee	822,184.78	Other income	822,184.78
The second batch of technical transformation in 2023;	2,000,000.00	Deferred income	
Other	916,750.00	Other income	916,750.00
Total	16,848,073.14		

**(2) Government grants rebate**

Applicable Not applicable

**68. Others**

Nil

**VIII. Changes of consolidation scope****1. Enterprise combinations not under the same control****(1) Enterprise combination not under the same control that occurred in the current period**

Nil

**(2) Consolidation cost and goodwill**

Nil

**(3) Identifiable assets and liabilities of the merged party on the merger date****(4) Gains or losses arising from re-measured by fair value for the equity held before purchasing date**

Whether it is a business combination realized by two or more transactions of exchange and a transaction of obtained control rights in the Period or not

Yes No

**(5) Explanation on the merger consideration or the fair value of the merged party's identifiable assets and liabilities which cannot be reasonable determined on the merge date or the end of the period**

Nil

**(6) Other explanation**

Nil

## 2. Enterprise combination under the same control

### (1) Enterprise combinations under the same control that occurred in the current period

Nil

### (2) Merge cost

Nil

### (3) Book value of assets and liabilities of the merged party on the merger date

Nil

## 3. Reverse purchase

Basic information of transaction, basis for reverse purchase of transaction, whether the assets and liabilities retained by the listed company constitute a business and its basis, determination of merger costs, amount and calculation of adjusting equity when dealing with equity transactions: Nil

## 4. Disposal of subsidiaries

Whether there is a single disposal of an investment in a subsidiary that resulted in a loss of control

Yes No

Whether there is a step-by-step disposal of investment in a subsidiary through multiple transactions and loss of control during the period

Yes No

## 5. Changes in the scope of consolidation due to other reasons

Explanation on changes in the scope of consolidation due to other reasons (e.g. new establishment of a subsidiary, subsidiary liquidation, etc.) and related information: Nil

## 6. Others

Nil

## IX. Equity in other entities

### 1. Equity in subsidiaries

#### (1) Constituted enterprise group

Subsidiary	Main operation place	Registered place	Business nature	Share-holding ratio		Acquired way
				Directly	Indirectly	
WFJN	Nanjing	Nanjing	Spare parts of internal-combustion engine	80.00%		Enterprise combination under the same control
WFLD	Wuxi	Wuxi	Automobile exhaust purifier, muffler	94.81%		Enterprise combination under the same control
WFMA	Wuxi	Wuxi	Spare parts of internal-combustion engine	100.00%		Investment
WFCA	Wuxi	Wuxi	Spare parts of internal-combustion engine	100.00%		Investment

WFTR	Wuxi	Wuxi	Trade	100.00%		Enterprise combination under the same control
WFSC	Wuxi	Wuxi	Spare parts of internal-combustion engine	66.00%		Investment
WFTT	Ningbo	Ningbo	Spare parts of internal-combustion engine	98.83%	1.17%	Enterprise combination not under the same control
WFAM	Wuxi	Wuxi	Spare parts of internal-combustion engine	51.00%		Enterprise combination not under the same control
WFLD (Wuhan)	Wuhan	Wuhan	Automobile exhaust purifier, muffler		60.00%	Investment
WFLD (Chongqing)	Chongqing	Chongqing	Automobile exhaust purifier, muffler		100.00%	Investment
WFLD (Nanchang)	Nanchang	Nanchang	Automobile exhaust purifier, muffler		100.00%	Investment
WFAS	Wuxi	Wuxi	Car seats products		66.00%	Investment
WFDT	Wuxi	Wuxi	Hub motor	80.00%		Enterprise combination not under the same control
WFQL	Wuxi	Wuxi	Fuel cell components	45.00%	30.00%	Investment
VHWX	Wuxi	Wuxi	Automobile components	100.00%		Enterprise combination not under the same control
SPV	Denmark	Denmark	Investment	100.00%		Investment
IRD	Denmark	Denmark	Fuel cell components		100.00%	Enterprise combination not under the same control
IRD America	America	America	Fuel cell components		100.00%	Enterprise combination not under the same control
Borit	Belgium	Belgium	Fuel cell components		100.00%	Enterprise combination not under the same control
Borit America	America	America	Fuel cell components		100.00%	Enterprise combination not under the same control
VHIO	Italy	Italy	Automobile components		100.00%	Enterprise combination not under the same control

Explanation on share-holding ratio in subsidiary different from ratio of voting right

Nil

Basis for holding half or less of the voting rights but still controlling the investee, and holding more than half of the voting rights but not controlling the investee

Nil

Basis for inclusion in the scope of consolidation of significant structured entities, control

Nil

Basis for determining whether a company is an agent or a principal

Nil

Other explanation

Nil

## (2) Important non-wholly-owned subsidiary

In RMB

Subsidiary	Share-holding ratio of minority	Gains/losses attributable to minority in the period	Dividend announced to distribute for minority in the period	Ending equity of minority
WFJN	20.00%	28,182,096.53		239,063,843.11
WFSC	34.00%	1,707,747.13		28,306,333.61
WFLD	5.19%	495,669.34		153,206,542.03
WFAM	49.00%	7,567,993.25		224,123,772.73



Total		37,953,506.25		644,700,491.48
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Explanation on holding ratio different from the voting right ratio for minority shareholders

Nil

### (3) Main finance information of the important non-wholly-owned subsidiary

In RMB

Subsidiary	Ending balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
WFJN	1,009,156,897.77	601,789,177.52	1,610,946,075.29	379,549,026.48	35,071,853.60	414,620,880.08
WFSC	188,303,633.86	51,357,714.40	239,661,348.26	156,013,188.66		156,013,188.66
WFLD	4,237,251,690.05	1,503,092,492.26	5,740,344,182.31	2,895,508,104.73	216,474,283.38	3,111,982,388.11
WFAM	402,467,434.49	548,655,242.74	951,122,677.23	428,082,203.22	67,275,692.56	495,357,895.78
Total	5,837,179,656.17	2,704,894,626.92	8,542,074,283.09	3,859,152,523.09	318,821,829.54	4,177,974,352.63

In RMB

Subsidiary	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
WFJN	858,419,058.16	577,359,266.26	1,435,778,324.42	346,383,138.63	35,181,853.60	381,564,992.23
WFSC	204,138,588.74	48,627,033.79	252,765,622.53	174,162,086.64		174,162,086.64
WFLD	4,869,373,661.60	1,412,237,671.12	6,281,611,332.72	3,512,116,686.68	218,075,518.79	3,730,192,205.47
WFAM	434,472,654.85	554,774,642.02	989,247,296.87	449,094,531.03	99,748,081.81	548,842,612.84
Total	6,366,403,963.35	2,592,998,613.19	8,959,402,576.54	4,481,756,442.98	353,005,454.20	4,834,761,897.18

In RMB

Subsidiary	Amount in reporting period			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
WFJN	362,347,975.32	140,705,646.86	140,705,646.86	-860,079.84
WFSC	212,765,150.03	5,022,719.78	5,022,719.78	12,852,744.75
WFLD	2,175,323,269.69	71,083,391.94	71,083,391.94	455,043,631.50
WFAM	323,869,868.52	15,360,097.42	15,360,097.42	77,957,350.25
Total	3,074,306,263.56	232,171,856.00	232,171,856.00	544,993,646.66

In RMB

Subsidiary	Amount in last period			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
WFJN	447,804,363.41	65,145,897.60	65,145,897.60	-51,110,746.71
WFSC	226,170,484.98	10,460,851.26	10,460,851.26	-33,350,047.74
WFLD	3,287,233,284.58	138,297,551.67	138,297,551.67	397,683,438.88
WFAM	330,358,273.12	32,245,277.07	32,245,277.07	92,627,392.88
Total	4,291,566,406.09	246,149,577.60	246,149,577.60	405,850,037.31

### (4) Significant restrictions on the use of enterprise group assets and pay off debts of the enterprise group

Nil

**(5) Financial or other support offered to the structured entities included in the scope of consolidated financial statements**

Nil

**2. Transaction that has owners' equity shares changed in subsidiary but still with controlling rights****(1) Owners' equity shares changed in subsidiary**

Nil

**(2) Impact on minority's interests and owners' equity attributable to parent company**

Nil

**3. Equity in joint venture and associated enterprise****(1) Important joint venture and associated enterprise**

Joint venture or associated enterprise	Main operation place	Registered place	Business nature	Share-holding ratio		Accounting treatment on investment for joint venture and associated enterprise
				Directly	Indirectly	
WFEC	Wuxi	Wuxi	Catalyst		49.00%	Equity method
RBCD	Wuxi	Wuxi	Internal-combustion engine accessories	32.50%	1.50%	Equity method
Zhonglian Automobile Electronics Co., Ltd.	Shanghai	Shanghai	Internal-combustion engine accessories	20.00%		Equity method
Wuxi Weifu Precision Machinery Manufacturing Co., Ltd.	Wuxi	Wuxi	Internal-combustion engine accessories	20.00%		Equity method
Changchun Xuyang Weifu Automobile Components Technology Co., Ltd.	Changchun	Changchun	Automobile components		34.00%	Equity method
Precors GmbH	Germany	Germany	Fuel cell components		43.39%	Equity method
Wuxi ChelianTianxia Information Technology Co., Ltd.	Wuxi	Wuxi	Telematics services	9.6372%		Equity method
Lezhuo Bowei Hydraulic Technology (Shanghai) Co., Ltd	Shanghai	Shanghai	Automobile components	50.00%		Equity method

Holding shares ratio different from the voting right ratio: Nil

Basis for holding less than 20% of voting rights but with significant impact, or holding 20% or more of voting rights but without significant impact:

The Company holds 9.6372% equity of Chelian Tianxia, and appointed a director to Chelian Tianxia. Though such representative, the Company can participate in the operation policies formulation of Chelian Tianxia, and thus exercise a significant influence over Chelian Tianxi.

**(2) Main financial information of the important joint venture**

Nil

**(3) Main financial information of the important associated enterprise**

In RMB

	Ending balance/Amount in reporting period			Opening balance/Amount in last period		
	WFEC	RBCD	Zhonglian Electronics	WFEC	RBCD	Zhonglian Electronics
Current assets	3,197,806,721.94	16,755,294,611.32	1,558,880,363.29	3,507,976,754.16	15,426,523,373.99	241,595,079.15
Non-current assets	322,109,820.91	3,352,676,291.64	7,132,120,000.92	333,764,427.43	3,421,035,986.82	7,557,124,612.32
Total assets	3,519,916,542.85	20,107,970,902.96	8,691,000,364.21	3,841,741,181.59	18,847,559,360.81	7,798,719,691.47
Current liabilities	1,199,741,188.01	13,574,648,492.61	1,411,754,246.77	1,665,411,123.81	8,810,309,639.09	6,171,780.23
Non-current liabilities	469,668,631.03		2,487,436.06	493,618,200.85		2,517,670.77
Total liabilities	1,669,409,819.04	13,574,648,492.61	1,414,241,682.83	2,159,029,324.66	8,810,309,639.09	8,689,451.00
Including: cash and cash equivalent	1,067,629,913.47	8,733,327.18	128,530,289.29	813,874,175.27	10,773,921.81	225,052,854.96
Minority interests						
Equity attributable to shareholders of the parent company	1,850,506,723.81	6,533,322,410.35	7,276,758,681.38	1,682,711,856.93	10,037,249,721.72	7,790,030,240.47
Share of net assets calculated by shareholding ratio	906,748,294.66	2,221,329,619.51	1,455,351,736.27	824,528,809.90	3,412,664,905.38	1,558,006,048.09
Adjustment matters						
--Goodwill		267,788,761.35	1,407,265.96		267,788,761.35	1,407,265.96
--Unrealized profit of internal trading		-15,634,582.21			-20,692,355.48	
--Other		-0.28			-0.28	
Book value of equity investment in associated enterprise	906,748,294.66	2,473,483,798.37	1,456,759,002.23	824,528,809.90	3,659,761,310.97	1,559,413,314.05
Fair value of equity investments in joint ventures with publicly quoted prices						
Operation income	1,767,599,633.82	6,130,896,971.82	12,971,075.74	2,448,287,999.54	8,322,989,203.32	9,460,906.82
Net profit	166,314,657.54	1,418,441,731.89	896,728,440.91	142,874,508.54	1,687,151,931.01	841,207,709.66
Net profit from discontinued operations						
Other comprehensive income						
Total comprehensive income	166,314,657.54	1,418,441,731.89	896,728,440.91	142,874,508.54	1,687,151,931.01	841,207,709.66
Dividends received from associated enterprise in the year					382,918,855.12	

Other explanation:

Adjustment item: "Other: -0.28" indicates that it is caused by tail difference.

**(4) Financial summary for non-important joint venture and associated enterprise**

In RMB

	Ending balance/Amount in reporting period	Opening balance/Amount in last period
Joint venture:		
The total amount of the following items calculated based on shareholding ratio		
Associated enterprise:		
Total book value of investment	351,004,139.17	239,114,674.05
The total amount of the following items calculated based on shareholding ratio		
--Net profit	-1,393,571.96	639,624.55
--Total comprehensive income	-1,393,571.96	639,624.55

**(5) Major limitation on capital transfer ability to the Company from joint venture or associated enterprise**

Nil

**(6) Excess loss occurred in joint venture or associated enterprise**

Nil

**(7) Unconfirmed commitment with joint venture investment concerned**

Nil

**(8) Intangible liability with joint venture or associated enterprise investment concerned**

Nil

**4. Major joint operation**

Nil

**5. Equity in structured entities not included in the scope of consolidated financial statements**

Relevant explanations on structured entities not included in the scope of the consolidated financial statements: Nil

**6. Other**

Nil

**X. Risk related with financial instruments**

Main financial instruments of the Company include monetary funds, structured deposits, account receivable, equity instrument

investment, financial products, loans, and account payable. For more details of the financial instruments, refer to relevant items of Note VII. Risks concerned with the above-mentioned financial instruments, and measures taken by the company to prevent such risks are as follow:

The risk management by the company is targeted to balance risk and benefit, minimize the adverse impact on performance of the Company and maximize the benefits of shareholders and other investors. On such basis, the basic tactics of the risk management is to recognize and analyze risks faced by the company, establish appropriate risk exposure baseline for risk management, and supervise risks timely and reliably in order to control risks in a limited range.

During the operation process, risks faced by the company related to financial instruments mainly include credit risk, market risk, and liquidity risk. BOD of the Company takes full charge of defining risk management target and polices, and takes ultimate responsibilities for the target of risk management and policies. The compliance department and financial control department manage and supervise risk exposures to control risks in a limited range.

## **1. Credit Risk**

Credit risk arises in case one party of a financial instrument fails to perform its obligations, resulting in the financial loss of other party. The company's credit risk mainly comes from monetary funds, structured deposits, note receivable, account receivable and other accounts receivable. The management has established appropriate credit policies and kept monitoring the exposure to these credit risks.

The monetary funds and structured deposits held by the Company are mainly deposited in financial institutions such as commercial banks. The management believes that these commercial banks have higher credit and asset status and lower credit risks. The Company adopts quota policies to avoid credit risks from any financial institutions.

For accounts receivable, other receivables and bills receivable, the Company sets relevant policies to control the credit risk exposure. To prevent risks, the company has formulated a new customer credit evaluation system and an existing customer credit sales balance analysis system. For new customers, the company performs background investigation according to the established process to determine whether to offer such customer a credit line, the scale of credit line as well as credit period. Accordingly, the company has set a credit limit and a credit period for each customer, which is the maximum amount that does not require additional approval. For the analysis system for credit sales balance of existing customers, after receiving a purchase order from an existing customer, the company will check the order amount and the balance of the accounts owed by such customer. If the total of the two exceeds the credit limit of the customer, the company can only sell to the customer on the premise of additional approval of credit line and otherwise the customer will be required to pay the corresponding amount in advance. In addition, for the credit sales that have occurred, the company analyzes and audits the monthly statements for risk warning of accounts receivable to ensure that the company's overall credit risk is within a controllable range.

The maximum credit risk exposure of the Company is the carrying amount of each financial asset on the balance sheet.

## **2. Market risk**

Market risk of the financial instrument refers to the fair value of financial instrument or future cash flow fluctuates with the changing market price, mainly including interest rate risk, foreign exchange risk and other price risk.

### **(1) Interest rate risk**

Interest rate risk indicates that the company's financial status and cash flow fluctuate with the changing market interest rate. The interest rate risk of the Company is mainly related with the bank loans. In order to lower the impact of risks of fluctuating interest rate, the Company, in consideration of the expected change orientation of interest rate, chooses floating rate or fixed rate. The company will choose fixed interest rate if the interest rate is expected to go up in the future period, and alternatively choose floating interest rate if the interest rate is expected to go up in the future period. In order to minimize the adverse impact if the change trend of interest rate is out of expectation, the company selects short-term borrowings to satisfy its demands for liquidity and there are special

provisions for early repayment.

(2) Foreign exchange risk

Foreign exchange risk refers to the losses arising from fluctuation of exchange rate. The foreign exchange risk posed to the Company is mainly related to USD, EUR, CHF, JPY, HKD and DKK. The procurement of equipment by the parent company and WFAM, the material purchasing of the parent company, the payment of technical service expense and trademark royalty of the parent company, the import and export of WFTR, as well as the operation of IRD, Borit, and VHIO are settled in USD, EUR, CHF, JPY, HKD and DKK. Other main businesses of the Company are priced and settled in RMB (yuan). As the foreign financial assets and liabilities takes minor ratio in total assets, the company's management believes that the foreign exchange rate of is lower.

As of June 30, 2023, except for the following assets or liabilities listed with foreign currency, assets and liabilities of the Company are carried with RMB.

① Details of foreign currency assets of the Company as of June 30, 2022

Item	Ending balance in foreign currency	Conversion exchange rate	Ending balance converted to RMB yuan	Ratio in assets (%)
Monetary funds				
Including: USD	20,252,686.24	7.22580	146,341,845.38	0.52
EUR	31,025,258.27	7.8771	244,389,392.00	0.86
HKD	966.00	0.92198	890.63	-
JPY	7,975,654.00	0.050094	399,532.41	-
DKK	134,704,837.49	1.0581	142,531,188.55	0.50
Account receivable				
Including: USD	3,492,232.71	7.22580	25,234,175.12	0.09
EUR	32,573,879.77	7.8771	256,587,708.34	0.90
JPY	12,920,875.00	0.050094	647,258.31	-
DKK	12,157,993.84	1.0581	12,864,373.28	0.05
Other accounts receivable				
Including: USD	100.00	7.22580	722.58	-
EUR	248,803.02	7.8771	1,959,846.27	0.01
DKK	1,715,115.29	1.0581	1,814,763.49	0.01
Total ratio in assets				2.94

② Foreign currency liability of the Company as of the June 30, 2023

Item	Ending balance in foreign currency	Conversion exchange rate	Ending balance converted to RMB yuan	Ratio in liabilities (%)
Account payable				
Including: USD	709,559.53	7.22580	5,127,135.25	0.06
EUR	29,753,425.46	7.8771	234,370,707.71	2.59
JPY	24,899,918.00	0.050094	1,247,336.49	0.01
CHF	261,904.94	8.0614	2,111,320.48	0.02
DKK	12,769,122.98	1.0581	13,511,009.03	0.15
Other account payable				
Including: USD	1,087.90	7.22580	7,860.95	
EUR	3,707.88	7.8771	29,207.38	
DKK	149,968.60	1.0581	158,681.78	
Non-current liabilities maturing within one year				
Including: USD	156,513.08	7.22580	1,130,932.21	0.01
EUR	490,296.74	7.8771	3,862,116.45	0.04
DKK	645,753.26	1.0581	683,271.52	0.01
Leasing liabilities				

Item	Ending balance in foreign currency	Conversion exchange rate	Ending balance converted to RMB yuan	Ratio in liabilities (%)
Including USD	386,008.72	7.22580	2,789,221.81	0.03
EUR	1,042,742.31	7.8771	8,213,785.45	0.09
DKK	11,015,070.07	1.0581	11,655,045.64	0.13
Total ratio in liabilities				3.14

### ③ Other price risk

The equity instrument investments held by the Company with classification as transaction financial asset and other non-current financial assets are measured at fair value on the balance sheet date. The expected price fluctuation of such these investments will affect the gains/losses of fair value changes of the Company.

Furthermore, deliberated and approved in 10<sup>th</sup> meeting of 8<sup>th</sup> session of the BOD, the Company exercise entrust financing with its own idle capital; therefore, the Company is subject to the risk of failing to collect the principal of entrust financial products due to default. Aimed at such risk, the Company formulated the “Management Mechanism of Capital Financing”, and well-defined the authority approval, investment decision-making, calculation management and risk controls for the entrust financing in order to ensure fund security and prevent investment risk efficiently. In order to lower the adverse impact from unpredictable factors, the Company allocates investments with short term and medium term and the term of investment is up to five years in principle; The company selects investment products such as bank wealth management products, trust plans of trust company, the asset management plans of asset management company, as well as products issued by securities companies, fund companies, and insurance companies.

## 3. Liquidity risk

Liquidity risk refers to the capital shortage risk occurs when enterprise implements obligations settled by delivering cash or other financial assets. The company’s goal is to guarantee rich capital to pay the due debts. Therefore, it establishes the financial control department for centralized risk control. The financial control department keeps monitoring the cash balance, the marketable securities ready to be converted into cash at any time and the rolling forecast on cash flow in future 12 months, ensuring the Company, on condition of reasonable prediction, owes rich capital to pay debts; Besides, the financial control department builds favorable relationship with banks, rationally design the line of credit, credit products and credit terms, guarantee a sufficient line of credit from banks in order to satisfy short-term financing requirements of the company.

## XI. Disclosure of fair value

### 1. Ending fair value of the assets and liabilities measured by fair value

In RMB

Item	Ending fair value			
	First level	Second level	Third level	Total
I. Sustaining measured by fair value	--	--	--	--
(I) Trading financial assets	150,563,059.41		2,469,635,404.87	2,620,198,464.28
1. Financial assets measured at fair value and whose changes are included in current profit or loss	150,563,059.41		2,469,635,404.87	2,620,198,464.28
(1) Liability instrument investment			2,469,635,404.87	2,469,635,404.87
(2) Equity instrument investment	150,563,059.41			150,563,059.41
(II) Other equity instrument investment			677,790,690.00	677,790,690.00
(III) Receivable financing			1,920,348,206.04	1,920,348,206.04
(IV) Other non-current financial assets-		161,342,387.00		161,342,387.00

equity instrument investment				
(V) Other non-current financial assets-other liability instrument and equity instrument investment			635,000,000.00	635,000,000.00
Total assets sustaining measured by fair value	150,563,059.41	161,342,387.00	5,702,774,300.91	6,014,679,747.32
(I) Financial liabilities measured at fair value through profit or loss		737,424.50		737,424.50
Derivative financial liabilities - foreign exchange contracts		737,424.50		737,424.50
Total liabilities sustaining measured at fair value		737,424.50		737,424.50
II. Non-persistent measured by fair value	--	--	--	--

## 2. Basis for recognizing the market price of items sustaining and non-persistent measured by fair value on first level

On June 30, 2023, the financial assets available for sale, equity instrument investments held by the Company include SNAT (stock code: 600841), Miracle Automation (Stock code: 002009), ifan Technology (Stock Code: 601777) and Zoyte Auto(000980). The fair value at the end of the period is determined at the closing price as of June 30, 2022.

## 3. The qualitative and quantitative information for the valuation technique and critical parameter of items sustaining and non-persistent measured by fair value on second level

On June 30, 2023, other non-current financial assets, equity instrument investments held by the Company include Guolian Securities (stock code: 601456). The fair value at the end of the period is determined at the closing price and liquidity discount as of June 30, 2023.

The derivative financial liabilities that continue to be measured at the second level of fair value are forward foreign exchange settlement and sales contracts, and they are measured at the fair value of the forward foreign exchange settlement and sales contracts provided by the contracting bank.

## 4. The qualitative and quantitative information for the valuation technique and critical parameter of items sustaining and non-persistent measured by fair value on third level

### (1) Accounts receivable financing

The Company uses discounted cash flow valuation techniques to determine the fair value of this part of financial assets. The important unobservable input values mainly include discount rate and contractual cash flow maturity period. The cash flow with a contract expiration period of 12 months (inclusive) shall not be discounted, and the cost shall be regarded as its fair value.

### (2) Other equity instrument investment

As such financial assets are poorly circulated in market, the Company adopts replacement cost method to determine their fair value. The important unobservable input values mainly include the financial data of the invested company.

### (3) Other liability instrument and equity instrument investment

The company applies discounted cash flow valuation technology to determine such financial assets. The important unobtainable input values mainly include expected annual return rate and risk coefficient.

## 5. For items sustaining measured by fair value on second level, adjustment information between the opening and closing book value and sensitivity analysis of unobservable parameters

Nil



**6. For items sustaining measured by fair value, describe the reasons for the conversion and the policy for determining the timing of the conversion if there is a conversion between levels in the current period**

Nil

**7. Changes in valuation technology during the current period and reasons for such changes**

Nil

**8. The fair value of financial assets and financial liabilities not measured by fair value**

Nil

**9. Other**

Nil

**XII. Related party and related party transactions**

**1. Parent company of the company**

Parent company	Registration place	Business nature	Registered capital	Share-holding ratio on the enterprise for parent company	Voting right ratio on the enterprise
Wuxi Industry Group	Wuxi	Operation of state-owned assets	5,496,785,600	20.35%	20.35%

Explanation on the parent company of the company

Wuxi Industry Group is an enterprise controlled by the State-owned Assets Management Committee of Wuxi Municipal People's Government. Its business scope includes foreign investment by using its own assets, house leasing services, self-operating and acting as an agent for the import and export business of various commodities and technologies (Except for goods and technologies that are restricted by the state or prohibited for import and export), domestic trade (excluding national restricted and prohibited items). (Projects that are subject to approval in accordance with the law can be operated only after being approved by relevant departments). The ultimate controller of the Company is the State-owned Assets Supervision & Administration Commission of Wuxi Municipality of Jiangsu Province.

Other explanation:

Nil

**2. Subsidiary of the Company**

For more details of the Company's subsidiaries, please refer to IX. 1. "Equity in subsidiary"

**3. Joint venture and associated enterprise**

For more details, please refer to Note IX.3. "Equity in joint arrangement and associated enterprise"

#### 4. Other related party

Other related party	Relationship with the Company
Robert Bosch Company	The second largest shareholder of the Company
Wuxi Guokai Metal Resources Co., Ltd.(hereinafter referred to as “Guokai Metals”)	Enterprises controlled by the parent company
Wuxi Sunan Urban Public Delivery Co., Ltd. (hereinafter referred to as “Urban Public Delivery”)	Enterprises controlled by the parent company
Company A (temporarily referred to as Company A due to confidentiality requirements of the case as it is still in the stage of investigation by the public security organs)	Enterprises controlled by related parties of the company’s directors/senior management
Key executive	Director, supervisor and senior executive of the Company

#### 5. Related transaction

##### (1) Goods purchasing, labor service providing and receiving

Goods purchasing/labor service receiving

In RMB

Related party	Content of related transaction	Amount in current period	Approved transaction limit	Whether more than the transaction limit (Y/N)	Last Period
WFPM	Goods and labor	19,815,457.88	56,000,000.00	N	16,947,881.11
RBCD	Goods and labor	131,039,396.29	380,000,000.00	N	174,508,017.89
WFEC	Goods	379,816,654.91	601,000,000.00	N	246,646,895.23
Robert Bosch Company	Goods and labor	111,692,343.27	300,000,000.00	N	93,906,096.78
Changchun Xuyang	Goods	0.00	1,500,000.00	N	342,520.00
Guolai Metals	Goods	15,867,033.58	0.00	Y	
Lezhuo Bowei	Goods	0.00	1,000,000.00	N	

Goods sold/labor service providing

In RMB

Related party	Content of related transaction	Amount in current period	Amount in last period
WFPM	Goods and labor	506,017.52	522,692.40
RBCD	Goods and labor	1,090,789,696.99	1,633,269,280.49
WFEC	Goods and labor	4,677,697.81	158,613.70
Robert Bosch Company	Goods and labor	846,273,667.53	724,668,201.55
Changchun Xuyang	Goods and labor	678,183.20	181,484.70
Lezhuo Bowei	Goods and labor	222,373.51	

Explanation on related transactions in the purchase and sale of goods, provision and acceptance of labor services: Nil

##### (2) Related trusteeship management/contract & entrust management/ outsourcing

Nil

**(3) Related lease**

The Company is a lessor:

In RMB

Lessee	Assets type	Lease income recognized in the reporting period	Lease income recognized at last period
WFEC	Workshop	1,003,317.02	1,190,379.04

Explanation on related lease

WFLD entered into a house leasing contract with WFEC. WFLD rented its plant located at No.9 Linjiang Road, Xinwu District, Wuxi to WFEC. It is agreed that the rent income in the period from January 1, 2023 to June 30, 2023 is 1,003,317.02 yuan.

**(4) Related guarantee**

Nil

**(5) Borrowing and lending of related party**

Nil

**(6) Assets transfer and debt reorganization of related party**

Nil

**(7) Remuneration of key manager**

In RMB

Item	Amount in current period	Amount in current period
Remuneration of key executives	2,300,000.00	4,400,000.00

**(8) Other related transactions**

Related party	Contents of item	Amount in current period	Amount in last period
WFPM	Purchase fixed assets	106,000.00	--
RBCD	Pay technical loyalty, etc.	--	312,038.48
RBCD	Purchase fixed assets	--	1,314,941.34
Robert Bosch Company	Pay technical loyalty, etc.	--	130,459.36
Robert Bosch Company	Purchase fixed assets	1,052,964.60	54,716.98
Robert Bosch Company	Rent receivable	110,200.00	--
Robert Bosch Company	Utilities receivable	393,590.45	--
Robert Bosch Company	Provide technology service,etc	1,990,910.38	--
WFEC	Utilities payable	528,099.08	614,493.68
Lezhuo Bowei	Rent receivable	1,057,234.32	--
Lezhuo Bowei	Utilities receivable	304,658.93	--
Urban Public Delivery	Procurement of food ingredients	709,227.44	--

**6. Receivable/payable items of related parties****(1) Receivable item**

In RMB

Item	Related party	Ending balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Account receivable	WFPM	185,059.90		299,389.13	10,925.29
Account receivable	RBCD	511,897,553.12	619,942.02	461,493,652.46	174,766.71
Account receivable	Robert Bosch Company	423,176,007.79	754,342.26	363,021,724.83	882,016.11
Other accounts receivable	WFEC			147,000,000.00	
Other accounts receivable	RBCD	1,673,605,474.71			
Other accounts receivable	Zhonglian Electronics	282,000,000.00			
Other non-current assets	Robert Bosch Company			1,470,000.00	
Other non-current assets	Wuxi Industry Group			5,452,800.00	
Other non-current assets	RBCD	0.01			
Account receivable	WFEC	2,302,063.68		514,638.29	
Account receivable	Changchun Xuyang	771,811.93	546.49	5,464.91	
Account receivable	Lezhuo Bowei	67,447.62			
Accounts paid in advance	Robert Bosch Company			5,249,715.46	

**(2) Payable item**

In RMB

Item	Related party	Ending book balance	Opening book balance
Account payable	WFPM	12,262,621.48	17,783,464.23
Other account payable	WFPM		29,000.00
Account payable	WFEC	308,141,233.56	274,115,921.53
Account payable	RBCD	41,762,235.95	37,603,958.72
Account payable	Robert Bosch Company	24,349,831.15	49,500,046.68
Account payable	Guokai Metals		3.12
Other current liabilities	RBCD	0.05	0.05
Other current liabilities	Robert Bosch Company	18,094.83	63,572.08
Other current liabilities	WFEC		76,030.18
Other account payable	Robert Bosch Company	14,105,360.83	13,308,176.65
Contract liability	RBCD	0.36	0.36
Contract liability	Robert Bosch Company	139,191.01	510,212.12
Contract liability	WFEC		584,847.43

**(3) Related creditor's rights of "platform trade"**

In RMB

Item	Related party	Ending balance	Opening balance
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Other receivables	Company A	2,358,398,084.78	2,415,151,888.80
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Note: Based on the principle of caution, the Company combines the balance of 4 companies that may be controlled by Company A into the following list. The balance is the difference between the "purchase fund" paid by WFTR based on the "platform trade" business and the "sales fund" received by WFTR. In accordance with the principle of substance over form, the company does not treat the "platform trade" business of WFTR as normal trade business but as fund collection and payment business for accounting treatment, so it is listed as other receivables.

## 7. Undertakings of related party

Nil

## 8. Other

Nil

## XIII. Share-based payment

### 1. Overall situation of share-based payment

Applicable Not applicable

In RMB

Total amount of equity instruments granted by the Company in reporting period	0.00
Total amount of equity instruments exercised by the Company in reporting period	0.00
Total amount of equity instruments invalidated by the company in reporting period	0.00
The scope of the exercise price of the stock options issued by the company at the end of the period and the remaining period of the contract	The grant price is 15.48 yuan per share; the exercise time is from the first trading day 24 months after the completion of the registration of the restricted stocks granted in the first tranche to the last trading day within 60 months from the date of completion of the registration of the restricted stock granted in the first tranche, so the remaining period of the contract is two years and five months.
The scope of the exercise price of other equity instruments issued by the company at the end of the period and the remaining period of the contract	Nil

### 2. Equity-settled share-based payment

Applicable Not applicable

In RMB

Method for determining the fair value of equity instruments on the grant date	Determine the fair value based on the closing price of the restricted stock on the grant date
Basis for determining the number of vesting equity instruments	Unlocking conditions
Reasons for the significant difference between estimate in the current period and estimate in last period	Not Applicable
Cumulative amount of equity-settled share-based payments included in the capital reserve	117,512,991.57
Total amount of expenses confirmed by equity-settled share-based payments in the current period	5,522,079.65

This restricted stock incentive plan was deliberated and approved by the company's second extraordinary general meeting of shareholders in 2020, which is summarized as follows:

- (1) Stock source: the company's A-share common stock repurchased from the secondary market.
- (2) Grant date: November 12, 2020.
- (3) Grant objects and number of grants: 19,540,000 restricted stocks were granted to 601 incentive recipients of the company and its subsidiaries.
- (4) Grant price: 15.48 yuan/share.
- (5) Grant registration completion date: December 4, 2020.
- (6) Release the restrictions on sales:

Unlock period	Unlock time	Ratio of unlocked quantity to granted quantity
Phase I unlocked	Starting from the first trading day 24 months after the completion of the registration of the first grant and ending on the last trading day within 36 months	4/10
Phase II unlocked	Starting from the first trading day 36 months after the completion of the registration of the first grant and ending on the last trading day within 48 months	3/10
Phase III unlocked	Starting from the first trading day 48 months after the completion of the registration of the first grant and ending on the last trading day within 60 months	3/10

(7) Performance appraisal requirements at the company level:

Unlock conditions	Performance appraisal requirements
The first batch of unlock conditions	1. The weighted average ROE for year of 2021 is not less than 10%; 2. The growth rate of self-operating profit in 2021 will not be less than 6% compared with the year of 2019, the absolute amount will not be less than 845 million yuan; 3. The cash dividends for year of 2021 shall be no less than 50% of the profit available for distribution of the year.
The second batch of unlocking conditions	1. The weighted average ROE for year of 2022 is not less than 10%; 2. The growth rate of self-operating profit in 2022 will not be less than 12% compared with the year of 2019, the absolute amount will not be less than 892 million yuan; 3. The cash dividends for year of 2022 shall be no less than 50% of the profit available for distribution of the current year.
The third batch of unlocking conditions	1. The weighted average ROE for year of 2023 is not less than 10%; 2. The growth rate of self-operating profit in 2023 will not be less than 20% compared with the year of 2019, the absolute amount will not be less than 958 million yuan; 3. the cash dividends for year of 2023 shall be no less than 50% of the profit available for distribution of the current year.

The self-operating profit refers to the net profit attributable to the owners of the parent company after deducting extraordinary gains and losses, and deducting the investment income from RBCD and Zhonglian Electronics.

### 3. Cash-settled share-based payment

Applicable  Not applicable

### 4. Modification and termination of share-based payment

Nil

### 5. Other

Nil

## **XIV. Undertakings or contingency**

### **1. Important undertakings**

Important undertakings on balance sheet date

Nil

### **2. Contingency**

#### **(1) Contingency on balance sheet date**

Nil

#### **(2) For the important contingency not necessary to disclosed by the Company, explained reasons**

The Company has no important contingency that need to disclosed

### **3. Other**

Nil

## **XV. Events after balance sheet date**

### **1. Important non-adjustment matters**

Nil

### **2. Profit distribution**

Nil

### **3. Return of sales**

Nil

### **4. Other events after balance sheet date**

Nil

## **XVI. Other important events**

### **1. Previous accounting errors correction**

Nil

### **2. Debt restructuring**

Nil

### **3. Assets replacement**

Nil

#### 4. Pension plan

The *Enterprise Annuity Plan under the name of WFHT* has deliberated and approved by 8<sup>th</sup> meeting of 7<sup>th</sup> session of the BOD: in order to mobilize the initiative and creativity of employees, established a long-term talent incentive mechanism, and enhance the cohesive force and competitiveness, the Company carried out the above mentioned annuity plan since the day when the company receives the recording reply from labor security administration department. The annuity plan is as follows: the annuity fund are paid by the company and employees together; the company's contribution shall not exceed 8% of the gross salary of the employees of the company per year, the combined contribution of the enterprise and the individual employee shall not exceed 12% of the total salary of the employees of the company. The annuity fund will be adjusted in accordance with the State's annuity policies, the company's economic benefits and is adaptable to the economic strength of the company. The company's contribution at current period shall be not higher than 8% of the total salary of last period, the maximum annual allocation to employees shall not exceed five times the average allocation to employees and the excess amount will not be available for allocation. The individual contribution is limited to 1% of the total salary for the previous year. Specific contribution ratio shall be adjusted correspondingly in line with the operation condition of the Company.

In December 2012, the Company received the *Reply on annuity plans recording under the name of WFHT* from labor security administration department, and then the Company entered into the *Entrusted Management Contract of the Annuity Plan of WFHT* with PICC.

#### 5. Termination of operation

Not applicable

#### 6. Segment

##### (1) Recognition basis and accounting policy for reportable segment

The company determines the operating segments in line with the internal organization structure, management requirement and internal reporting system. Operating segment of the Company refers to the followed components that have been satisfied at the same time:

- ① The component is able to generate revenues and expenses in routine activities;
- ② Management of the Company is able to assess the operation results regularly, and determine resources allocation and performance evaluation for the component;
- ③ The company can analyze and acquire the financial status, operation results and cash flow of the components of the component.

The Company is mainly engaged in the manufacture of fuel system of internal combustion engine and fuel cell components, auto components, muffler and purifier. Based on product segments, the Company determines four reportable segments, automotive fuel injection system and core parts of hydrogen fuel cell, automotive post-process system, air intake system, as well as muffler and purifier. As mentioned in item 7 of Note XVI, WFTR launched "platform trade" business in 2022. During the process of carrying out the "platform trade" business, WFTR was criminally investigated for contract fraud. The company's management analyzed that it was highly possible that this business was normal. To accurately present the company's normal business situation, the "platform trade" business is listed as a separate segment. The accounting policies for each reporting segment are consistent with those stated in Note V.

Segment assets exclude transaction financial asset, other accounts receivable-dividends receivable, other non-current financial assets, other equity instrument investment, long-term equity investment and other undistributed assets, since these assets are not related to products operation.

##### (2) Financial information for reportable segment

In RMB



Item	Automotive fuel injection system and core parts of hydrogen fuel cell segment	Automotive post-processing system product segment	Automotive air intake system segment	Other automotive air intake system segment	“platform trade” business segment	Add: Undistributed assets and gains/losses such as investments or gains accounted for by the equity method, liability instrument and equity instrument investments, or their holding and disposal gains/losses from holding and disposal of such investments	Inter-segment offset	Total
Operation income	3,139,771,837.92	2,212,439,005.16	287,746,815.37	610,489,114.75			120,797,725.80	6,129,649,047.40
Operation cost	2,492,982,099.69	2,018,142,665.23	210,998,525.09	534,299,678.23			92,551,236.98	5,163,871,731.26
Total profit	241,151,742.15	-32,902,142.04	25,891,569.09	33,592,952.58		793,337,080.20	-17,761,795.07	1,011,647,091.89
Net profits	171,732,485.03	-15,033,626.51	24,210,488.24	15,987,031.22		785,413,051.36	-5,382.81	982,314,812.15
Total of assets	10,841,712,214.19	4,723,669,537.07	943,676,062.47	927,165,265.20	898,195,042.77	11,245,974,877.97	1,227,724,334.14	28,352,668,665.53
Total of liabilities	4,906,947,638.38	3,152,256,841.76	475,124,396.75	518,501,561.17			21,471,975.99	9,031,358,462.07

**(3) If the company has no reportable segments or is unable to disclose the total assets and liabilities of each reportable segment, it should state the reasons**

Not applicable

**(4) Other explanations**

Nil

**7. Major transaction and events influencing investor’s decision**

(1) The public security organ has launched a criminal investigation on the contract fraud in which WFTR was cheated in the process of carrying out “platform trade” business (see announcement No. 2023-007 disclosed by the Company on April 13, 2023 on CNINFO website and other information disclosure websites). At present, the case is in the investigation stage, and the outcome is uncertain in the future.

(2) Based on the background of “platform trade” business, transaction chain, sales and purchase contract signing, transaction process, and physical circulation, the Company makes a prudent analysis and comprehensive judgment that it is highly probably that the business is not a normal trade business. In terms of accounting treatment, the Company follows the principle of substance over form, and does not treat it as a normal trade business, but treating according to the receipt and payment of funds. The Company recognizes the purchases actually paid to "the supplier" and sales received from "the customer" as creditor’s rights and liabilities respectively, and lists in other receivables in net amount in the form of “platform trade” business combination in the financial statements. In 2022, the outflow amount of the "platform trade" business was 6,345,751,400 yuan, the inflow amount was 3,604,252,300 yuan. As of June 30, 2023, the net outflow amount of 2,542,263,400 yuan was listed in other receivables. An expected credit loss of 1,644,068,300 yuan has been accrued for this other receivables.

**8. Other**

Nil

**XVII. Principal notes of financial statements of parent company****1. Account receivable****(1) Classification of account receivable**

In RMB

Category	Ending balance				
	Book balance		Provision for bad debts		Book value
	Amount	Ratio	Amount	Accrual ratio	
Account receivable with provision for bad debts accrual on a single basis	7,510,398.26	0.67%	7,510,398.26	100.00%	
Including:					
Account receivable with provision for bad debts accrual on portfolio	1,110,640,148.84	99.33%	4,424,184.50	0.40%	1,106,215,964.34
Including:					
Receivables from customers	961,471,851.93	85.99%	4,424,184.50	0.46%	957,047,667.43
Receivables from internal related parties	149,168,296.91	13.34%			149,168,296.91
Total	1,118,150,547.10	100.00%	11,934,582.76	1.07%	1,106,215,964.34

In RMB

Category	Opening balance				
	Book balance		Provision for bad debts		Book value
	Amount	Ratio	Amount	Accrual ratio	
Account receivable with provision for bad debts accrual on a single basis	7,705,636.24	0.84%	7,705,636.24	100.00%	
Including:					
Account receivable with provision for bad debts accrual on portfolio	910,831,491.61	99.16%	4,023,208.39	0.44%	906,808,283.22
Including:					
Receivables from customers	768,218,575.70	83.63%	4,023,208.39	0.52%	764,195,367.31
Receivables from internal related parties	142,612,915.91	15.53%			142,612,915.91
Total	918,537,127.85	100.00%	11,728,844.63	1.28%	906,808,283.22

Provision for bad debts accrual on single basis: 7,510,398.26 yuan

In RMB

Name	Ending balance			
	Book balance	Provision for bad debts	Accrual ratio	Accrual causes
BD bills	7,006,453.02	7,006,453.02	100.00%	Have difficulty in collection
Tianjin Lovel Engine Co., Ltd.	503,945.24	503,945.24	100.00%	Have difficulty in collection
Total	7,510,398.26	7,510,398.26		

Provision for bad debts accrual on portfolio: 4,424,184.50 yuan

In RMB

Name	Ending balance		
	Book balance	Provision for bad debts	Accrual ratio
Within 6 months	942,962,791.80		
6 months to 1 year	10,647,805.16	1,064,780.52	10.00%
1-2 years	4,685,756.00	937,151.20	20.00%
2-3 years	1,255,410.32	502,164.13	40.00%
Over 3 years	1,920,088.65	1,920,088.65	100.00%
<b>Total</b>	<b>961,471,851.93</b>	<b>4,424,184.50</b>	

Explanation on defining the portfolio

If the provision for bad debts of accounts receivable is withdrawn in accordance with the general model of expected credit losses, please refer to the disclosure of other receivables to disclose related information about provision for bad debts:

Applicable  Not applicable

By account age

In RMB

Account age	Book balance
Within 1 year (inclusive)	1,102,778,893.87
Including: within 6 months	1,092,131,088.71
6 months to 1 year	10,647,805.16
1-2 years	4,685,756.00
2-3 years	1,759,355.56
Over 3 years	8,926,541.67
3-4 years	8,926,541.67
<b>Total</b>	<b>1,118,150,547.10</b>

## (2) Provision for bad debts accrual, collected or reversal

Provision for bad debts accrual in the period:

In RMB

Category	Opening balance	Changes in reporting period				Ending balance
		Accrual	Collected or reversal	Written-off	Other	
Provision for bad debts	11,728,844.63	1,312,598.71	1,106,860.58			11,934,582.76
<b>Total</b>	<b>11,728,844.63</b>	<b>1,312,598.71</b>	<b>1,106,860.58</b>	<b>0.00</b>	<b>0.00</b>	<b>11,934,582.76</b>

Important provision for bad debts collected or reversal in reporting period

In RMB

Name	Amount collected o reversal	Connection manner
BD bills	195,237.98	Cash
<b>Total</b>	<b>195,237.98</b>	

## (3) Account receivable actual charged off in the Period

Nil

## (4) Top 5 receivables at ending balance by arrears party

In RMB

Name	Ending balance of account receivable	Ratio in total ending balance of accounts receivable	Ending balance of provision for bad debts
RBCD	511,841,053.12	45.78%	614,292.02
Client 2	116,795,562.99	10.45%	1,091,831.41
Robert Bosch Company	129,512,038.81	11.58%	37,896.99
WFTR	82,306,474.97	7.36%	
WFSC	45,400,733.55	4.06%	
Total	885,855,863.44	79.23%	

**(5) Account receivable derecognition due to financial assets transfer**

Nil

**(6) Assets and liabilities resulted by account receivable transfer and continues involvement**

Nil

**2. Other accounts receivable**

In RMB

Item	Ending balance	Opening balance
Interest receivable	32,195,758.91	206,325.34
Dividend receivable	1,881,769,939.06	
Other accounts receivable	1,292,727,093.72	1,471,896,113.93
Total	3,206,692,791.69	1,472,102,439.27

**(1) Interest receivable**

**1) Category of interest receivable**

In RMB

Item	Ending balance	Opening balance
Interest receivable of subsidiary	32,195,758.91	206,325.34
Total	32,195,758.91	206,325.34

**2) Significant overdue interest**

Nil

**3) Accrual of provision for bad debts**

Applicable Not applicable

**(2) Dividends receivable****1) Category of dividends receivable**

In RMB

Item (or invested enterprise)	Ending balance	Opening balance
Zhonglian Electronics	282,000,000.00	
RBCD	1,599,769,939.06	
Total	1,881,769,939.06	

**2) Important dividends receivable with account age over one year**

Nil

**3) Accrual of provision for bad debt**
Applicable Not applicable
**(3) Other accounts receivable****1) Other accounts receivable classified by nature**

In RMB

Nature	Ending book balance	Opening book balance
Staff loans and petty cash	909,837.00	1,279,080.00
Balance of related party in the consolidation scope	2,928,006,521.72	3,106,006,521.72
Margin	3,684,799.33	3,738,299.33
Social security and provident fund paid	6,210,020.64	6,429,166.22
Other	66,670.13	16,781.83
Total	2,938,877,848.82	3,117,469,849.10

**2) Accrual of provision for bad debts**

In RMB

Provision for bad debts	Phase I	Phase II	Phase III	Total
	Expected credit losses over next 12 months	Expected credit losses for the entire duration (without credit impairment occurred)	Expected credit losses for the entire duration (with credit impairment occurred)	
Balance of Jan. 1, 2023	1,505,407.24		1,644,068,327.93	1,645,573,735.17
Balance of Jan. 1, 2023 in the period				
Current accrual	577,019.93			577,019.93
Balance on June 30, 2023	2,082,427.17		1,644,068,327.93	1,646,150,755.10

Change of book balance of loss provision with amount has major changes in the period

Applicable Not applicable

By account age

In RMB

Account age	Ending balance
Within 1 year (1 year included)	2,935,464,096.41
Including: within 6 months	2,934,677,969.49
6 months to 1 year	786,126.92
1-2 years	974,922.41
2-3 years	1,050,000.00
Over 3 years	1,388,830.00
3-4 years	1,388,830.00
Total	2,938,877,848.82

### 3) Provision for bad debts accrual, collected or reversal

Provisions for bad debts accrual in the period:

In RMB

Category	Opening balance	Amount changed in the period				Ending balance
		Accrual	Collected or reversal	Written-off	Other	
Provision for bad debts	1,645,573,735.17	577,019.93				1,646,150,755.10
Total	1,645,573,735.17	577,019.93				1,646,150,755.10

### 4) Other receivables actually charged off during the reporting period

Nil

### 5) Top 5 other receivables at ending balance by arrears party

In RMB

Name of enterprise	Nature	Ending balance	Account age	Ratio in total ending balance of other receivables	Ending balance of provision for bad debts
WFTR	Balance of related party in the consolidate scope	2,853,260,000.00	Within 1 year	97.09%	1,644,068,327.93
WFCA	Balance of related party in the consolidate scope	54,193,906.00	Within 6 months	1.84%	
WFMA	Balance of related party in the consolidate scope	20,552,615.72	Within 6 months	0.70%	
Zhenkunxing Industrial Supermarket (Shanghai) Co., Ltd.	Margin	1,000,000.00	2-3 years	0.03%	400,000.00
Wuxi Youlian Thermal Power Co., Ltd	Margin	750,000.00	Over 3 years	0.03%	750,000.00
Total		2,929,756,521.72		99.69%	1,645,218,327.93

### 6) Other accounts receivable related to government grants

Nil

**7) Other receivables derecognized due to the transfer of financial assets**

Nil

**8) The amount of assets and liabilities formed by transferring other receivables and continuing to be involved**

Nil

**3. Long-term equity investments**

In RMB

Item	Ending balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Investment in subsidiary	3,128,448,081.68		3,128,448,081.68	3,080,762,302.11		3,080,762,302.11
Investment in associated enterprise and joint venture	4,162,273,276.12		4,162,273,276.12	5,289,081,048.99		5,289,081,048.99
Total	7,290,721,357.80		7,290,721,357.80	8,369,843,351.10		8,369,843,351.10

**(1) Investment in subsidiary**

In RMB

Invested entity	Opening balance (book value)	Changes in current period				Ending balance (book value)	Ending balance of depreciation reserves
		Additional Investment	Negative Investment	Provision for impairment loss	Other		
WFJN	188,389,084.34	517,726.08				188,906,810.42	
WFLD	470,853,106.52	698,452.44				471,551,558.96	
WFMA	171,807,584.71	238,950.48				172,046,535.19	
WFCA	223,351,717.03	161,291.58				223,513,008.61	
WFTR	34,067,014.70	71,685.24				34,138,699.94	
WFSC	51,490,044.27	21,903.93				51,511,948.20	
WFTT	239,283,022.00	292,714.44				239,575,736.44	
WFAM	82,454,467.99					82,454,467.99	
WFDT	54,081,519.52	5,973.78				54,087,493.30	
SPV	1,195,280,223.97	45,630,287.05				1,240,910,511.02	
WFLD(Chongqing)	265,832.07	17,921.34				283,753.41	
WFAS	878,805.00	28,873.21				907,678.21	
WFQL	225,000,000.00					225,000,000.00	
VHWX	143,559,879.99					143,559,879.99	
Total	3,080,762,302.11	47,685,779.57				3,128,448,081.68	

**(2) Investment in associated enterprise and joint venture**

In RMB

Enterprise	Opening balance (book value)	Current changes (+/-)								Ending balance (book value)	Ending balance of depreciation reserves
		Additonal investment	Capital reduction	Investment gain/loss recognized under equity	Other comprehensive income adjustment	Other equity change	Cash dividend or profit announced to issued	Impairment accrual	Other		
I. Joint venture											
II. Associated enterprise											
RBCD	3,505,74 6,633.77			466,508,821. 06			1,599,769,9 39.06			2,372,48 5,515.77	
Zhonglian Automobile	1,559,41 3,314.05			179,345,688. 18			282,000,00 0.00			1,456,75 9,002.23	
WFPM	54,775,8 99.02			2,156,824.64						56,932,7 23.66	
Chelian Tianxia	169,145, 202.15			430,317.51						169,575, 519.66	
Lezhuo Bowei		110,0 00,00 0.00		-3,479,485.20						106,520, 514.80	
Subtotal	5,289,08 1,048.99	110,0 00,00 0.00		644,962,166. 19			1,881,769,9 39.06			4,162,27 3,276.12	
Total	5,289,08 1,048.99	110,0 00,00 0.00		644,962,166. 19			1,881,769,9 39.06			4,162,27 3,276.12	

### (3) Other explanations

Nil

### 4. Operating income and cost

In RMB

Item	Amount in current period		Amount in last period	
	Income	Cost	Income	Cost
Main business	1,939,140,764.98	1,537,898,648.30	2,262,029,970.36	1,784,089,964.47
Other business	60,842,681.73	44,901,531.85	149,159,237.68	135,896,195.07
Total	1,999,983,446.71	1,582,800,180.15	2,411,189,208.04	1,919,986,159.54

### 5. Investment income

In RMB

Item	Amount in current period	Amount in last period
Investment income from holding trading financial asset	66,697,793.52	100,780,374.04
Investment income in joint ventures and associated enterprises	644,975,916.19	734,429,287.99
Total	711,673,709.71	835,209,662.03



**6. Others**

Nil

**XVIII. Supplementary information****1. Extraordinary gains and losses in the reporting period**Applicable Not applicable

In RMB

Item	Amount	Note
Gains/losses from the disposal of non-current asset (Including the offsetting portion of the provision for impairment of assets that has been withdrawn)	124,868,984.10	WFJN demolition compensation
Governmental grants reckoned into current gains/losses (except for those with normal operation business concerned, and conform to the national policies & regulations and are continuously enjoyed at a fixed or quantitative basis according to certain standards)	40,157,408.73	
Except for effective hedging business related to the normal operation of the company, fair value gains and losses from holding trading financial assets and trading financial liabilities, as well as investment income from disposing of trading financial assets, trading financial liabilities, and available for sale financial assets	-14,788,631.85	
Reversal of impairment provision for accounts receivable subject to separate impairment testing	3,127,091.67	
Other non-operating income and expenditure except for the aforementioned items	3,433,420.03	
Less: Impact on income tax	18,140,350.17	
Impact on minority shareholders' equity	20,775,314.33	
Total	117,882,608.18	--

Specific information on other items of profits/losses qualified the definition of extraordinary gains and losses

Applicable Not applicable

The Company has no other items of profits/losses qualified the definition of extraordinary gains and losses

Information on the definition of extraordinary gains and losses that listed in the *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Gains and Losses* as the recurring profit/lossApplicable Not applicable**2. ROE and earnings per share**

Profits during reporting period	Weighted average ROE	Earnings per share	
		Basic earnings per share (RMB/Share)	Diluted earnings per share (RMB/Share)
Net profit attributable to common shareholders of the company	5.24%	0.98	0.98
Net profit attributable to common shareholders of the company after deducting nonrecurring gains and losses	4.59%	0.85	0.85

**3. Difference of the accounting data under accounting rules in and out of China****(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

**(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

**(3) Explanation on data differences under the accounting standards in and out of China; as for the differences adjustment audited by foreign auditing institute, listed name of the institute**

Nil

**4. Other**

Nil

BOD of WEIFU HIGH-TECHNOLOGY GROUP CO., LTD.

Chairman: \_\_\_\_\_

Wang Xiaodong

August 22, 2023