

**Wuxi Weifu High-Technology Group Co., Ltd.**  
**2025 Financial Statements**  
**Audit Report**



**ZHONGXINGHUA CERTIFIED PUBLIC ACCOUNTANTS LLP**

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## ZHONGXINGHUA CERTIFIED PUBLIC ACCOUNTANTS LLP

Location: 20/F, Tower B, Lize SOHO, 20 Lize Road, Fengtai District, Beijing PR China  
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# Audit Report

Zhongxinghua Audit (2026) No.00006837

## All shareholders of Wuxi Weifu High-Technology Group Co., Ltd.:

### I. Audit opinions

We have audited the financial statement of Weifu High-Technology Group Co., Ltd. (hereinafter referred to as “Weifu High-Technology”), including the Consolidated & Parent Company Balance Sheet as of 31 December 2025, Consolidated & Parent Company Income Statement, Consolidated & Parent Company Cash Flow Statement, Consolidated & Parent Company Owner’s Equity Change Statement and relevant Financial Statement Notes in 2025.

In our opinions, the attached financial statement is formulated pursuant to provisions in the Accounting Standards for Business Enterprises from all major perspectives, and offers a fair view on Weifu High-Technology’s financial conditions of consolidated and parent company as of 31 December 2025, as well as operation achievement and cash flow of consolidated and parent company in 2025.

### II. Foundation of audit opinions

We conducted the audit work as per provisions of the Chinese Certified Public Accountant Auditing Standards. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our auditor's report. In accordance with the Code of Ethics for Certified Public Accountants in China and the independence requirements for Certified Public Accountants in China, we are independent of Weifu High-Technology, and have fulfilled our other ethical responsibilities. We believe the audit evidence we obtained is sufficient and appropriate, and provides the foundation for our audit opinions.

### III. Key audit events

Key audit events are the events we deem the most important for auditing the financial statement in the current period, based on our professional judgment. These events shall be responded against the backdrop of conducting overall audit of the financial statement and forming opinions, and we do not express separate opinions on these events. We determine that the following events are key audit events for communication in the audit report.

#### 1. Income recognition

##### (1) Event description

As stated in the Financial Statement Note III, 27 “Income” and Note V, 48 “Operating income and operating cost”, Weifu High-Technology earned operating income of RMB 12,023,879,100 in 2025. Considering operating income as one of the main sources of profits for Weifu High-Technology, with significant impact on the overall financial statement, there is an inherent risk that the management level of Weifu High-Technology (hereinafter

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referred to as the management level) may manipulate the timing of income recognition in order to achieve specific target or expectation, and therefore we regard income recognition as a key audit event.

## **(2) Audit response**

1) Know about relevant internal controls regarding income recognition, conduct internal control tests, and evaluate the design and operation effectiveness;

2) Obtain and check main customer sales contracts, know about the main terms and conditions of contracts, including sales methods, pricing, settlement, rebates, etc., and evaluate whether the specific methods and timing of income recognition meet the standards and industry practices;

3) Conduct analytical procedures on the operating incomes, operating costs and gross profits of each segment, in conjunction with the industry situation and actual company operation, compare with the previous period data and data of the same industry, and check the rationality;

4) Randomly check sales contracts or orders, outbound delivery notes, logistics documents, customs declaration sheets, receipts, settlement statements, sales invoices, and other documents related to income recognition, and verify the authenticity and completeness of income;

5) Select customer samples to perform confirmation letter procedures, and verify the income authenticity, completeness and rationality of income recognition timing;

6) Perform income cut-off testing, select income samples before and after the balance sheet date, verify supportive documents such as outbound delivery notes, customs declaration sheets, receipts and settlement statements, and check whether incomes are recorded in the appropriate accounting period;

7) Check whether the information concerning operating income has been appropriately presented and disclosed in the financial statements.

## **2. Provision for expected credit losses of Weifu International Trade “platform trade” business portfolio in other receivables**

### **(1) Event description**

As stated in the Financial Statement Note V, 7 “Other receivables” and Note XIV, 7 “Other important events affecting investor decision-making”, as of 31 December 2025, the book balance of other receivables arising from “platform trading” contract fraud event of Weifu International Trade amounted to RMB 2,038,255,800, and the provision for expected credit losses of RMB 1,979,160,400 was made. Because the recoverable amount of the “platform trade” business portfolio creditor’s right involves significant accounting estimates and judgments made by the management level, it is important to the financial statement, and therefore we determine the provision for expected credit losses of “platform trade” business portfolio in other receivables as a key audit event.

### **(2) Audit response**

1) Know about the specific situation and status quo of the “platform trade” event from the management level, understand the management level methods, amounts and judgment basis and sources of the provision for expected credit losses regarding the “platform trade” event credits, and evaluate the rationality;

2) Obtain and read the court judgment, visit relevant departments such as the public security organ and the court, inquire about the opinions of relevant lawyers, conduct interviews on the judgment basis and resources of the estimates made by the management level, and verify the authenticity and reliability;

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3) Know about the specific situation of the case-involved properties returned by the public security organ to the company, and the case-involved properties executed by the court, check relevant bank repayment records and physical asset transfer records, and verify the authenticity; review the appraisal report issued by the appraisal agency on the value of relevant physical assets, and double check the rationality; check correctness of relevant company accounting treatment;

4) Perform recalculation procedures according to the judgment basis for recoverable amount of “platform trade” event credits, compare with the estimate result of the management level, and judge whether the provision amount for expected credit losses of “platform trade” event credits made by the management level is reasonable;

5) Follow the post-period progress of case execution and consider the impact on the current financial statements;

6) Check whether relevant information of “platform trade” events has been appropriately presented and disclosed in the financial statements.

### **3. Recognition of investment income from associated enterprises**

#### **(1) Event description**

As stated in the Financial Statement Note V, 55 “Investment income”, in 2025, the long-term equity investment income accounted for by Weifu High-Technology using the equity method was RMB 1,124,396,100, accounting for 96.65% of the total profit this year. Because the investment income of associated enterprises is one of the main sources of profits for Weifu High-Technology, and the accuracy of investment income accounting exerts a significant impact on Weifu High-Technology’s financial statement, we determine the recognition of investment income from associated enterprises as a key audit event.

#### **(2) Audit response**

1) Know about the key internal controls of Weifu High-Technology concerning equity investments, conduct internal control tests, and evaluate the design and operation effectiveness;

2) Obtain the articles of association, investment agreements, historical development and other materials of associated companies, check the company capital contribution situation, shareholding ratio, director appointment and participation in business decision-making, and confirm the appropriateness of equity method accounting;

3) Know about the actual operation and profit distribution of associated enterprises, check the supportive materials on company recognition of investment income and receipt of cash dividends, and compare and analyze the overall rationality of investment income recognition;

4) Obtain the audit reports of associated enterprises, and pay attention whether important accounting policies, accounting estimates and accounting treatments comply with the provisions of accounting standards for business enterprises, and whether they are consistent;

5) Perform analytical review procedures on the financial statement of associated enterprises, know about the reasons for significant changes and judge the rationality, and evaluate whether the financial statement has fairly reflected the financial status and operating results in major perspectives as a whole;

6) Recalculate the investment incomes of associated enterprises recognized by the company, pay attention to the related transactions between the company and associated enterprises, check the calculation and offset of unrealized internal transaction gains and losses, and review whether the recognized amount of investment income

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is accurate;

7) Check whether the recognized investment of associated enterprises has been appropriately presented and disclosed in the financial statements.

#### **4. Other information**

The management level of Weifu High-Technology (hereinafter referred to as the management team) is responsible for other information. Other information includes the information covered in the 2025 Weifu High-Technology annual report, but excludes the financial statement and our audit report.

Our audit opinions on financial statements do not cover other information, and we do not express any form of verification conclusions on other information.

In conjunction with our audit of the financial statement, our responsibility is to read other information, and in the process, consider whether the other information is materially inconsistent with the financial statement or what we learned during the audit process or appears to be materially misrepresented.

Based on the work we have conducted, if we determine that there is a material misstatement of other information, we should report such fact. We have nothing to report in this regard.

#### **5. Management and governance liabilities for financial statements**

The management is responsible for preparing the financial statements in accordance with GAAP and presenting them fairly, and designing, implementing and maintaining necessary internal control so that there isn't any material misstatement in the financial statements due to fraud or error.

When preparing the financial statement, the management level is responsible for assessing Weifu High-Technology's capabilities of sustainable operation, disclosing events related to sustainable operation (if applicable), and adopting the assumption of sustainable operation, unless the management level plans to liquidate Weifu High-Technology, terminate the operation, or there is no other practical option.

The governance level is responsible for supervising the financial report process of Weifu High-Technology.

#### **6. CPA's responsibilities for auditing financial statements**

Our objective is to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and issue an audit report containing audit opinions. Reasonable assurance is a high level of assurance, but it does not guarantee the audit performed in accordance with auditing standards can surely find a certain existing material misstatement. Misstatement may be caused by fraud or error; if a reasonably expected misstatement individually or in the aggregate may affect the financial statements user's economic decision made based on financial statements, it is generally considered to be a material misstatement.

As part of an audit in accordance with auditing standards, we exercised professional judgment and maintained professional skepticism throughout the audit. Meanwhile, we also perform the following tasks:

1) Identify and assess material misstatement risks of the financial statements due to fraud or error, design and implement audit process to address these risks, and obtain sufficient and appropriate audit evidences as the basis for giving audit opinions. Since fraud may involve collusion, forgery, intentional omission, false statement or overriding internal controls, the risk of failing to detect material misstatement due to fraud is higher than that due to error.

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2) Learn about internal control concerning audit to design appropriate audit procedures.

3) Evaluate the appropriateness of accounting policies adopted and the rationality of accounting estimates and related disclosures made by the management.

4) Draw conclusions on the appropriateness of sustainable operation assumption by the management. Meanwhile, based on the audit evidences acquired, it may lead to conclusions on whether there are significant uncertainties in the matters or circumstances causing major doubts about the capabilities of your company's sustainable operation. If we conclude that there are significant uncertainties, the auditing standards require us to notify the users about relevant disclosures of the financial statements in the audit report; if the disclosures are insufficient, we should express opinions without reservations. Our conclusions are based on the information available as of the audit report date. Nevertheless, future matters or circumstances may lead to the inability of Weifu High-Technology for sustainable operation.

5) Evaluate the overall presentation, structure and content of financial statements, and evaluate whether the financial statements have fairly reflected relevant transactions and events.

6) Sufficient and appropriate audit evidence on the financial information of Weifu High-Technology entity or business activities is acquired, to express opinion on the financial statement. We are responsible for guiding, supervising and executing audit on the group. We hold full responsibilities for the audit opinions.

We communicate with those charged with governance about planned audit scope, schedule, major audit findings and other matters, including the noteworthy internal control flaws that we have identified during the audit.

We also provide declaration to the governance level regarding compliance with professional ethical requirements of independence, and communicate with the governance level about all relationships and other matters that may reasonably be considered as affecting our independence, as well as relevant precautions (if applicable).

From the matters communicated with the governance level, we determine which matters are most important to the financial statement audit in the current period and thus constitute key audit matters. We describe these matters in the audit report, unless laws and regulations prohibit public disclosure of these matters, or in rare cases, if it is reasonably expected that the negative consequences of communicating a matter in the audit report outweigh the benefits of public interest, we determine this matter shall not be communicated in the audit report.

Zhongxinghua Certified Public Accountants LLP

Beijing · China

Chinese CPA: PAN HUA

(Project partner)

Chinese CPA: ZHANG XIAO PING

15 April 2026

## Consolidated Balance Sheet

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

Dec. 31, 2025

In RMB

Item	Dec. 31, 2025	Dec. 31, 2024
Current assets:		
Monetary funds	2,358,850,312.47	2,246,600,451.52
Settlement provisions		
Capital lent		
Trading financial assets	2,334,658,155.36	1,429,682,635.57
Derivative financial assets		
Note receivable	93,133,355.40	99,914,699.81
Account receivable	4,341,063,178.47	3,737,653,893.03
Receivable financing	1,861,919,025.73	1,713,187,182.25
Accounts paid in advance	99,492,959.55	93,283,466.49
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Other account receivable	82,980,848.24	930,529,007.57
Including: Interest receivable		
Dividends receivable	5,357,758.49	5,357,758.49
Buying back the sale of financial assets		
Inventories	2,458,134,988.90	2,308,920,401.14
Including: data source		
Contract assets		
Assets held for sale		
Non-current asset due within one year	689,033,205.47	559,070,575.38
Other current assets	137,849,612.83	188,988,459.46
Total current assets	14,457,115,642.42	13,307,830,772.22
Non-current assets:		
Loans and payments on behalf		
Debt investment		
Other debt investment		
Long-term account receivable		
Long-term equity investment	7,299,370,031.76	7,035,098,878.59
Investment in other equity instrument	1,049,138,690.00	677,790,690.00
Other non-current financial assets	751,258,396.69	697,471,349.81

Investment real estate	52,318,319.87	44,960,930.39
Fixed assets	4,582,924,701.55	4,461,619,375.21
Construction in progress	280,431,452.37	380,321,816.50
Productive biological asset		
Oil and gas asset		
Right-of-use assets	97,945,565.44	67,765,442.37
Intangible assets	478,905,295.60	480,540,808.88
Including: data source		
Expense on research and development		
Including: data source		
Goodwill	1,784,086.79	32,605,318.22
Long-term expenses to be apportioned	57,396,940.60	22,202,465.04
Deferred income tax asset	309,899,010.51	303,420,166.65
Other non-current asset	249,239,314.05	893,272,397.34
Total non-current asset	15,210,611,805.23	15,097,069,639.00
Total assets	29,667,727,447.65	28,404,900,411.22
Current liabilities:		
Short-term loans	564,763,810.23	393,120,147.95
Loan from central bank		
Capital borrowed		
Trading financial liability		
Derivative financial liability		
Note payable	1,913,336,503.36	2,014,217,247.05
Account payable	4,375,877,094.85	3,899,945,192.28
Accounts received in advance	4,013,931.36	2,652,511.04
Contractual liability	63,010,303.58	56,148,545.13
Selling financial asset of repurchase		
Absorbing deposit and interbank deposit		
Security trading of agency		
Security sales of agency		
Wage payable	364,256,169.69	405,278,048.92
Taxes payable	71,255,035.47	51,710,218.41
Other account payable	65,306,720.22	44,547,794.12
Including: Interest payable		
Dividend payable	2,937,600.00	
Commission charge and commission payable		
Reinsurance payable		
Liability held for sale		
Non-current liabilities due within one year	130,157,223.15	220,703,888.53
Other current liabilities	245,935,469.10	285,386,237.68

Total current liabilities	7,797,912,261.01	7,373,709,831.11
Non-current liabilities:		
Insurance contract reserve		
Long-term loans	87,300,000.00	100,000,000.00
Bonds payable	500,624,657.53	
Including: Preferred stock		
Perpetual capital securities		
Lease liability	73,373,773.23	47,316,516.48
Long-term account payable	7,780,000.00	27,005,082.11
Long-term wages payable	80,454,470.77	46,118,861.68
Accrued liability	105,455,503.64	121,869,551.76
Deferred income	128,942,021.14	151,419,335.74
Deferred income tax liabilities	27,018,658.45	24,870,008.46
Other non-current liabilities		
Total non-current liabilities	1,010,949,084.76	518,599,356.23
Total liabilities	8,808,861,345.77	7,892,309,187.34
Owner's equity:		
Share capital	966,785,693.00	996,986,293.00
Other equity instrument		
Including: Preferred stock		
Perpetual capital securities		
Capital reserve	2,686,504,136.26	3,263,649,101.44
Less: inventory shares		469,722,092.24
Other comprehensive income	122,398,098.62	10,132,405.39
Reasonable reserve	8,619,634.17	6,257,090.28
Surplus public reserve	510,100,496.00	510,100,496.00
Provision of general risk		
Retained profit	15,623,144,555.11	15,523,124,882.77
Total owner's equity attributable to parent company	19,917,552,613.16	19,840,528,176.64
Minority interests	941,313,488.72	672,063,047.24
Total owner's equity	20,858,866,101.88	20,512,591,223.88
Total liabilities and owner's equity	29,667,727,447.65	28,404,900,411.22

Legal Representative: Yin Zhenyuan

Person in charge of accounting works: Feng Zhiming

Person in charge of accounting institute: Li Yanqing

## Balance Sheet of Parent company

In RMB

Item	Dec. 31, 2025	Dec. 31, 2024
Current assets:		
Monetary funds	641,573,048.70	466,892,236.52
Trading financial assets	972,513,172.06	878,496,571.74
Derivative financial assets		
Note receivable	8,526,802.49	18,662,983.17
Account receivable	1,675,175,133.11	1,489,935,690.05
Receivable financing	339,279,089.10	346,215,286.06
Accounts paid in advance	54,801,020.36	51,792,719.25
Other account receivable	489,034,511.33	1,429,367,035.46
Including: Interest receivable	117,347.22	6,702,396.94
Dividends receivable	5,357,758.49	5,357,758.49
Inventories	502,216,446.23	523,443,471.86
Including: data source		
Contract assets		
Assets held for sale		
Non-current asset due within one year	429,658,356.15	222,906,739.73
Other current assets	340,501.80	236,029.38
Total current assets	5,113,118,081.33	5,427,948,763.22
Non-current assets:		
Debt investment		
Other debt investment		
Long-term account receivable		
Long-term equity investment	10,263,381,015.17	9,379,389,807.57
Investment in other equity instrument	973,198,690.00	601,850,690.00
Other non-current financial assets	751,258,396.69	697,471,349.81
Investment real estate	32,191,785.94	33,322,617.00
Fixed assets	2,756,810,568.23	2,767,316,409.85
Construction in progress	81,553,060.91	43,260,711.62
Productive biological asset		
Oil and gas asset		
Right-of-use assets	2,848,428.84	4,320,822.79
Intangible assets	248,718,256.80	251,051,539.24
Including: data source		
Expense on research and development		
Including: data source		
Goodwill		

Long-term expenses to be apportioned	953,697.60	910,555.82
Deferred income tax asset	150,842,007.83	131,997,984.30
Other non-current asset	59,617,807.63	538,364,812.82
Total non-current asset	15,321,373,715.64	14,449,257,300.82
Total assets	20,434,491,796.97	19,877,206,064.04
Current liabilities:		
Short-term loans	120,077,366.66	
Trading financial liability		
Derivative financial liability		
Note payable	416,966,899.26	344,127,173.09
Account payable	1,102,968,435.44	1,127,464,058.49
Accounts received in advance		
Contractual liability	42,488,783.95	12,478,649.93
Wage payable	151,440,447.76	215,266,682.43
Taxes payable	12,706,911.51	9,470,631.10
Other account payable	118,495,769.42	670,207,729.91
Including: Interest payable	402,153.88	2,509,683.34
Dividend payable		
Liability held for sale		
Non-current liabilities due within one year	101,186,502.70	201,358,028.22
Other current liabilities	41,804,577.18	20,837,034.26
Total current liabilities	2,108,135,693.88	2,601,209,987.43
Non-current liabilities:		
Long-term loans	87,300,000.00	100,000,000.00
Bonds payable	500,624,657.53	
Including: Preferred stock		
Perpetual capital securities		
Lease liability	1,641,972.69	2,703,583.48
Long-term account payable		
Long-term wages payable	54,819,699.51	15,212,070.31
Accrued liability	22,655,337.99	22,565,446.22
Deferred income	98,433,860.70	130,406,464.59
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	765,475,528.42	270,887,564.60
Total liabilities	2,873,611,222.30	2,872,097,552.03
Owner's equity:		
Share capital	966,785,693.00	996,986,293.00
Other equity instrument		
Including: Preferred stock		

Perpetual capital securities		
Capital reserve	2,815,516,424.65	3,394,923,686.54
Less: inventory shares		469,722,092.24
Other comprehensive income		
Reasonable reserve		
Surplus public reserve	510,100,496.00	510,100,496.00
Retained profit	13,268,477,961.02	12,572,820,128.71
Total owner' s equity	17,560,880,574.67	17,005,108,512.01
Total liabilities and owner' s equity	20,434,491,796.97	19,877,206,064.04

## Consolidated Profit Statement

In RMB

Item	2025	2024
I. Total operating income	12,023,879,058.27	11,167,263,155.85
Including: Operating income	12,023,879,058.27	11,167,263,155.85
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	11,684,402,892.29	10,731,261,302.02
Including: Operating cost	9,939,838,148.74	9,137,167,016.39
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 slips		
Reinsurance expense		
Tax and extras	66,669,987.84	59,699,756.95
Sales expense	204,860,008.42	173,294,600.83
Administrative expense	807,541,005.61	726,610,451.29
R&D expense	695,553,391.89	690,258,974.54
Financial expense	-30,059,650.21	-55,769,497.98
Including: Interest expenses	22,596,287.74	25,385,434.57
Interest income	51,524,160.25	101,699,691.65
Add: Other income	145,418,450.58	195,531,320.78
Investment income (Loss is listed with “-”)	1,434,186,893.19	1,535,039,086.78
Including: Investment income on affiliated company and joint venture	1,124,396,147.32	1,481,848,406.86
The termination of income recognition for financial assets measured by amortized cost		-3,521,058.98
Exchange income (Loss is listed with “-”)		
Net exposure hedging income (Loss is listed with “-”)		
Income from change of fair value (Loss is listed with “-”)	61,265,098.76	-17,300,039.60
Loss of credit impairment (Loss is listed with “-”)	-341,332,775.64	6,063,789.73
Losses of devaluation of asset (Loss is listed with “-”)	-493,464,041.74	-407,383,027.85
Income from assets disposal (Loss is listed with “-”)	17,657,183.98	10,467,340.59
III. Operating profit (Loss is listed with “-”)	1,163,206,975.11	1,758,420,324.26
Add: Non-operating income	3,951,463.87	3,924,878.00
Less: Non-operating expense	3,781,251.76	5,130,865.58
IV. Total profit (Loss is listed with “-”)	1,163,377,187.22	1,757,214,336.68
Less: Income tax expense	62,695,218.07	40,043,146.12
V. Net profit (Net loss is listed with “-”)	1,100,681,969.15	1,717,171,190.56
(i) Classify by business continuity		
1. continuous operating net profit (net loss listed with “-”)	1,100,681,969.15	1,717,171,190.56
2. termination of net profit (net loss listed with “-”)		
(ii) Classify by ownership		
1. Net profit attributable to owners of parent company	1,068,167,498.05	1,659,533,740.63

2.Minority shareholders' gains and losses	32,514,471.10	57,637,449.93
VI. Net after-tax of other comprehensive income	112,265,693.23	-44,024,510.58
Net after-tax of other comprehensive income attributable to owners of parent company	112,265,693.23	-44,024,510.58
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss	413,276.52	135,700.88
1.Changes of the defined benefit plans that re-measured	413,276.52	135,700.88
2.Other comprehensive income under equity method that cannot be transfer to gain/loss		
3.Change of fair value of investment in other equity instrument		
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	111,852,416.71	-44,160,211.46
1.Other comprehensive income under equity method that can transfer to gains/losses		
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	111,852,416.71	-44,160,211.46
7.Other		
Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	1,212,947,662.38	1,673,146,679.98
Total comprehensive income attributable to owners of parent Company	1,180,433,191.28	1,615,509,230.05
Total comprehensive income attributable to minority shareholders	32,514,471.10	57,637,449.93
VIII. Earnings per share:		
(i) Basic earnings per share	1.10	1.71
(ii) Diluted earnings per share	1.10	1.71

Legal Representative: Yin Zhenyuan

Person in charge of accounting works: Feng Zhiming

Person in charge of accounting institute: Li Yanqing

## Profit Statement of Parent Company

In RMB

Item	2025	2024
I. Operating income	3,871,323,053.51	3,397,375,738.23
Less: Operating cost	3,320,314,281.17	2,748,517,500.94
Taxes and surcharge	29,940,599.54	25,293,144.60
Sales expenses	20,992,874.81	18,606,129.79
Administration expenses	370,056,182.60	342,648,893.66
R&D expenses	210,359,267.31	206,660,519.14
Financial expenses	-12,567,625.96	-8,055,265.06
Including: Interest expenses	21,275,011.44	25,217,594.46
Interest income	27,349,718.45	45,539,582.29
Add: Other income	59,428,591.40	104,031,656.48
Investment income (Loss is listed with “-”)	1,977,394,264.44	1,431,219,662.62
Including: Investment income on affiliated Company and joint venture	1,108,128,645.88	1,237,057,888.34
The termination of income recognition for financial assets measured by amortized cost (Loss is listed with “-”)		-312,015.98
Net exposure hedging income (Loss is listed with “-”)		
Changing income of fair value (Loss is listed with “-”)	55,334,797.92	-19,486,103.43
Loss of credit impairment (Loss is listed with “-”)	-338,727,259.88	2,154,583.72
Losses of devaluation of asset (Loss is listed with “-”)	-44,926,902.40	-215,462,101.10
Income on disposal of assets (Loss is listed with “-”)	2,707,582.77	115,716,424.53
II. Operating profit (Loss is listed with “-”)	1,643,438,548.29	1,481,878,937.98
Add: Non-operating income	1,832,370.74	764,049.54
Less: Non-operating expense	309,284.54	430,984.94
III. Total Profit (Loss is listed with “-”)	1,644,961,634.49	1,482,212,002.58
Less: Income tax	-18,844,023.53	-22,556,419.64
IV. Net profit (Net loss is listed with “-”)	1,663,805,658.02	1,504,768,422.22
(i) continuous operating net profit (net loss listed with “-”)	1,663,805,658.02	1,504,768,422.22
(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 or 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 investment in other equity instrument		
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	1,663,805,658.02	1,504,768,422.22
VII. Earnings per share:		
(i) Basic earnings per share		
(ii) Diluted earnings per share		

## Consolidated Cash Flow Statement

In RMB

Item	2025	2024
<b>I. Cash flows arising from operating activities:</b>		
Cash received from selling commodities and providing labor services	11,936,686,684.80	11,454,631,514.44
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	21,506,075.85	158,735,481.42
Other cash received concerning operating activities	571,768,083.49	110,017,342.88
Subtotal of cash inflow arising from operating activities	12,529,960,844.14	11,723,384,338.74
Cash paid for purchasing commodities and receiving labor service	8,888,523,494.66	7,529,154,745.16
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	1,794,535,041.19	1,909,179,859.57
Taxes paid	344,907,546.91	284,195,491.88
Other cash paid concerning operating activities	509,267,738.51	418,521,593.39
Subtotal of cash outflow arising from operating activities	11,537,233,821.27	10,141,051,690.00
Net cash flows arising from operating activities	992,727,022.87	1,582,332,648.74
<b>II. Cash flows arising from investing activities:</b>		
Cash received from recovering investment	4,972,319,937.78	4,194,627,417.02
Cash received from investment income	722,361,461.25	1,135,521,634.62
Net cash received from disposal of fixed, intangible and other long-term assets	28,154,859.56	47,050,793.21
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities	5,722,836,258.59	5,377,199,844.85
Cash paid for purchasing fixed, intangible and other long-term assets	941,942,102.19	1,080,918,168.79
Cash paid for investment	5,149,412,141.82	4,147,277,084.93

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	6,091,354,244.01	5,228,195,253.72
Net cash flows arising from investing activities	-368,517,985.42	149,004,591.13
III. Cash flows arising from financing activities:		
Cash received from absorbing investment	270,514,148.08	67,300,000.00
Including: Cash received from absorbing minority shareholders' investment by subsidiaries	270,514,148.08	67,300,000.00
Cash received from loans	843,489,427.09	423,886,845.30
Cash received from issuance of bonds	500,000,000.00	
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	1,614,003,575.17	491,186,845.30
Cash paid for settling debts	784,695,845.88	933,749,933.35
Cash paid for dividend and profit distributing or interest paying	1,017,852,139.22	1,278,179,683.86
Including: Dividend and profit of minority shareholder paid by subsidiaries	30,733,197.73	68,778,370.04
Other cash paid concerning financing activities	199,429,047.01	282,460,203.37
Subtotal of cash outflow from financing activities	2,001,977,032.11	2,494,389,820.58
Net cash flows arising from financing activities	-387,973,456.94	-2,003,202,975.28
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	27,733,055.31	-33,176,286.78
V. Net increase of cash and cash equivalents	263,968,635.82	-305,042,022.19
Add: Balance of cash and cash equivalents at the period-begin	1,756,944,672.22	2,061,986,694.41
VI. Balance of cash and cash equivalents at the period -end	2,020,913,308.04	1,756,944,672.22

## Cash Flow Statement of Parent Company

In RMB

Item	2025	2024
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	3,697,949,579.69	3,099,128,968.36
Write-back of tax received		
Other cash received concerning operating activities	51,981,718.46	80,207,980.24
Subtotal of cash inflow arising from operating activities	3,749,931,298.15	3,179,336,948.60
Cash paid for purchasing commodities and receiving labor service	2,570,461,507.94	2,264,173,817.93
Cash paid to/for staff and workers	662,807,747.05	737,849,558.75
Taxes paid	103,351,203.52	75,566,016.29
Other cash paid concerning operating activities	140,356,926.67	79,310,706.82
Subtotal of cash outflow arising from operating activities	3,476,977,385.18	3,156,900,099.79
Net cash flows arising from operating activities	272,953,912.97	22,436,848.81
II. Cash flows arising from investing activities:		
Cash received from recovering investment	1,296,315,700.49	1,829,627,417.02
Cash received from investment income	1,113,712,469.02	958,618,318.14
Net cash received from disposal of fixed, intangible and other long-term assets	12,556,240.97	36,500,011.93
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities	693,533,284.82	160,573,673.43
Subtotal of cash inflow from investing activities	3,116,117,695.30	2,985,319,420.52
Cash paid for purchasing fixed, intangible and other long-term assets	422,908,231.38	476,629,689.83

Cash paid for investment	1,588,185,309.20	1,304,396,588.44
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities	69,287,900.00	204,486,765.84
Subtotal of cash outflow from investing activities	2,080,381,440.58	1,985,513,044.11
Net cash flows arising from investing activities	1,035,736,254.72	999,806,376.41
III. Cash flows arising from financing activities:		
Cash received from absorbing investment		
Cash received from loans	310,000,000.00	
Cash received from issuance of bonds	500,000,000.00	
Other cash received concerning financing activities	777,667,055.55	1,635,000,000.00
Subtotal of cash inflow from financing activities	1,587,667,055.55	1,635,000,000.00
Cash paid for settling debts	302,500,000.00	504,700,000.00
Cash paid for dividend and profit distributing or interest paying	977,443,292.66	1,196,883,563.40
Other cash paid concerning financing activities	1,503,166,849.06	1,199,168,654.01
Subtotal of cash outflow from financing activities	2,783,110,141.72	2,900,752,217.41
Net cash flows arising from financing activities	-1,195,443,086.17	-1,265,752,217.41
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	1,718,996.43	-3,813,380.23
V. Net increase of cash and cash equivalents	114,966,077.95	-247,322,372.42
Add: Balance of cash and cash equivalents at the period -begin	466,194,368.01	713,516,740.43
VI. Balance of cash and cash equivalents at the period -end	581,160,445.96	466,194,368.01

## Consolidated Statement of Changes in Owners' Equity

Current period

In RMB

Item	2025														
	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
	Preferr ed stock	Perpetu al capital securiti es	Oth er												
I. Balance at the end of the last year	996,986,293.00				3,263,649,101.44	469,722,092.24	10,132,405.39	6,257,090.28	510,100,496.00		15,523,124,882.77		19,840,528,176.64	672,063,047.24	20,512,591,223.88
Add: Changes of accounting policy															
Error correction of the last period															
Other															
II. Balance at the beginning of this year	996,986,293.00				3,263,649,101.44	469,722,092.24	10,132,405.39	6,257,090.28	510,100,496.00		15,523,124,882.77		19,840,528,176.64	672,063,047.24	20,512,591,223.88
III. Increase/ Decrease in this year (Decrease is listed with "-")	30,200,600.00				577,144,965.18	469,722,092.24	112,265,693.23	2,362,543.89			100,019,672.34		77,024,436.52	269,250,441.48	346,274,878.00
(i) Total comprehensive income							112,265,693.23				1,068,167,498.05		1,180,433,191.28	32,514,471.10	1,212,947,662.38
(ii) Owners' devoted and decreased capital	30,200,600.00				539,200,396.74	469,722,092.24							-99,678,904.50	270,187,724.58	170,508,820.08
1. Common shares invested by														270,187,724.58	270,187,724.58



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								2,362,543.89					2,362,543.89	219,043.53	2,581,587.42
1. Withdrawal in the report period								30,637,084.81					30,637,084.81	3,187,652.86	33,824,737.67
2. Usage in the report period								28,274,540.92					28,274,540.92	2,968,609.33	31,243,150.25
(VI)Others						37,944,568.44					1,004,237.29		-36,940,331.15		-36,940,331.15
IV. Balance at the end of the report period	966,785,693.00				2,686,504,136.26		122,398,098.62	8,619,634.17	510,100,496.00		15,623,144,555.11		19,917,552,613.16	941,313,488.72	20,858,866,101.88

Last period

In RMB

Item	2024														
	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
	Preferr ed stock	Perpetual capital securities	Ot he r												
I. Balance at the end of the last year	1,002,162,793.00				3,308,170,140.96	533,289,512.24	54,156,915.97	3,641,439.97	510,100,496.00		15,054,950,398.12		19,399,892,671.78	778,330,089.26	20,178,222,761.04
Add: Changes of accounting policy															
Error correction of the last period															
Other															
II. Balance at the beginning of this year	1,002,162,793.00				3,308,170,140.96	533,289,512.24	54,156,915.97	3,641,439.97	510,100,496.00		15,054,950,398.12		19,399,892,671.78	778,330,089.26	20,178,222,761.04
III. Increase/ Decrease in this year (Decrease is listed with "-")	5,176,500.00				44,521,039.52	-63,567,420.00	-44,024,510.58	2,615,650.31			468,174,484.65		440,635,504.86	106,267,042.02	334,368,462.84
(i) Total comprehensive income							-44,024,510.58				1,659,533,740.63		1,615,509,230.05	57,637,449.93	1,673,146,679.98
(ii) Owners' devoted and decreased capital	5,176,500.00				87,144,811.76	-63,567,420.00							28,753,891.76	95,065,184.58	123,819,076.34
1.Common shares invested by shareholders														67,300,000.00	67,300,000.00
2. Capital invested by holders of other equity instruments															
3. Amount reckoned into owners' equity with share-based payment															
4. Other	5,176,500.00				87,144,811.76	-63,567,420.00							28,753,891.76	162,365,184.58	191,119,076.34
(III) Profit distribution											1,191,359,255.98		1,191,359,255.98	68,778,370.04	1,260,137,626.02
1. Withdrawal of surplus reserves															
2. Withdrawal of general risk provisions															
3. Distribution for owners (or shareholders)											1,185,823,277.46		1,185,823,277.46	68,778,370.04	1,254,601,647.50
4. Other											-5,535,978.52		5,535,978.52		5,535,978.52
(IV) Carrying forward internal owners' equity															



## Statement of Changes in Owners' Equity (Parent Company)

Current Period

In RMB

Item	2025											
	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	996,986,293.00				3,394,923,686.54	469,722,092.24			510,100,496.00	12,572,820,128.71		17,005,108,512.01
Add: Changes of accounting policy												
Error correction of the last period												
Other												
II. Balance at the beginning of this year	996,986,293.00				3,394,923,686.54	469,722,092.24			510,100,496.00	12,572,820,128.71		17,005,108,512.01
III. Increase/ Decrease in this year (Decrease is listed with "-")	-30,200,600.00				-579,407,261.89	-469,722,092.24				695,657,832.31		555,772,062.66
(i) Total comprehensive income										1,663,805,658.02		1,663,805,658.02
(ii) Owners' devoted and decreased capital	-30,200,600.00				-539,526,820.24	-469,722,092.24						-100,005,328.00
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												
4. Other	-30,200,600.00				-539,526,820.24	-469,722,092.24						-100,005,328.00
(III) Profit distribution										-969,152,063.00		-969,152,063.00
1. Withdrawal of surplus reserves												
2. Distribution for owners (or shareholders)										-969,152,063.00		-969,152,063.00
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 report period							6,007,375.74				6,007,375.74
2. Usage in the report period							6,007,375.74				6,007,375.74
(VI)Others					-39,880,441.65				1,004,237.29		-38,876,204.36
IV. Balance at the end of the report period	966,785,693.00				2,815,516,424.65				510,100,496.00	13,268,477,961.02	17,560,880,574.67

Last period

In RMB

Item	2024											
	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	1,002,162,793.00				3,412,506,010.91	533,289,512.24			510,100,496.00	12,253,874,983.95		16,645,354,771.62
Add: Changes of accounting policy												
Error correction of the last period												
Other												
II. Balance at the beginning of this year	1,002,162,793.00				3,412,506,010.91	533,289,512.24			510,100,496.00	12,253,874,983.95		16,645,354,771.62
III. Increase/ Decrease in this year (Decrease is listed with "-")	-5,176,500.00				-17,582,324.37	-63,567,420.00				318,945,144.76		359,753,740.39
(i) Total comprehensive income										1,504,768,422.22		1,504,768,422.22
(ii) Owners' devoted and decreased capital	-5,176,500.00				-58,390,920.00	-63,567,420.00						
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												
4. Other	-5,176,500.00				-58,390,920.00	-63,567,420.00						
(III) Profit distribution										-1,185,823,277.46		-1,185,823,277.46
1. Withdrawal of surplus reserves												
2. Distribution for owners (or shareholders)										-1,185,823,277.46		-1,185,823,277.46
3. Other												
(IV) Carrying forward internal owners' equity												
1. Capital reserves conversed to capital (share capital)												
2. Surplus reserves conversed 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 report period								6,178,007.63				6,178,007.63
2. Usage in the report period								6,178,007.63				6,178,007.63
(VI)Others					40,808,595.63							40,808,595.63
IV. Balance at the end of the report period	996,986,293.00				3,394,923,686.54	469,722,092.24			510,100,496.00	12,572,820,128.71		17,005,108,512.01

# Wuxi Weifu High-Technology Group Co., Ltd.

## 2025 Financial Statement Notes

### I. Company profile

#### 1. History of the company

Wuxi Weifu High-Technology Group Co., Ltd. (hereinafter referred to as “the company” or “company”) is a targeted fundraising holding limited liability company established upon the document approval of Jiangsu Provincial Commission for Restructuring Economy Su Economy Restructuring (1992) No.130, and registered in Wuxi Administration for Industry and Commerce in October 1992. Originally, the company had a total share capital of RMB 115,435,500, including state-owned legal entity share capital of RMB 92,435,500, social legal entity share capital of RMB 8,000,000 and internal employee share capital of RMB 15,000,000.

From 1994 to 1995, the company underwent restructuring, and thereafter became a controlling subsidiary of Wuxi Weifu Group Co., Ltd. (hereinafter referred to as “Weifu Group”).

In August 1995, upon the approval of Jiangsu Provincial Commission for Restructuring Economy and Shenzhen Securities Management Office, the company issued 68,000,000 special common shares (B-shares), with a par value of RMB 1 per share, namely RMB 68,000,000, and the total share capital after issuance was RMB 183,435,500.

In June 1998, upon the approval of China Securities Regulatory Commission, the company issued 120,000,000 RMB common shares (A-shares) at the Shenzhen Stock Exchange by online pricing issuance, and the total share capital after issuance was RMB 303,435,500.

In mid-1999, upon the discussion by the board of directors and shareholders’ meeting, the company gave shares for free according to the plan of giving 3 shares for free per 10 shares, and the total share capital after giving shares was RMB 394,466,150, including: state-owned legal entity shares of RMB 120,166,150, social legal entity shares of 10,400,000, foreign-funded shares (B-shares) of RMB 88,400,000, RMB common shares (A-shares) of RMB 156,000,000 and internal employee shares of RMB 19,500,000.

In 2000, upon the approval of China Securities Regulatory Commission, the company allotted 3 shares per 10 shares based on the total share capital of 303,435,500 shares after the A-share issuance in June 1998, with allotment price of RMB 10/share, actually allotted 41,900,000 shares, and the total share capital after allotment amounted to RMB 436,366,150, including: state-owned legal entity shares of RMB 121,566,150, social legal entity shares of RMB 10,400,000, foreign capital shares (B-shares) of RMB 88,400,000 and RMB common shares (A-shares) of RMB 216,000,000.

In April 2005, corporate board of directors reviewed and adopted the 2004 profit pre-distribution plan which was also reviewed and adopted by the 2004 shareholders’ meeting of the company, giving 3 shares for free per 10 shares to all shareholders, and 130,909,845 shares were distributed to all shareholders in 2005.

According to the corporate equity split reform plan adopted by the relevant shareholders’ meeting on corporate equity split reform and the Jiangsu Provincial State-owned Assets Supervision and Administration Commission Su State-owned Assets Reply [2006] No.61 Reply on the Issues Concerning the State-owned Equity Management of Equity Split Reform of Wuxi Weifu High-tech Co., Ltd., eight shareholders of non-tradable shares

including Weifu Group arranged the consideration at a level of giving 1.7 shares for free per 10 shares (giving a total of 47,736,000 shares) to tradable A-share shareholders, so that the original non-tradable share capital may be listed and traded when certain conditions are met, and this plan was implemented on 5 April 2006.

On 27 May 2009, Weifu Group implemented the consideration arrangement with a ratio of giving 0.5 shares for free per 10 shares, based on the tradable A-shares before the stock reform, according to the above equity split reform plan, and as a result, additional 14,039,979 shares were given for free. After implementing additional consideration shares, Weifu Group held 100,021,999 shares of the company, accounting for 17.63% of the total share capital of the company.

According to Reply on Consent to the Merger of Wuxi Industrial Development Group Co., Ltd. with Wuxi Weifu Group Co., Ltd. of the State-owned Assets Supervision and Administration Commission of Wuxi Municipal People's Government (Xi State-owned Assets Enterprise [2009] No.46), Wuxi Industrial Development Group Co., Ltd. (hereinafter referred to as "Wuxi Industrial Group") absorbed and merged with Weifu Group. After the merger, Weifu Group was cancelled, with its assets and debts to be inherited by Wuxi Industrial Group, which became the largest shareholder of the company.

According to the company shareholders' meeting resolution and the amended articles of association, and upon the approval by the document of China Securities Regulatory Commission Securities Regulatory License [2012] No.109, in February 2012, the company privately issued 112,858,000 RMB common shares (A-shares) to Wuxi Industrial Group and overseas strategic investor German ROBERT BOSCH GMBH (hereinafter referred to as "German Bosch"), with a par value of RMB 1 per share, increasing the registered capital by RMB 112,858,000, and the registered capital after the change was RMB 680,133,995. Wuxi Industrial Group was the largest shareholder of the company, and German Bosch was the second largest shareholder of the company.

In March 2013, the company board of directors reviewed and adopted the 2012 profit distribution plan which was also reviewed and adopted by the 2012 shareholders' meeting of the company in May 2013, giving 5 bonus shares for free per 10 shares to all shareholders, based on the total share capital of 680,133,995 shares, 340,066,997 shares were distributed in total, and as of 31 December 2013, the total company share capital was RMB 1,020,200,992.

Upon the review and approval by the first interim shareholders' meeting in 2015, the company repurchased 11,250,422 A-shares from 26 August 2015 to 8 September 2015, and completed cancellation procedures for the aforesaid repurchased shares at the Shenzhen branch of China Securities Depository and Clearing Co., Ltd. on 16 September 2015; the company paid-in capital (share capital) after the change was RMB 1,008,950,570.

Upon the review and approval by the 5th meeting of the 10th board of directors of the company in 2021, the company repurchased and cancelled 291,000 restricted shares first granted according to the 2020 Restricted Share Incentive Plan, and completed cancellation procedures for the aforesaid repurchased shares at the Shenzhen branch of China Securities Depository and Clearing Co., Ltd. on 20 December 2021; the paid-in capital (share capital) of the company after the change was RMB 1,008,659,570.00.

Upon the review and approval by the 8th meeting of the 10th board of directors of the company in 2022, the company repurchased and cancelled 56,277 restricted shares first granted according to the 2020 Restricted Share Incentive Plan, and completed cancellation procedures for the aforesaid repurchased shares at the Shenzhen branch of China Securities Depository and Clearing Co., Ltd. on 8 July 2022; the paid-in capital (share capital) of the company after the change was RMB 1,008,603,293.00.

In 2023, upon the review and approval by the 14th meeting, 16th meeting and 20th meeting of the 10th board of directors of the company, the company repurchased and cancelled 430,000, 5,593,500 and 417,000 restricted shares first granted according to the 2020 Restricted Share Incentive Plan, and completed cancellation procedures for the aforesaid repurchased shares at the Shenzhen branch of China Securities Depository and Clearing Co., Ltd. on 16 February 2023, 16 June 2023 and 18 December 2023; the company paid-in capital (share capital) after the change was RMB 1,002,162,793.

On 15 April 2024, upon the company's 23rd meeting of the 10th board of directors that reviewed and adopted the Proposal on Repurchasing Cancellation of Some Restricted Shares under the 2020 Restricted Share Incentive Plan, and the company shares concerning repurchasing cancellation were the restricted shares of which trade restriction was not lifted yet held by 535 people, totaling 5,176,500 shares. As of 7 June 2024, the company had completed the repurchasing cancellation procedures of the aforesaid shares at the Shenzhen branch of China Securities Depository and Clearing Co., Ltd., and the company paid-in capital (share capital) after the change was RMB 996,986,293.

On 16 April 2025 and 9 May 2025, the company held the 6th meeting of the 11th board of directors and the 2024 general shareholders' meeting respectively, reviewed and approved Proposal on Changing the Use of Repurchased Shares and Cancellation, agreed to change the use of 25,000,000 A-shares in the special securities account for repurchasing, and changed from "used for implementing employee shareholding plan or equity incentive plan" to "used for cancellation and reduction of registered capital". As of 26 June 2025, the company had completed the repurchased share cancellation procedures for the aforesaid 25,000,000 shares at the Shenzhen branch of China Securities Depository and Clearing Co., Ltd. The company changed its total share capital from 996,986,293 shares to 971,986,293 shares. The Proposal on the Plan for Repurchasing Some A-Shares of the Company was reviewed and approved at the meeting, agreeing the company to repurchase some of A-shares used for reducing registered capital, using its own funds and the special loan for repurchasing, through centralized bidding transactions. On 3 July 2025, the company disclosed the Announcement on the Completion of Some A-share Repurchasing & Share Changes. The company repurchased a total of 5,200,600 A-shares by the special securities account for repurchasing, through centralized bidding transactions. As of 8 July 2025, the company had completed the repurchase and cancellation procedures for the above shares at the Shenzhen branch of China Securities Depository and Clearing Co., Ltd. After this change, as of 31 December 2025, company registered capital (total share capital) changed to RMB 966,785,693.

## **2. Corporate registered address, organizational structure and headquarter address**

Corporate registered address and headquarter address: No.5 Huashan Road, Xinwu District, Wuxi

Corporate Unified Social Credit Code: 91320200250456967N

The company set up the shareholders' meeting and the board of directors

The company has Strategic Investment Department, Market Expansion Department, Organizational HR Department, Compliance & Securities Affairs Department, Administration Department, Finance Department, Discipline Inspection Work Department, Manufacturing Safety Department, Purchasing Center, Technology Center, MS (Mechanical System) Business Department, AC (Automotive Components) Business Department, DS (Automotive Diesel System) Business Department, etc., as well as subsidiaries of Wuxi Weifu Lida Catalytic Purifier Co., Ltd., Nanjing Weifu Jinning Co., Ltd., IRD Fuel Cells A/S, Borit NV, VHIO, etc.

### 3. Business nature and main operating activities of the company

Corporate business scope: technological development and consulting service in mechanical industry; manufacturing of internal combustion engine fuel system products, fuel system testing instruments and equipment, automotive electronic components, automotive electrical appliance components, non-standard equipment, non-standard cutters and exhaust after-treatment system; sales of general machinery, hardware and electrical equipment, chemical products and raw materials (excluding hazardous chemicals), automotive parts and vehicles (excluding passenger vehicles of less than nine seats); internal combustion engine repair; self-owned house leasing; self-operation and agent for import and export business of various commodities and technologies (except those restricted by the state for operation or prohibited by the state for import and export). Engineering and technical research and experimental development; energy recovery system R&D; manufacturing of automotive parts and accessories; general equipment manufacturing (excluding special equipment manufacturing) (for items subject to approval according to laws, business activities may be implemented after approval by relevant departments). Licensed items: special equipment manufacturing; special equipment installation, renovation and repair (for items subject to approval according to laws, business activities may be implemented after approval by relevant departments, and specific business items are subject to the approval results); general items: engaging in investment activities with own funds; software development; software sales; software outsourcing service; mold manufacturing; mold sales; manufacturing of machine tool functional components and accessories; sales of machine tool functional components and accessories; manufacturing of drawing, calculation and measuring instruments; sales of drawing, calculation and measuring instruments; sales of industrial robots; installation and repair of industrial robots; manufacturing of intelligent basic manufacturing equipment; sales of intelligent basic manufacturing equipment; manufacturing of industrial automatic control system devices; sales of industrial automatic control system devices; manufacturing of material handling apparatuses; sales of material handling apparatuses; manufacturing of gas and liquid separation and purification equipment; sales of gas, liquid separation and purification equipment; technical service, technical development, technical consulting, technical exchange, technical transfer and technical promotion; emerging energy technology R&D; cargo import and export; technical import and export; manufacturing of ordinary valves and plugs (excluding special equipment manufacturing); valve and plug R&D; sales of valves and plugs (except the items subject to approval according to laws, business activities are implemented independently according to laws with business license)

Its main subsidiaries produce and sell internal combustion engine parts, automotive parts, mufflers, converters, fuel cell parts, etc.

### 4. Approved issuance of financial report

Company financial report was reported with the approval of the company board of directors on 15 April 2026.

### 5. In the financial statement notes, unless otherwise specified, the following company names are abbreviated as follows:

Name of subsidiaries	Subsidiary abbreviation
Nanjing Weifu Jinning Co., Ltd.	Weifu Jinning

Name of subsidiaries	Subsidiary abbreviation
Wuxi Weifu Lida Catalytic Converter Co., Ltd.	Weifu Lida
Wuxi Weifu Mashan Fuel Injection Equipment Co., Ltd.	Weifu Mashan
Wuxi Weifu Chang'an Co., Ltd.	Weifu Chang'an
Wuxi Weifu International Trade Co., Ltd.	Weifu International Trade
Wuxi Weifu Schmidt Power System Spare Parts Co., Ltd.	Weifu Schmidt
Ningbo Weifu Turbocharging Technology Co., Ltd.	Weifu Tianli
Wuxi Weifu Autocam Precision Machinery Co., Ltd.	Weifu Autocam
Wuxi Weifu Lida Catalytic Converter (Wuhan) Co., Ltd.	Weifu Lida (Wuhan)
Weifu Lida (Chongqing) Automotive Parts Co., Ltd.	Weifu Lida (Chongqing)
Nanchang Weifu Lida Automotive Parts Co., Ltd.	Weifu Lida (Nanchang)
Wuxi Weifu Smart Seat Co., Ltd.	Weifu Autosmart
Weifu Lianhua Automotive Parts (Fuzhou) Co., Ltd.	Weifu Lianhua
Wuxi Weifu Electric Drive Technology Co., Ltd.	Weifu Electric Drive
Wuxi Weifu Qinglong Power Technology Co., Ltd.	Weifu Qinglong
Yiwo Automotive System (Wuxi) Co., Ltd.	Yiwo Automotive
Weifu Zhigan (Wuxi) Technology Co., Ltd.	Weifu Zhigan
Weifu Yite Hydrogen Energy Technology (Wuxi) Co., Ltd.	Weifu Yite
Weifu Baolong (Nanjing) Technology Co., Ltd.	Weifu Baolong
Weifu Holding ApS	SPV
IRD Fuel Cells A/S	IRD
IRD FUEL CELLS LLC	IRD USA
Borit NV	Borit
Borit Inc.	Borit USA
VHIT S.p.A. Società Unipersonale	VHIO

## II. Preparation basis of the financial statements

### 1. Preparation basis

The company prepared financial statement pursuant to the Accounting Standards for Business Enterprise—Basic Standards and specific accounting standards promulgated by the Ministry of Finance, Application Guidelines of Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations (hereinafter referred to as “Accounting Standards for Business Enterprises”), as well as Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15—General Provisions on Financial Report (2023 Amendment) of the China Securities Regulatory Commission, based on assumption of sustainable operation, actual transaction and event.

According to relevant provisions of the accounting standards for enterprises, accounting in the company is conducted based on the accrual system. Apart from certain financial instruments, the financial statements are computed on the basis of historical costs. If an asset is impaired, the corresponding provision for impairment shall be made in accordance with the relevant provisions.

### 2. Continuous operation

The financial statement is presented based on sustainable operation, and the company has the ability of sustainable operation within at least 12 months from the end of reporting period.

### **III. Significant accounting policies and accounting estimate**

The company its subsidiaries have made several specific accounting policies and accounting estimates for various transactions and events, according to actual production and operation characteristics, and based on relevant accounting standards for business enterprises, described below.

#### **1. Statement on compliance with Accounting Standards for Business Enterprises**

The financial statements formulated by the company were in accordance with the requirements of accounting standards for enterprises, and they truly and completely reflected the company's consolidation and its parent company's financial status on 31 December 2025, as well as its consolidation and its parent company's operation results, consolidation, cash flow and other relevant information in 2025.

#### **2. Accounting period**

The company's accounting period is divided into annual and medium-term periods. The latter is shorter than the reporting period of a complete accounting year. Fiscal year of the company follows the Gregorian calendar year, namely from January 1 to December 31 every year.

#### **3. Business cycle**

With 12 months as an operating cycle, the company also uses this as a dividing standard for the liquidity of assets and liabilities.

#### **4. Accounting standard currency**

The currency used by the company in preparing the financial statement is RMB. The overseas subsidiaries of the company have determined EUR, DKK, and USD as their functional currencies based on the primary economic environments in which they operate.

#### **5. Accounting treatment method for business combination under the same and different control**

Business combination, refers to the transactions or events of combining two or more than two separate businesses into one reporting entity. Business combination includes business combination involving entities under common control and business combination involving entities not under common control.

##### **(1) Enterprise merge under the same control**

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

The company measures the assets and liabilities obtained from consolidation of enterprises, according to the book value of consolidated party's assets and liabilities (including the goodwill arising from ultimate controller's

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

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

## **(2) Business combination not under the same control**

If the enterprises participating in the merger are not ultimately controlled by the same party or parties before and after the combination, the business combination is facilitated under different controls. For business combinations not under the same control, the party that obtains control over other participating enterprises on the acquisition date is the acquirer, and other enterprises that participate in the combination are the acquirees. The acquisition date refers to the date when acquirer actually obtains control over acquiree.

For the business combination involving entities not under common control, the cost of a business combination paid by the acquirer is the aggregate of the fair value at the acquisition date of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquired entity, and relevant professional expenditures directly attributed to the combination, including audit fee, legal service fee, appraisal fee and etc. , are charged to the income statement of the current period when occurs. Any transaction costs occurring in the process of issuing equity securities or debt securities as consideration paid for combination by the acquirer are included in the initially recognized amount of equity securities or debt securities. Contingent consideration shall be record into the cost of business combination at fair value at the acquisition date. If there is new or additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition that requires to adjust the contingent consideration, the goodwill shall be adjusted correspondingly. The cost of combination incurred to the acquirer and the net identifiable assets obtained in the processing of combination shall be measured at the acquisition-date fair value. Goodwill is identified as the excess of combination cost over the fair value of identifiable net assets obtained by the acquirer in combination on the acquisition date. If the combination cost is less than the fair value of identifiable net assets obtained by acquiree in the combination, the fair value of identifiable assets, liabilities and/or contingent liabilities of the acquiree and the combination costs should be re-computed first. If the combination cost is still less than the fair value of identifiable net assets obtained by the acquiree in the combination, the difference shall be included into the current profits and losses.

When the deductible temporary difference obtained by the purchasing party from the purchased party is unrecognized due to incompliance with the deferred income tax asset recognition criteria on the purchasing date, within 12 months after the purchasing date, if new or further information shows relevant circumstances of the purchasing date have existed, and economic benefits of the purchased party brought by the deductible temporary difference on the purchasing date is expected to realize, the relevant deferred income tax assets are recognized, while the goodwill is reduced; if the goodwill is insufficient to offset, the difference part is recognized as current profits and losses; except for the above circumstances, the deferred income tax assets recognized in connection with enterprise consolidation are included in current profits and losses.

If the consolidation of enterprises under different control is achieved through multiple transactions by steps, and they are the "package deal", the accounting treatment is made with reference to descriptions of the foregoing

paragraphs in this section and Note III, 14 “Long-term equity investment”; if they are not the “package deal”, relevant accounting treatment is subject to distinguishing between individual financial statement and consolidated financial statement.

In separate financial statements, the sum of the carrying amount of the acquirer’s interest in the acquired entity’s equity investments prior to the acquisition date and the additional investment costs at the acquisition date is recognized the initial investment cost; For the acquirer’s interest in the acquired entity’s equity investments prior to the acquisition date that is related to other comprehensive income, it shall be accounted, with other relevant comprehensive incomes, on the same basis of direct disposal of assets or liabilities in the disposal of the investment (i.e., except for the share in change in the re-measurement of the net assets or net liabilities of the defined benefit plan using the equity method, others are accounted into current investment income).

In the consolidated financial statements, the acquirer’s interest in the acquired entity’s equity investments prior to the acquisition date is measured at the fair value at acquisition date, and the difference between fair value and carrying amount is accounted into current investment income; For the acquirer’s interest in the acquired entity’s equity investments prior to the acquisition date that is related to other comprehensive income, it shall be accounted, with other relevant comprehensive incomes, on the same basis of direct disposal of assets or liabilities in the disposal of the investment (i.e., except for the share in change in the re-measurement of the net assets or net liabilities of the defined benefit plan using the equity method, others are accounted into current investment income).

## **6. The standard for judging control and method for preparing consolidated financial statement**

### **(1) The standard for judging control**

The scope of financial statements consolidation is decided based on the control. Control means that the Company has the power over the invested entity, earns variable return by participating in relevant activities of the invested entity, and has the ability to influence the return amount by exercising its power over the invested entity. Generally include the investee company of which the parent company holds more than half of its voting rights and although the company holds less than half of its voting rights, it holds more than half of voting rights of the investee company through the agreement with other investors of the investee company; have the right to decide on financial and operational decisions of the investee company according to the company articles of association or agreement; have the right to appoint or dismiss most members of the board of directors of the investee company; account for a majority of voting rights in the board of directors of the investee company.

### **(2) Method for compiling consolidated financial statements**

From the date of obtaining the actual control of the subsidiary's net assets and production and business decisions, the company began to include it in the scope of consolidation; and ceased to be included in the scope of consolidation from the date of loss of actual control. For the subsidiary in disposal, business performance and cash flows prior to the date of disposal has been included in the consolidated income statement and consolidated cash flow statement; For the subsidiary disposed in the current period, the opening balance in the consolidated balance sheet is not adjusted. For subsidiaries that are not under the same control and whose business combination is increased, the operating results and cash flows after the purchase date have been properly included in the consolidated income statement and the consolidated cash flow statement, and the opening balance and comparison

of the consolidated financial statements are not adjusted. For the subsidiary acquired in the business combination under same control, the business performance and cash flows from the beginning of the period to the acquisition date has been included in the consolidated income statement and consolidated cash flow statement, and the comparative figures in the consolidated financial statements are correspondingly restated.

In preparing of the consolidated financial statements, when the accounting policies or accounting period of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting policies or accounting period. For subsidiaries acquired under a business combination not under common control, the financial statements of the subsidiary are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All major current balances, transactions and unrealized profits in the company are offset when the consolidated financial statements are prepared.

The shareholder's equity of the subsidiary and the current portion of the net profit or loss that does not belong to the company are separately presented as minority shareholders' equity and minority shareholders' profits and losses under the item of shareholders' equity and net profit in the consolidated financial statements. The share of the subsidiary's current net profit or loss attributable to minority interests is presented as "minority interest income" under the net profit in the consolidated income statement. Where losses attributable to the minority shareholders of a subsidiary exceeds the minority shareholders interest in of the equity of the subsidiary, they are still offset against the minority shareholders interest.

If a parent disposes of partial equity interest or loses control of a subsidiary due to other factors, the parent should recognize any residual interest in the former subsidiary at its fair value when control is lost. Difference of the sum of consideration arising from equity disposal and fair value of remaining equity minus the net asset portion of original subsidiaries calculated continuously from the purchase date as per the original shareholding ratio is included in investment income of the current period when losing control right. Other comprehensive income related to the equity investment of the original subsidiary, when the loss of control right is used, the accounting basis is the same as that of the purchased party that directly disposes of the relevant assets or liabilities. (that is, except for the change in the net liabilities or net assets caused by the re-measurement of the defined subsidiaries in the original subsidiary, the rest will be converted into current investment income). Afterwards, the remaining equity of this part is subsequently measured in accordance with relevant regulations such as "Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investment" or "Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments", for details, please refer to Note III, 14 "Long-term equity investment" or Note III, 10 "Financial Instruments".

If the company disposes of the equity investment in a subsidiary through multiple transactions until it loses control, it needs to distinguish whether each transaction that deals with the equity investment in the subsidiary until the control is lost is a package transaction. If the terms, conditions, and economic impact of the various transactions for the disposal of an equity investment in a subsidiary meet one or more of the following conditions, it usually indicates that the multiple transactions should be accounted for as a package deal: ① these transactions are entered into simultaneously or with consideration of their mutual impact; ② these transactions as a whole can achieve a complete business result; ③ the occurrence of a transaction depends on the occurrence of at least one other transaction; ④ a transaction is not economical on its own, but is economical when considered together with other transactions. If they are not the package deal, for each transaction, accounting treatment is conducted

respectively according to the applicable principles in “partially disposing the long-term equity investment of subsidiary without losing the control right” and “losing the control right on original subsidiary due to disposal of partial equity investment or other reasons”. Disposal of the equity investment in the subsidiary until the loss of control of the transaction is a package transaction, the transaction will be treated as a transaction to dispose of the subsidiary and lose control; however, before the loss of control, the difference between the disposal price and the share of the net assets of the subsidiary corresponding to the disposition of the investment is recognized in the consolidated financial statements as other comprehensive income. When the control right is lost, it is transferred to the loss of control at the same time. profit and loss.

## **7. Classification of joint arrangements and accounting of joint operations**

Joint arrangement refers to an arrangement that is jointly controlled by two or more participants. The company classifies joint arrangements into joint operations and joint ventures based on the rights it enjoys and the obligations it assumes during the joint venture arrangement. Joint operation refers to the joint venture arrangement in which the company enjoys the relevant assets of the arrangement and bears the liabilities of the arrangement. A joint venture refers to a joint venture arrangement where the company only has rights to the net assets of the arrangement.

The company's investment in joint venture is accounted by the equity method, and treated according to the accounting policy specified in Note III. 14(2)② “Long-term equity investment accounting by the equity method”.

The company operates jointly as a joint venture, confirming the assets held by the company alone, the liabilities the company assumed alone, and confirming jointly held assets and jointly assumed liabilities according to the shares of the company; confirming the income generated from the sale of the company's joint operating output share; the income generated from the sales of joint operations according to the company's share; confirming the expenses incurred by the company alone, and confirming the cost of joint operations according to the company's share.

When the company operates as a joint venture to jointly sell or sell assets (this asset does not constitute a business, the same below), or when purchasing assets from a joint operation, before the assets are sold to a third party. The company only recognizes the portion of profit or loss arising from this transaction that is attributable to other participants of the joint venture. If such assets incur an impairment loss in accordance with the provisions of Accounting Standards for Business Enterprises No. 8 - Asset Impairment and other regulations, for assets contributed or sold by the Company to the joint operation, the Company shall recognize the full amount of the loss. For assets purchased by the Company from the joint operation, the Company shall recognize the loss based on the share it assumes.

## **8. Determination standards of cash and cash equivalents**

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

## 9. Foreign currency transactions and conversion of foreign currency statements

### (1) Conversion of foreign currency transactions

When initially confirming the foreign currency transaction occurred by the company, it shall be converted into the functional currency according to the spot exchange rate on the transaction date. However, the foreign currency conversion business or the transaction involving foreign currency conversion that occurred in the company shall be converted into functional currency amount according to the actual exchange rate.

### (2) Conversion methods for foreign currency monetary items and foreign currency non-monetary items

On the balance sheet date, foreign currency monetary items are converted at the spot exchange rate on that date, and the resulting exchange difference is included in current profits and losses, except: ① the exchange difference arising from special borrowings of foreign currency related to constructing the assets eligible for capitalization is treated in the principle of borrowing cost capitalization; ② the exchange difference of hedging instrument used for effective net overseas operation investment hedging (such difference is included in other comprehensive incomes, and it is recognized as current profits and losses until net investment is disposed); ③ for the available-for-sale foreign currency monetary items, the exchange differences arising from book balance changes other than the amortized costs are included in other comprehensive incomes.

For the preparation of consolidated financial statements involving overseas operations, if there is a foreign currency monetary item that substantially constitutes a net investment in overseas operations, the exchange differences arising from changes in exchange rates are included in other comprehensive income; When disposing of overseas operations, transfer to disposal of current profits and losses.

Non-monetary foreign currency items measured at historical cost are still measured by the amount of functional currency converted at the spot exchange rate on the transaction date. Non-monetary foreign currency items measured at fair value shall be converted at the spot exchange rate on the date when the fair value was determined. The difference between the converted functional currency amount and the original functional currency amount shall be treated as changes in fair value (including changes in exchange rates) and included in current profit or loss or confirming as other comprehensive income.

### (3) Conversion method of foreign currency financial statements

For the preparation of consolidated financial statements involving overseas operations, if there is a foreign currency monetary item that substantially constitutes a net investment in overseas operations, the exchange differences arising from changes in exchange rates shall be confirmed to be other comprehensive income as a “foreign currency conversion difference”; When disposing of overseas operations, included in disposal of current profit and loss.

The foreign currency financial statement of overseas operation is converted into RMB statement as follows: items of assets and liabilities in the balance sheet are converted at the spot exchange rate on the balance sheet date; except for the “undistributed profit” item, other owner’s equity items are converted at the spot exchange rate at the time of incurrence. Income and expense items in the income statement are converted by the spot exchange rate on the transaction date. The undistributed profit at the end of last year is the undistributed profit at the end of year after conversion of last year; the undistributed profit at the end of period is presented by calculation of each item according to the profit distribution after conversion; the difference between the items of assets and liabilities after

conversion and the total owner's equity items is recognized as other comprehensive incomes, as the conversion difference of foreign currency financial statement. When disposal foreign operations and the control rights are lost, the difference in foreign currency statements related to the overseas operations that are listed in the shareholders' equity items in the balance sheet is transferred to the current profit or loss, either in whole or in proportion to the disposal of the foreign operations.

Foreign currency cash flows and cash flows of overseas subsidiaries are converted at the spot exchange rate on the cash flow occurrence day. The impact of exchange rate changes on cash is treated as a reconciliation item and presented separately in the cash flow statement.

The number at the end of last year and actual number of last year are presented according to the amount after conversion of financial statement of last year.

When disposing of the entire owner's equity of the company's overseas operations or the loss of overseas operations control rights due to the disposal of part of the equity investment or other reasons, the ownership of the shareholders' equity in the balance sheet and the operations related to the overseas operations are attributed to the difference in conversion of foreign currency statements of owners' equity of the parent company and is transferred to the disposal of current profit or loss.

When disposing of part of the equity investment or other reasons that result in a reduction in the proportion of overseas operating equity but not losing control over overseas operations, the foreign exchange statement conversion differences related to the foreign operations disposal part will be attributed to minority shareholders' equity and will not be transferred to the current profits and losses. When disposing of partial equity in an overseas operation is an associate or a joint venture, the foreign currency conversion difference related to the overseas operation is transferred to the disposal of current profit or loss in proportion to the disposal of the foreign operation.

## **10. Financial instruments**

When the company becomes a party to a contract of a financial instrument, the company shall recognize a financial asset or financial liability.

### **(1) Classification, confirmation and measurement of financial assets**

Based on business model of managing financial assets and contractual cash flow characteristics of financial assets, the company divides financial assets into: financial assets measured at amortized cost; financial assets measured at fair value with changes included in other comprehensive incomes; financial assets measured at fair value with changes included in current profits and losses.

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

#### **i. Financial assets measured at amortized costs**

The corporate business model for managing financial assets measured at amortized cost aims at charging

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

ii. Financial assets measured at fair value with changes included in other comprehensive incomes

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

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

iii. Financial assets at fair value and through current profit or loss

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

## **(2) Classification, recognition and measurement of financial liabilities**

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

i. Financial liabilities at fair value and through current profit or loss

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

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

The financial liabilities designated as measured at fair value with changes included in current profits and losses, such liabilities are caused by the company's own credit risk changes, with fair value changes included in

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

ii. Other financial liabilities

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

**(3) Confirmation basis and measurement method of financial assets transfer**

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

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

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

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

When the company uses financial assets sold with recourse or sells financial assets held in an endorsement, it must determine whether all risks and rewards of ownership of the financial assets have been almost transferred. Where all the risks and rewards of ownership of the financial asset have been transferred to another party, the financial asset is derecognized; Where all the risks and rewards of ownership of the financial asset have been retained, the financial asset is not derecognized; Where all the risks and rewards of ownership of the financial asset have not been transferred or retained, it shall be determined whether the enterprise has retained control over

the asset, and the above-mentioned accounting principles in preceding paragraphs shall be applied.

#### **(4) De-recognition of Financial Liabilities**

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

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

#### **(5) Offset of financial assets and financial liabilities**

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

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

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

### **11. Impairment of financial assets**

The financial assets that the company needs to confirm impairment losses are financial assets measured at amortized cost, debt instrument investments measured at fair value with changes included in other comprehensive

incomes, mainly including bills receivable, accounts receivable, contract assets, other receivables, debt investment, other debt investments, long-term receivables, etc. In addition, for some financial guarantee contracts, provision for impairment and recognition of credit impairment losses are also conducted in accordance with the accounting policies described in this section.

### **(1) Method for recognizing impairment provision**

Based on expected credit losses, the company makes impairment provision and recognizes credit impairment losses according to the applicable expected credit loss measurement method (general method or simplified method) for the above items.

Credit losses refer to the difference between all contractual cash flows receivable under the contract and all cash flows expected to charge and discounted by the company at the original actual interest rate, namely the present value of all cash shortages. Among them, for the financial assets purchased or originated and suffered credit impairment, the company discounts such financial assets as per the credit-adjusted actual interest rate.

General method for measuring expected credit losses means that the company assesses on each balance sheet date whether the credit risks of financial assets have increased significantly since initial recognition, and if the credit risks have increased significantly since initial recognition, the company shall measure loss provision based on the amount equivalent to expected credit losses throughout the existence period; if the credit risks have not increased significantly since initial recognition, the company measures loss provision based on the amount equivalent to expected credit losses within the next 12 months. When evaluating expected credit losses, the company considers all reasonable and well-grounded information, including forward-looking information.

Assuming that the credit risk of the financial instruments with low credit risks on the balance sheet date has not increased significantly since the initial recognition, the Company chooses to measure the loss provision based on the expected credit loss within the next 12 months/does not choose a simplified processing method, and depending on whether their credit risk has increased significantly since the initial recognition, the Company measures the loss provision based on the expected credit loss within the next 12 months or the entire term of its existence.

### **(2) Criteria for judging whether credit risks have increased significantly since initial recognition**

If the default probability of a financial asset within the expected existence period determined on the balance sheet date is significantly higher than the default probability within the expected existence period determined during initial recognition, it indicates that the credit risks of such financial asset have increased significantly. Except in special circumstances, the company adopts the default risk changes that occur within the next 12 months as reasonable estimate of default risk changes that occur throughout the existence period, to determine whether credit risks have increased significantly since initial recognition.

In general, if overdue for more than 30 days, the company believes credit risk of this financial instrument has increased significantly, unless conclusive evidences prove credit risk of this financial instrument has not increased significantly since initial recognition.

(1) The company will consider the following factors when assessing whether credit risk is increased significantly:

- 1) Whether the actual or expected operating results of the debtor have changed significantly;
- 2) Whether the debtor's regulatory, economic or technological environment has undergone significant

adverse changes;

3) Whether the value of collateral used for debt mortgage or the quality of guarantee or credit enhancement provided by third party has changed significantly. These changes are expected to reduce the debtor's economic motivation to repay the loan within the specified period of contract or affect defaulting probability;

4) Whether expected performance and repayment behavior of the debtor has changed significantly;

5) Whether corporate credit management methods for financial instruments have changed, etc.

(2) On the balance sheet date, if the company judges financial instrument only has relatively low credit risk, the company assumes credit risk of this financial instrument has not increased significantly after initial recognition. If the default risk of financial instrument is low, the borrower has a strong ability to fulfill its contractual cash flow obligation in the short term, and even if unfavorable changes exist in the economic situation and operation environment over a long period of time, it may not necessarily reduce the borrower's ability to fulfill its contractual cash obligation, and such financial instrument is deemed to have lower credit risk.

### **(3) Portfolio method for evaluating expected credit risks based on portfolio**

The company evaluates credit risks individually for financial assets with significantly different credit risks, e.g.: receivables from associated parties; receivables in dispute with the other party or involved in litigation and arbitration; receivables with obvious indication that the debtor is probably unable to perform repayment obligations, etc.

Apart from financial assets with single assessment of credit risk, the company classifies financial assets into different groups based on common risk characteristics. Common credit risk characteristics adopted by the company include: financial instrument type, credit risk rating, aging portfolio, overdue account aging portfolio, contract settlement cycle, debtor's industry, etc., to assess credit risk based on portfolio.

### **(4) Accounting treatment method of financial asset impairment**

At the end of period, the company calculates expected credit losses of various financial assets, and if such expected credit losses are greater than current carrying amount of impairment losses, the difference is recognized as impairment losses; if they are less than the carrying amount of current impairment provision, the difference is recognized as impairment gains.

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

In addition to receivables with individual assessment of credit risks, the company classifies receivables into different groups based on common risk characteristics, and assesses credit risk based on the portfolio. The basis for determining different portfolios and specific methods for measuring expected credit losses are as follows:

Items	Determine the basis for the combination	Specific method for measuring expected credit losses
Receivables financing - bank acceptance bill portfolio	Bank acceptance bill	Regarding receivables within six months, the company does not make provision for expected credit losses; besides, the company believes that the credit risk of the held bank acceptance bills is quite low and will not incur significant losses due to bank default, and therefore the expected credit losses are not measured for the receivables financing-bank acceptance bill portfolio

Items	Determine the basis for the combination	Specific method for measuring expected credit losses
Notes receivable - commercial acceptance bill portfolio	Commercial acceptance bill	Regarding receivables within six months, the company does not make provision for expected credit losses; besides, the credit risk of the commercial acceptance bills held by the company is quite low, because these bills are mainly issued by reputable automobile manufacturers. According to historical experience, there was no major default, and therefore the expected credit losses are not measured for the notes receivable-commercial acceptance bill portfolio
Accounts receivable - customer portfolio	Accounts receivable except receivables from internal related parties and amounts of which the individual provision for credit impairment losses has been made	Expected credit losses measured by aging
Other receivables - other receivable portfolio	Other receivables except receivables from internal related parties and amounts of which the individual provision for credit impairment losses has been made	The expected credit losses are calculated through default risk exposure and expected credit loss rate in the entire duration within the next 12 months, with reference to historical credit loss experience, combined with current status and future economic status forecast.

Regarding accounts receivable with expected credit losses measured by aging, their aging is calculated continually from the initial recognition date of the creditor's right, and the expected credit loss accrual ratio corresponding to different aging stages is:

Aging	Accrual ratio (%)
Within six months	--
Six months to one year	10.00
One to two years	20.00
Two to three years	40.00
More than three years	100.00

## 12. Inventory

### (1) Classification of inventory

Inventory mainly includes raw materials, products in process, finished products, contract performance costs, etc.

### (2) Valuation method for delivery

In case of acquisition and delivery, the price is weighted according to the weighted average method;

### (3) The inventory system is a perpetual inventory system.

### (4) Amortization method for low-value consumables and packages

Low-value consumables should be amortized at one-off amortization method when they are received; and the packages should be amortized at one-off amortization method when they are received.

### (5) Recognition standard and accrual method for inventory depreciation reserve

The net realizable value refers to the estimated sold price of inventories less the estimated costs to be incurred upon completion, estimated selling expenses and related taxes in daily activities. When determining the net realizable value of inventories, based on obtaining conclusive evidence, consider the purpose to hold the inventory and the influence of events after the balance sheet date.

On the balance sheet date, inventories are measured at the lower between the cost and net realizable value. When the net realizable value is lower than the cost, inventory depreciation reserve is withdrawn. The provision for inventory devaluation is usually based on the difference between the higher cost of a single inventory item and

its net realizable value. As for inventories with large quantity and low unit price, the provision for inventory depreciation reserve is made based on the category of inventories; as for inventories related to serial products manufactured and sold in the same region, with the same or similar ultimate application or purpose, and difficult to measure separately from other items, the provision for inventory depreciation reserve may be combined.

After accruing inventory depreciation reserve, if the influencing factors of the previous write-down of inventory value have been disappeared and the net realizable value of inventory exceeds its book value, and then it should be reversed from the provision for inventory devaluation accrued and the amount transferred back is included in the current profit or loss.

### **13. Held for sale and discontinued operation**

#### **(1) Held non-current assets for sale and disposal group**

If the company recovers its book value mainly through sale (including non-monetary asset exchange with commercial substance, the same below) instead of continuing usage of a non-current asset or disposal group, it should be classified as held for sale. The specific criteria are to meet the following conditions at the same time: a non-current asset or disposal group can be sold immediately under current conditions based on the convention of selling such assets or disposal groups in similar transactions; the company has already made a resolution on the sale plan and the purchase promise; the expected sales would be completed within one year. Among them, the disposal group refers to a group of assets that are disposed of as a whole through sale or other means in a transaction, and the liabilities direct related to these assets transferred in the transaction. If the asset group or asset portfolio of disposal group shares the goodwill obtained in enterprise consolidation according to the Accounting Standards for Business Enterprises No.8 – Impairment of Assets, such disposal group shall include the goodwill allocated to the disposal group.

When the company measures initially or re-measures the non-current assets and disposal groups held for sale on the balance sheet date, if its book value is higher than the fair value minus the net amount after the sale expenses, the book value should be reduced to the net amount of fair value less costs to sell, the amount to write-down is recognized as asset impairment loss, included in the current profit or loss, and make the provision for impairment of held-for-sale assets at the same time. For the disposal group, the recognized asset impairment losses firstly deducts the book value of goodwill in the disposal group, and then proportionally deducts the book value of all non-current assets in such disposal group as specified in the applicable measurement provisions of the Accounting Standards for Business Enterprises No.42 - Held-for-sale Non-current Assets, Disposal Team & Discontinued Operations (hereinafter referred to as the “Held-for-sale Standards”). If the fair value of the disposal group held for sale on the follow-up balance sheet day minus the net amount after the sale expense is increased, the amount of the previous write-down should be restored, which is classified for holding the sale and reversed within the amount of impairment loss of assets confirmed by the measurement of non-current assets as held for sale. The reversed amount should be recorded in the current profit or loss, and the book value of various non-current assets should be increased according to the proportion stipulated as the standard held for sale in addition to goodwill in the disposal group; the book value of the goodwill that has been written off, and the confirmed amount of impairment loss of assets of the non-current assets subject to the holding measurement criteria are not allowed to be reversed before classified as held for sale. .

Non-current assets held for sale or non-current assets in the disposal group are not subject to depreciation or

amortization. The interest and other expenses of the liabilities in the disposal group held for sale continue to be confirmed.

When the non-current asset or disposal group no longer meets the classification criteria for the held-for-sale category, the company should no longer classify it as a held-for-sale category or remove the non-current assets from the disposal group held for sale. It is calculated as the lower of following two measures: (1) The book value before classified as held for sale is the amount adjusted according to the depreciation, amortization or impairment that should be confirmed if it is assumed not to be classified as held for sale; (2) Recoverable amount.

## **(2) The standard for identifying and method for presenting discontinued operation**

Discontinued operations refer to the integral part that meets one of the following conditions, can be separately classified, has been disposed of or classified as held-for-sale category: (1) this integral part represents an independent primary business or a separate major operating area; (2) this integral part is a part of related plan intended for an independent primary business or a separate major operating area; (3) this integral part is a subsidiary acquired solely for resale.

The company presents relevant profits or losses of discontinued operation in the income statement and discloses the impact of discontinued operation in the notes.

## **14. Long-term equity investment**

The long-term equity investment in this part refers to the long-term equity investment that the company has control, joint control or significant influence on the invested entity. The long-term equity investments of which the company does not have control, joint control or significant impact on the investee company are accounted as financial assets measured at fair value with changes included in current profits and losses, if they belong to non-transactional, the company may choose to designate them as financial assets measured at fair value with changes included in other comprehensive incomes at initial recognition for accounting, and the accounting policy is shown in Note III, 10 “Financial instruments”.

Joint control means that the company has common control over an arrangement in accordance with the relevant agreement, and the related activities of the arrangement must be agreed upon by the parties that share the right of control. Significant influence means that the company has the power to participate in decision-making on the financial and operating policies of the invested company, but it cannot control or control jointly the formulation of these policies together with other parties.

### **(1) Recognition of investment costs**

For the long-term equity investment formed in the merger of enterprises under the common control, it shall on the date of merger, regard the share of the book value of the shareholders' equity of the merged enterprise in the merger's consolidated financial statement as the initial cost of the long-term-equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If capital reserve is insufficient, retain earnings shall be adjusted. In the case of issuance of equity securities as the merging consideration, the share of the book value of the shareholders' equity of the merged party in the ultimate controller's consolidated financial statements at the merged date should be taken as the initial investment cost of the long-term equity investment; the difference between the total face value of the issued shares, the initial

investment cost of the long-term equity investment and the total par value of the shares issued should be adjusted for the capital reserve; if the capital reserve is insufficient to offset, the retained earnings should be adjusted. Where the equity of the merged party under the same control is obtained through multiple transactions by steps, to ultimately form business combination under the same control, the treatment shall be subject to whether it is a “package deal”: in case of a “package deal”, the accounting treatment is made on each transaction as a transaction with control right. If they are not “package deal”, the book value of consolidated party [shareholder’s equity/owner’s equity] in the ultimate controller’s consolidated financial statement on the consolidation date is the initial investment cost of long-term equity investment, and capital reserve is adjusted as per the difference between initial investment cost of long-term equity investment and the sum of long-term equity investment book value prior to consolidation plus the book value of new consideration payment for further obtaining shares on the consolidation date; if the capital reserve is insufficient to offset, retained earnings shall be adjusted. The equity investments held before the consolidation date due to using equity method of accounting or other comprehensive incomes recognized as financial assets measured at fair value with changes included in other comprehensive incomes, are not accounted temporarily.

For long-term equity investments acquired by business combinations under non common control, the initial cost of long-term equity investment is the merged cost on the purchase date. The merged costs include assets paid by the purchaser, liabilities incurred or assumed, and the fair value of equity securities issued. Where the equity of the purchased party is obtained through multiple transactions by steps, to ultimately form business combination under different control, the treatment shall be subject to whether it is a “package deal”: in case of a “package deal”, the accounting treatment is made on each transaction as a transaction with control right. Where the deals do not belong to a “package-deal”, it shall regard the sum of the share of the book value of the owner’s equity of the merged enterprise and new investment costs as the initial cost of the long-term-equity investment that using cost accounting method. Where the original held equity is accounted as the equity method, the related comprehensive income should not be accounted temporarily.

Intermediary costs such as auditing, legal services, assessment and consulting, etc. incurred by the combining party or the purchaser for the business combination and the other management cost should be recorded in the current profit or loss when incurred.

Except the long-term equity investment formed by the business combination, the other equity investment is initially measured at the cost. Based on the different way that the long-term equity investment is obtained, the cost should be determined respectively, such as the actual cash paid by the company, the fair value of equity securities issued by the company, the value agreed in the investment contract or agreement, the fair value or original book value of the assets in the exchange transaction of non-monetary assets, and the fair value of the long-term equity investment. Relevant costs directly attributed to the long-term equity investment, taxes, and other necessary expenditures shall be recorded into investment costs. In case of exerting significant impact on the investee company due to additional investment or implementing joint control rather than constitute control, the long-term equity investment cost is the sum of fair value of original equity investment determined as per the Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments and the additional investment cost.

## **(2) Subsequent measurement and recognition of profit and loss**

The long-term equity investment that has common control of the invested entity (except for constitutes a

common operator) or has significant influences, shall be measured using equity method. In addition, the company's financial statements use the cost method to account for long-term equity investments that can control the investee.

i. Long-term equity investment accounted as cost method

When using the cost method, the long-term equity investment is measured at the initial investment cost, and the cost of the long-term equity investment is adjusted when the investment is added or withdrawn. Except for the actual payment for the investment or the cash dividend or profit included in the consideration that has been announced but not yet issued, the current investment income should be recognized in accordance with the cash dividends or profits declared by the investee.

ii. Long-term equity investment employing the equity method

Under equity method, if the initial cost of a long-term equity investment is more than the investing enterprise's attributable share of the fair value of the invested entity's identifiable net assets for the investment, the initial cost of the long-term equity investment may not be adjusted; if the initial cost of long-term equity investment is less than the investing enterprise's attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be included in the current profit or loss, and the cost of the long-term equity investment shall be adjusted simultaneously.

Under equity method, according to the assumed share of net profit or loss and other comprehensive income of the invested entity, it shall separately recognize investment income and other comprehensive income, and make adjustment to the book value of the long-term equity investment; it shall calculate its share according to the profit or cash dividend that the invested entity declares to distribute, and reduce the book value of the long-term equity value correspondingly; For other change in invested entity's equity except for net profit or loss, other comprehensive income and profit distribution, it shall make adjustment to the book value of the long-term equity investment and be accounted into capital reserves. When confirming the share of the net profits and losses of the investee, the net profits of the investee should be adjusted for confirmation based on the fair value of the identifiable assets of the investee etc. at the time of acquisition. If the investee adopts the accounting policy and the accounting period inconsistent with that of the company, the financial statements of the investee should be adjusted in accordance with the accounting policies and accounting periods of the company and the investment income and other comprehensive income should be also confirmed. For transactions between the company and its associated enterprise and joint ventures, if the assets invested or sold do not constitute a business, the unrealized profits and losses of internal transactions are calculated based on the proportion, the shares that are attributable to the company are offset. On this basis, confirm investment profit and loss. However, if the unrealized internal transaction losses incurred by the company and the invested entity belong to the impairment loss of the transferred assets, they should not be offset. If the assets invested by the company to joint venture or associate constitutes a business, if the investor obtains a long-term equity investment without the right of control, the fair value of the investment is used as the initial investment cost of the new long-term equity investment. The difference between the initial investment cost and the book value of the investment business is fully accounted in the current profit or loss. If the assets invested by the company to joint venture or associate constitutes a business, the difference between the consideration obtained and the book value of the business is fully recorded in the current profit or loss. Where the company constitutes business by the assets purchased from associated enterprises and joint ventures, accounting treatment shall be conducted pursuant to the provisions of the Accounting Standards for

Business Enterprises No.20 – Enterprise Consolidation, and the gains or losses related to transactions are fully recognized.

When the net losses incurred by the invested entity are confirmed, the book value of the long-term equity investment and other actual long-term equity of net investment to the invested entity could be reduced to zero. In addition, if the company has the obligation to bear additional losses to the invested entity, recognize the estimated liabilities according to the expected obligations, which is included in the current investment losses. For the net profit realized by the invested entity in the subsequent period, the company should resume the share of unrecognized losses of its share of profits, and then recover the amount of its share of profits.

iii. Acquisition of minority shareholders' interest

In preparation of consolidated financial statements, the difference between the new long-term equity investment obtained by purchasing minority shareholder's interest and its attributable share in net assets of the subsidiary continuously calculated from the acquisition date (or merger date) according to the new shareholding ratio shall be accounted into capital reserves, and if the capital reserves are insufficient, retain earnings shall be adjusted.

iv. Disposal of long-term equity investment

In the consolidated financial statement, if the parent company partially disposes the long-term equity investment of subsidiary without losing the control right, the difference between disposal price and net assets of subsidiary corresponding with the disposal of long-term equity investment is charged to owner's equity; if the parent company partially disposes the long-term equity investment of subsidiary, resulting in losing control right of subsidiary, it is subject to relevant account policy specified in the Note III, 6, (2) "Method for the preparation of Consolidated Financial Statement".

For the disposal of long-term equity investment under other circumstances, the difference between the book value of the equity and the actually obtained price from the disposal of equity shall be recorded into current profit or loss.

For the long-term equity investment measurement under equity method, the remaining equity after the disposal shall still be measured using equity method, when disposes of the long-term equity, other comprehensive income that has been accounted into shareholder's equity shall be treated, according to the relevant ratio, on the same basis on which the invested equity directly disposes of relevant assets or liabilities. The shareholders' equity recognized because of other change in invested entity's equity except for net profit or loss, other comprehensive income and profit distribution shall be carried forward in proportion to current profit or loss.

Where the long-term equity investment is measured using cost method and the remaining equity after the disposal are still measured using cost method, other comprehensive income that is recognized due to the employment of equity method or financial instrument recognition and measurement criterion before the investing entity obtains the control of the invested entity, it shall conduct accounting treatment on the same basis on which the invested equity directly disposes of relevant assets or liabilities, and transfer in proportion the current profit or loss; other equity change in the invested entity's net assets, except for net profit or loss, other comprehensive income and profit distribution, that is recognized due to the employment equity method shall be carried forward in proportion into current profit or loss.

If the company disposes of part of the equity investment and loses control of the invested entity, when the individual financial statements are prepared, if the remaining equity after disposal can exert joint control or

significant influence on the investee, it should be calculated according to the equity method, and the residual equity is regarded as being adjusted as equity method when it is obtained; if the remaining equity after disposal cannot exert joint control or significant influence on the invested entity, it should be accounted in accordance with the relevant provisions of the criteria for recognition and measurement of financial instruments. The difference between the fair value on the date of loss of control and the book value is included in the current profit or loss. Before the company obtains control over the investee, for the other comprehensive income recognized as equity method or financial instrument recognition and measurement standard, it is recorded with the basis that the investee disposes of directly the related assets and liabilities when it loses control over the investee. The changes in the other owners' equity as the equity method other than net profit or loss, other comprehensive income, and profit distribution of the investee are transferred in the current profit or loss when it loses control over the investee. Among them, if the remaining equity after disposal is accounted as the equity method, other comprehensive income and other owners' equity are transferred in proportion; if the residual equity after disposal is accounted as according to the criteria for recognition and measurement of financial instruments, other comprehensive income and all other rights & interests are fully transferred.

If the company disposes of part of the equity investment and loses the joint control or significant influence on the investee, the remaining equity after disposal should be calculated according to the criteria for confirmation and measurement of financial instruments, and the difference between the book value and the fair value on the date of loss of joint control or significant influence is included in the current profit or loss. Other comprehensive income that is recognized under equity method for former equity investment, when the use of equity method is terminated, shall be treated on the same basis on which the invested equity directly disposes of relevant assets or liabilities; the shareholder's equity recognized because of other change in invested entity's equity except for net profit or loss, other comprehensive income and profit distribution shall be carried forward completely to current profit or loss when the use of equity method is terminated.

The company disposes of the equity investment in the subsidiary company through multiple transactions step by step until it loses control. If the above transaction belongs to a "package deal", the each transaction should be accounted to dispose of the equity investment in the subsidiary and lose control. Before the loss of control, for the difference between the book value of the disposal equity corresponding to the long-term equity investment and each disposal price, it is at first recognized as other comprehensive income, and then transferred to the current profit or loss at the time of loss of control.

## **15. Investment real estate**

Investment real estate refers to real estate held to earn rent or capital appreciation, or both. Including land use rights that have been leased, land use rights that are held and prepared for transfer after appreciation, buildings that have been leased, etc.

Investment real estate is initially measured at cost. Subsequent expenditures related to investment real estate should be included in the cost of investment real estate if the economic benefits associated with the asset are likely to flow in and its cost can be reliably measured. Other subsequent expenditures are included in the current profits and losses when occurring.

The company adopts a cost model for subsequent measurement of investment real estate, and depreciates or amortizes in accordance with policies that are consistent with the use right of buildings or land.

For the details of impairment test method and withdrawal method of impairment provision of investment real estate, please refer to Note III, 20 “Long-term asset impairment”.

When real estate for personal use or inventory is converted to investment real estate or investment real estate is converted to real estate for personal use, the book value before conversion is regarded as the recorded value after conversion.

When the use of investment real estate is changed to personal use, the investment of real estate will be converted to fixed assets or intangible assets from the date of change. When the use of real estate for personal use is changed to earning rent or capital appreciation, the fixed assets or intangible assets is converted to investment real estate from the date of change. When conversion occurs, for those are converted to the investment real estate measured by the cost model, the book value before conversion is regarded as the recorded value after conversion; for those are converted to the investment real estate measured by fair value model, fair value on the conversion date is regarded as the value recorded after the conversion.

When the investment real estate is disposed of or permanently withdrawn from use and it is expected that no economic benefit can be obtained from its disposal, the recognition of the investment real estate should be terminated. The income from disposal of investment real estate sold, transferred, scrapped or damaged is deducted for its book value and related tax expenses and charged to the current profit or loss.

## 16. Fixed assets

### (1) Fixed asset confirmation conditions

The term “fixed assets” refers to the tangible assets that are held for the sake of producing commodities, rendering labor service, renting or business management and their useful life is in excess of one fiscal year. No fixed asset may be recognized unless the economic benefits pertinent to the fixed asset are likely to flow into the company and the cost of the fixed asset can be measured reliably. Fixed assets are initially measured at cost and taken into account the impact of the estimated cost of disposal.

### (2) Depreciation methods of various fixed assets

From the next month after the fixed assets reach the scheduled usable condition, the depreciation should be made within the service life as the life-average method. The use life, estimated net residual value and annual depreciation rate of various types of fixed assets are as follows:

Category	Depreciation year limit (years)	Residual value rate (%)	Yearly depreciation rate (%)
Permanent title land	Indefinite period	--	No depreciation
Houses and buildings	20~35	5	2.71~4.75
Machinery equipment	10	5	9.50
Transportation equipment	4~5	5	19.00~23.75
Electronics and other equipments	3~10	5	9.50~31.67

The expected net residual value is the amount that the company has currently reduced the estimated disposal expenses from the disposal of the asset, the estimated use life of the fixed asset is finished at the end of its useful life.

### (3) Impairment test method of fixed assets and withdrawal method of impairment provision

For the details of impairment test method and withdrawal method of impairment provision of fixed assets, please refer to Note III, 20 “Long-term Asset Impairment”.

**(4) Other instructions**

For the subsequent expenditures related to fixed assets, if the economic benefits associated with the fixed assets are likely to flow in and their costs can be reliably measured, they are included in the cost of fixed assets and the recognition of the book value of the replaced part is terminated. The other subsequent expenses are included in the current profit or loss when incurred.

The fixed assets are derecognized when the fixed assets are disposed or if no economic benefits are expected to generate from the use or disposal. The difference between the disposal income of fixed assets sold, transferred, scrapped or damaged after deducting their book value and related tax fees is included in the current profit or loss.

The company reviews the use life, estimated net residual value, and depreciation method of fixed assets at least at the end of the year, and if any change, it is recorded as a change in accounting estimates.

**17. Construction in process**

Company construction in progress is divided into two types of self-operated construction and outsourcing construction. When construction in progress is completed and reaches the intended usable status, fixed assets are carried over. Criteria for judging intended usable status shall meet one of the following conditions: physical construction (including installation) work of fixed assets has been fully completed or substantially fully completed; trial production or trial operation has started, and the results show that assets can run normally or produce qualified products stably, or the results of trial operation show that they can run or operate normally; the expenditure amount on fixed assets of such construction is little or no longer occurring; the purchased and built fixed assets have reached design or contract requirements, or basically complied with design or contract requirements.

When the engineering in construction reaches the preset serviceable condition, it shall be transferred to fixed assets according to the actual cost of the engineering. Where reaching the intended usable status but not yet completed final accounting, first transfer in fixed assets as per the estimated value, and then adjust original tentative estimated value as per the actual cost after completion of final accounting, but the originally accrued depreciation is no longer adjusted.

For details of the impairment test method and withdrawal method of impairment provision of construction in progress, please refer to Note III, 20 “Long-term asset impairment”.

**18. Borrowing costs**

The borrowing costs shall include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange balance on foreign currency borrowings. The capitalization of borrowing costs that can be directly attributable to the acquisition, construction, or production of assets that meet the conditions for capitalization is started when the capital expenditure and borrowing costs have already been incurred, and the necessary acquisition, construction, or production activities in order to make the assets ready for their intended use or sale have been started. The capitalization is stopped when the constructed or produced assets that meet the conditions for capitalization reach a state of intended use or sale. The remaining borrowing costs are recognized as expenses in the current period.

The actual interest expenses of the special borrowings incurred in the current period should be capitalized

after subtracting the interest income earned by the unutilized borrowing funds from bank or the investment income obtained from the temporary investment; the general borrowings should be determined for the amount of capitalization as following, the weighted average of asset expenditures that the accumulative assets expenditure exceeds the special borrowings is multiplied by the capitalization rate of general borrowings. The capitalization rate is determined on the basis of weighted average interest rate of the general borrowings.

During the capitalization period, the foreign exchange differences on foreign currency specific borrowings should be capitalized; exchange differences on foreign currency general borrowings should be recorded in the current profits and losses.

Assets eligible for capitalization refer to the fixed assets that require a long period of time for acquisition, construction, or production for use or sale, investment real estate, inventory, etc.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended till the acquisition and construction or production of the asset restarts.

Assets eligible for capitalization refer to the assets such as fixed assets, investment real estate and inventories that require a relatively long period of purchasing, construction or production activities so as to achieve the intended usable or salable status.

## **19. Intangible assets**

### **(1) Intangible assets**

Intangible assets are identifiable non-monetary assets that are owned or controlled by the company, without physical shape.

Intangible assets are initially measured at cost. The expenditures related to intangible assets are included in the costs of intangible assets, if relevant economic benefits are likely to flow into the company and their costs can be reliably measured. Expenditure for other items is included in the current profit or loss when incurred.

Land use rights acquired are usually accounted as intangible assets. The plant and other buildings of self-development and construction, the related land use rights expenditures and building construction costs are accounted as intangible assets and fixed assets, respectively. For the purchased houses and buildings, the relevant price should be allocated between the land use rights and the buildings. If it is difficult to allocate them reasonably, all of them should be treated as fixed assets.

Intangible assets with limited useful lives are amortized by the straight line staging average method over their expected useful lives from the moment they are available for use, less their estimated net residual value and the accumulative amount of accrued impairment losses. Intangible assets with indefinite useful lives are not amortized.

At the end of the period, the useful life and amortization method of intangible assets with limited useful life are reviewed, if any change occurs, they are treated as changes in accounting estimates. In addition, the service life of an intangible asset with an indefinite useful life is reviewed. If there is evidence that the period during which the intangible asset brings economic benefits to the enterprise is predictable, the service life of the intangible asset is estimated and the intangible asset with a finite service life is amortized as the amortization policy.

## **(2) Research & development expenditure**

The expenditures of the company's internal research and development projects are divided into research phase expenditures and development phase expenditures.

Expenditure for the research phase is included in the current profit or loss when incurred.

The scope of classifying company R&D expenditure includes requisitioned materials, manual and labor costs of R&D, amortization of R&D equipment, amortization of other intangible assets and fixed assets used in the development process, water and electricity expenses, etc.

Company specific standard for dividing expenditures at the research stage and development stage of internal R&D project:

The research stage refers to a stage of innovatively planned investigation and research activities in order to acquire and understand new scientific or technical knowledge; the development stage refers to a stage of activities applying research results or other knowledge to a plan or design before commercial production or use, so as to produce a new or substantially improved material, device, product, etc.

Expenditure in the development phase that satisfies the following conditions at the same time is recognized as intangible assets. Expenditure at the development stage that does not satisfy the following conditions is included in the current profit and loss:

- i. It is technically feasible to complete the intangible asset so that it can be used or sold;
- ii. It is intended to finish and use or sell the intangible assets;
- iii. The ways in which intangible assets generate economic benefit includes the way that it can prove the existence of the market of the products from the intangible assets or it can prove the existence of the market of intangible assets itself. If intangible assets are used internally and it can prove their usefulness;
- iv. Sufficient technical, financial and other resources to support the development of the intangible assets and the ability to use or sell the intangible assets;
- v. Expenditure attributable to the development stage of the intangible asset can be reliably measured.

The specific conditions for capitalizing expenditure during the company development phase:

If it is not possible to distinguish between research phase expenditures and development phase expenditures, all R&D expenditures incurred should be charged to the current profit or loss.

## **(3) Intangible asset impairment test method and impairment provision method**

For details of the impairment test method and withdrawal method of impairment provision of intangible assets, please refer to Note III, 20 "Long-term asset impairment".

## **20. Long-term asset impairment**

For non-current non-financial assets such as fixed assets, construction in progress, intangible assets with limited service life, right-of-use asset, investment real estate measured in cost mode, and long-term equity investments in subsidiaries, associated enterprises, joint ventures, etc., the company should determine whether there are signs of impairment on the balance sheet date. If there is any sign of impairment, its recoverable amount is estimated and the impairment test is conducted. For goodwill, intangible assets with an indefinite useful life, and intangible assets that have not yet reached their usable status are tested for impairment annually, irrespective of whether there is any sign of impairment.

If the impairment test results indicate that the recoverable amount of the asset is less than its book value, the difference should be withdrawn and accounted as impairment loss. The recoverable amount is the higher of the fair value of the assets minus the disposal expenses and the present value of the estimated future cash flow of the assets. The fair value of the asset is determined on the basis of the price of the sales agreement in an arm's length transaction. If there is no sales agreement but there is an active market for assets, the fair value is determined on the basis of the buyer's bid for the asset; if there is no sales agreement and active asset market, the most available good information is based to estimate the fair value of asset. Disposal expenses include legal fees related to the disposition of assets, related taxes, handling expenses, and direct expenses incurred in bringing assets into a saleable state. The present value of the expected future cash flow of the assets is determined by the amount of discounted cash flow selected in accordance with the estimated future cash flow generated during the continuous use and final disposal of the assets. The provision for impairment of assets is calculated and confirmed on the basis of individual assets. If it is difficult to estimate the recoverable amount of a single asset, the asset group to which the asset belongs should be used to determine the recoverable amount of the asset group. Asset groups are the smallest portfolio of assets that can generate cash inflows independently.

For the goodwill separate listed in the financial statements, the book value of goodwill is amortized to the asset group or combination of asset groups that are expected to benefit from the synergies of the business combination when assessing impairment. If the test result shows that the recoverable amount of an asset group or a combination of asset groups which includes the goodwill that have been apportioned to is lower than its book value, it shall be recognized as the corresponding impairment loss. The amount of impairment loss is at first written down against the book value of the goodwill allocated to the asset group or combination of asset groups, and then as the proportion to the book value of other assets other than goodwill in the asset group or combination of asset groups, it is used to write down the book value of other assets.

Once any loss of the above asset impairment is recognized, the value recoverable shall not be switched back in the future accounting periods.

## **21. Long-term deferred expense**

Long-term expenses to be apportioned are various expenses that have already occurred, but they should be burdened by the reporting period and subsequent periods with a time limit of more than one year. Corporate long-term deferred expenses mainly include decoration and renovation expenses. Long-term expenses to be apportioned are amortized on a straight-line basis over the expected benefit period.

## **22. Contract liabilities**

Contract liabilities refer to corporate obligation of transferring commodities to customers for customer consideration received or receivable. If customers have paid contract consideration or the company has obtained unconditional right of receiving payment before the company transfers commodities to customers, the company presents such received amount or receivables as contract liabilities at the time of actual payment and payable in due time by customers, whichever is earlier. Contract assets and contract liabilities under the same contract are presented in net amount, and contract assets and contract liabilities under different contracts are not offset.

## **23. Staff salary**

### **(1) Accounting treatment method for short-term remuneration**

During the accounting period when employees provide service for the company, the company recognizes the actually incurred short-term remuneration as liabilities, and records in the current profits and losses, unless the Accounting Standards for Business Enterprises otherwise requires or allows to record in the asset costs; the incurred employee welfare expense is recorded in the current profits and losses or related asset costs according to the actually incurred amount when actually incurred. If employee welfare expense is non-monetary welfare, it is measured at fair value; for medical insurance premium, work injury insurance premium, maternity insurance premium, other social insurance premiums and housing provident fund paid by the enterprise for employees, as well as trade union funding and employee education funding drawn as stipulated, during the accounting period when employees provide service for it, the corresponding employee remuneration amount is calculated and determined according to the prescribed accrual basis and accrual ratio, and corresponding liabilities are recognized, and recorded in the current profits and losses or related asset costs.

### **(2) Accounting treatment method for post-employment welfare**

The company categories the post-employment welfare plan as defined contribution plan and defined benefit plan. Post-employment welfare plan refers to the agreement reached between the enterprise and employees on the post-employment welfare, or the rules or measures made by the enterprise to provide post-employment welfare to employees. The defined contribution plan is the welfare plan after demission that the company assumes no further payment responsibility after depositing fixed expenses into independent funds; the defined benefit plan is the welfare plan after demission apart from defined contribution plan.

### **(3) Accounting treatment method for dismissal welfare**

Prior to the expiration of the labor contract, the company terminate the labor relations with employees, or propose compensation suggestions to encourage employees to accept voluntary redundancy. And it is recognized as liabilities arising from the compensation due to termination of labor relationship with employees on an earlier date between the company failing to unilaterally withdraw the plan of terminating labor relationship or layoff suggestion and recognizing cost and expense concerning reorganization of dismissal welfare payment, and included in the current profits and losses at the same time. Staff internal retirement plan can be treated by the same principle as the above termination benefits. The company will include the internally retired staff salary to be paid from the date of staff ceasing providing service to the date of normal retirement and the paid social insurance premium, etc. into the current profits and losses (dismissal welfare), while meeting the criteria of recognizing estimated liabilities.

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

The company also provides supplementary retirement benefits beyond the insurance system prescribed by the state to employees who meet certain conditions. Such supplementary retirement benefit belongs to defined benefit plan, and the defined benefit liabilities recognized on the balance sheet are the present value of defined benefit obligation minus the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuary using the treasury bond interest rate with period and currency similar to those of the obligation, according to the projected unit credit method. The service expenses concerning supplementary retirement benefit (including

current service costs, past service costs and settlement gains or losses) and net interest are recorded in the current profits and losses or related asset costs, and the changes arising from re-measuring net liabilities or net assets of defined benefit plan are included in other comprehensive income.

## **24. Estimated liabilities**

The company recognizes obligation as estimated liability, when the obligation arising from contingent matters such as offering external guarantee, litigation matters, product quality assurance and loss contract has become a current obligation of the company, the performance of such obligation is likely to cause economic benefits flowing out of the company and the amount of such obligation can be reliably measured.

The company conducts initial measurement of estimated liabilities according to the best estimate of expenditure required to fulfill relevant current obligations, and reviews the book value of estimated liabilities on the balance sheet date.

If all or part of expenditures required for liquidation of estimated liabilities are expected to be compensated by the third party, when the compensation amount is basically determined to be receivable, it is recognized separately as asset, and the recognized compensation amount does not exceed book value of the estimated liabilities.

## **25. Share-based payment**

### **(1) Accounting treatment method of share-based payment**

Share-based payment is a transaction in which an enterprise grants equity instruments or undertakes equity-instrument-based liabilities in return for services from employee or other parties. The share-based payments shall consist of equity-settled share-based payments and cash-settled share-based payments.

#### **i. Equity-settled share-based payment**

The equity-settled share-based payment in return for employee services shall be measured at the fair value of the equity instruments granted to the employees. When the service in vesting period is completed or the specified performance conditions are met for exercisable right, based on the best estimate of the quantity of exercisable right equity instruments in vesting period, the fair value amount is included in relevant costs or expenses by straight-line method calculation/in case of immediately exercising the right after granting, it is included in relevant costs or expenses on the grant date, and capital reserve is increased accordingly.

On each balance sheet date during the vesting period, the company makes the best estimate based on the latest information of exercisable right, staff number change and other subsequent information, and modifies the expected number of exercisable right equity instruments. The impact of aforesaid estimates is included in the current relevant costs or expenses, and the capital reserve is adjusted accordingly.

As for equity-settled share-based payment in exchange for other party's service, if the fair value of other party's service can be reliably measured, it is measured as per the fair value of other party's service on the acquisition date; if the fair value of other party's service cannot be reliably measured, but the fair value of equity instruments can be reliably measured, it is measured as per the fair value of equity instruments on the service acquisition date, and included in relevant cost or expense, which increases the shareholder's equity accordingly.

#### **ii. Cash-settled share-based payment**

A cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the enterprise. In case of immediately exercising the right after granting, it is included in relevant costs or expenses on the granting date, and liabilities are increased accordingly; if the right may not be exercised until the service in vesting period is completed or the specified performance conditions are met, on each balance sheet date within the vesting period, based on the best estimate of exercisable right status, the service obtained in the current period shall be included in costs or expenses, as per the fair value of liabilities undertaken by the enterprise, and liabilities are increased accordingly.

The company shall, on each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the current profits and losses.

## **(2) Relevant accounting treatment of share-based payment plan modification and termination**

When the company modifies the share-based payment plan, if the modification increases the fair value of granted equity instruments, the increase of service is recognized according to increased fair value of equity instruments. The increased fair value of equity instruments refers to the difference between fair value of equity instruments on the modification date before and after the modification. If the modification reduces total fair value of share-based payment or adopts other methods unfavorable to employees, accounting treatment will continuously be carried out on the obtained service, and such change is deemed as never occurred, unless the company has canceled a part or all of the granted equity instruments.

During the vesting period, if the granted equity instruments are canceled, the company makes acceleration of exercisable right on the canceled and granted equity instruments, the amount that shall be recognized in the remaining vesting period will be immediately included in the current profits and losses, and the capital reserve is simultaneously recognized. If employees or other parties choose to meet non-vesting conditions but fails to meet in the vesting period, the company will treat it as cancellation of equity instruments.

## **(3) Accounting treatment of share-based payment transaction involving the company and its shareholders or actual controllers**

If share payment transaction between the company and corporate shareholders or actual controllers is involved, either settlement company or service-receiving company falls within corporate consolidation scope, and the other is beyond corporate consolidation scope, accounting treatment is conducted in corporate consolidated financial statements according to the following regulations.

i. If the settlement enterprise settles by its own equity instruments, the share-based payment transaction shall be treated as equity-settled share-based payment; otherwise, it is treated as cash-settled share-based payment.

If the settlement enterprise is an investor of the service-accepting enterprise, it shall recognize long-term equity investment of the service-accepting enterprise as per fair value of equity instruments on the grant date or fair value of liabilities borne, and simultaneously recognize capital reserve (other capital reserves) or liabilities.

ii. If the service-accepting enterprise has no settlement obligation or grants its own equity instruments to the company employees, such share-based payment transaction shall be treated as equity-settled share-based payment; if the service-accepting enterprise has settlement obligation and does not grant its own equity instruments to the company employees, such share-based payment transaction shall be treated as cash-settled share-based payment.

For share-based payment transaction between enterprises within the scope of the merger of the enterprise, if the service-accepting enterprise and the settlement enterprise are not the same enterprise, the recognition and measurement of such share-based payment transaction is treated by the above principle in the respective individual financial statement of the service-accepting enterprise and the settlement enterprise.

## **26. Preferred stock, perpetual bond and other financial instruments**

### **(1) Distinction between perpetual bond and preferred stock**

The financial instruments issued by the company, such as perpetual bond and preferred stock that meet the following conditions are regarded as equity instruments:

i. Such financial instruments do not include contractual obligations to deliver cash or other financial assets to the other party or exchange financial assets or financial liabilities with other parties under potentially adverse conditions;

ii. If such financial instruments must or may be settled by using the company's own equity instruments in the future, and if such financial instruments are non-derivative instruments, they exclude the contractual obligations to deliver variable number of own equity instruments for settlement; if they are derivative instruments, the company can only settle such financial instruments by exchanging fixed amount of cash or other financial assets with fixed number of own equity instruments.

Except for the financial instruments classified as equity instruments under the above conditions, other financial instruments issued by the company shall be classified as financial liabilities.

If the financial instrument issued by the company is compound financial instrument, it shall be recognized as a liability as per the fair value of liability component, and the amount after the actually received amount deducting the fair value of liability component shall be recognized as "other equity instrument". The transaction costs incurred for issuing compound financial instrument are apportioned between liability component and equity component as per their respective proportion to the total issuance price.

### **(2) Accounting method for perpetual bond and preferred stock**

Financial instruments such as perpetual bonds and preferred stocks categorized as financial liabilities, their relevant interests, dividends (or stock dividends), gains or losses, as well as gains or losses arising from redemption or refinancing, etc, except for the borrowing cost eligible for capitalization (see Note III, 18 "Borrowing cost"), are included in the current profits and losses.

For the financial instruments of perpetual bond, preferred stock, etc classified as equity instruments, during their issuance (including refinancing), repurchase, sale or cancellation, the company handles as equity changes, and related transaction costs are also deducted from equity. The company's distribution to holders of equity instruments is regarded as profit distribution.

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

## **27. Income**

When the contract between the company and customers meets the following conditions simultaneously, income is recognized when customers obtain relevant control right of commodity: all parties to the contract have approved this contract and promised to perform their respective obligations; the contract has clarified the rights

and obligations of all parties to the contract pertaining to the transferred commodity or provided labor; the contract has clear payment terms regarding the transferred commodity; the contract has commercial substance, namely the performance of this contract will change the company's future cash flow risk, time distribution or amount; the consideration obtained by the company due to transferring commodity to customers is likely to be recovered.

On the contract start date, the company identifies each individual performance obligation in the contract, and apportions the transaction price to each individual performance obligation as per the relative proportion of separate selling price for the commodity promised by each individual performance obligation. When determining transaction price, the impact of factors are considered, such as variable consideration, major financing component in the contract, non-cash consideration and consideration payable to customers.

For each individual performance obligation in the contract, if one of the following conditions is met, the company recognizes the transaction price apportioned to this individual performance obligation as income during relevant performance period according to the performance progress: customers obtain and consume the economic benefits brought by the company's performance while the company is performing contract; customers can control the commodities in progress during performance of the company; the commodities produced during performance of the company have irreplaceable application, and the company has the right to charge funds on the part that has completed performance so far during the entire contract period. The performance progress is determined by input method according to the nature of the transferred commodity. When the performance progress cannot be reasonably determined, if corporate costs incurred are expected to be compensated, income is recognized according to the amount of costs incurred until performance progress can be reasonably determined.

If one of the above conditions is not met, the company recognizes income for the transaction price apportioned to this individual performance obligation at the time when customers obtain relevant control right of commodity. When judging whether customers have obtained commodity control right, the company considers the following signs: the company is entitled to current charging right for such commodity, which means customers have current payment obligation for such commodity; the company has transferred legal ownership of such commodity to customers, which means customers have held legal ownership of such commodity; the company has transferred such commodity in kind to customers, which means customers have occupied such commodity in kind; the company has transferred main risk and reward on ownership of such commodity to customers, which means customers have obtained main risk and reward on ownership of such commodity; customers have accepted such commodity; other signs indicating customers have obtained commodity control right.

The point of time for recognizing domestic sales income of the company: The company delivers goods according to the sales contract or order. On the reconciliation date agreed with the buyer, it verifies the goods received and inspected by the buyer during the period from the previous reconciliation date to the current reconciliation date with the buyer. After verification by both parties, the risk and reward are transferred to the buyer, the company issues invoice to the buyer according to the variety, quantity and amount recognized by reconciliation, and the sales income is recognized as realized on the reconciliation date.

The company recognizes revenue from overseas sales upon completion of customs clearance. Revenue is recognized based on the export date specified on the export declaration form.

## 28. Contract costs

II. Contract costs are divided into performance costs and contract acquisition costs.

III. The costs incurred by the company for performance of the contract are recognized an asset as the contract performance costs when simultaneously meeting the following conditions:

(1) Such costs are directly related to a current or expected contract, including direct labor, direct material, manufacturing expense (or similar expense), cost explicitly borne by customers, and other costs incurred solely due to such contract.

(2) This cost increases enterprise resources to fulfill the contract performance obligation in the future;

(3) This cost is expected to be recovered.

IV. The incremental costs incurred by the company for acquisition of the contract that are expected to be recovered are recognized an asset as the contract acquisition costs; however, if the amortization of such asset does not exceed one year, it can be included in the current profits and losses at the time of occurrence.

V. For assets related to contract costs, they are amortized on the same basis as the income recognition of goods or services related to such assets.

VI. If the book value of assets related to contract cost is higher than the difference between the following two items, the company makes provision for impairment reserve on the excessive part and recognizes as asset impairment losses:

(1) Remaining consideration expected to acquire due to the transfer of commodity or service related to such assets;

(2) Costs estimated to incur for the transfer of such relevant commodity or service.

VII. If the above asset impairment reserve is subsequently reversed, the book value of assets after reversal shall not exceed the book value of such assets on the reversal date under the assumption that no impairment provision is made.

## 29. Government subsidies

Government grants refer to monetary assets and non-monetary assets obtained by the company free from the government, excluding the capital invested by the government as investor and entitled to corresponding owner's equity. Government subsidies are divided into government subsidies related to assets and government subsidies related to benefits. The company defines the government grants obtained for construction or forming long-term assets by other means as asset-related government grants; the other government grants are defined as revenue-related government grants. If government document has not expressly specified the object of grants, the grants shall be divided into revenue-related government grants and asset-related government grants in the following ways: (1) in case the government document has specified the specific target of grants, divide according to the relative ratio between expenditure amount of formed asset in the budget of such specific target and expenditure amount included in the expense, and such division ratio shall be reviewed on each balance sheet date and modified when necessary; (2) if the government document only has general statement on the purpose of usage, rather than specify the specific target, it is deemed as revenue-related government grants. If government grants are monetary assets, measure according to received or receivable amount. Government subsidies as non-monetary

assets shall be measured at fair value; if fair value can't be obtained reliably, it shall be measured at nominal amount. Government grants measured at nominal amount are directly charged to current profits and losses.

The company usually recognizes and measures government grants as per the paid-in amount when actually received. Nevertheless, in case of conclusive evidence at the end of period to show compliance with relevant criteria of fiscal support policy provisions and expected receipt of fiscal support funds, measure in accordance with the amount receivable. Government grants measured at the amount receivable must concurrently satisfy all of the following conditions: (1) The amount of the receivable grant is either officially confirmed through a document issued by the competent government authority, or is reasonably estimable by the entity in accordance with the provisions of the formally issued a fiscal fund management regulation, with no material uncertainty about the estimated amount; (2) The grant eligibility is determined pursuant to a fiscal support program and its associated fiscal fund management regulation that has been formally issued by the local finance authority and made publicly available in compliance with the Regulations on Government Information Disclosure. The management regulation must be inclusive (i.e., open to applications from any qualifying enterprise) and not specifically tailored to particular enterprises. (3) The grant-related approval document explicitly specifies a disbursement schedule, and the disbursement is guaranteed by a corresponding fiscal budget allocation, which thus provides reasonable assurance that the funds will be received within the stipulated time limit. (4) Any additional conditions (if any) that must be satisfied depending on the specific circumstances of the Company and the grant-related specifics.

Asset-related government subsidy is recognized as deferred income and included in current profits and losses within the service life of relevant asset in a reasonable and systematic manner. If the income-related government subsidy is used to compensate for relevant costs or losses after the compensation period, it is recognized as deferred income and included in current profits and losses in the period of recognizing relevant costs or losses; if it is used for compensating the incurred relevant costs or losses, it is directly included in current profits and losses.

The government grants that include both asset-related part and income-related part shall be accounted for respectively by distinguishing the different parts; in case of difficult to distinguish, they shall be classified as revenue-related government grants as a whole.

The government grants associated with the company's daily activities shall be charged to other revenue or offset relevant costs, according to the nature of economic business; the government grants that are unassociated with daily activities are charged to non-operating income and expenditure.

When the recognized government subsidy needs to be returned, if there is relevant deferred income balance, the book balance of relevant deferred income is written off, and the excessive part is included in current profits and losses to adjust book value of assets; in other cases, it is directly included in current profits and losses.

### **30. Deferred income tax assets/deferred income tax liabilities**

Calculate and recognize deferred income tax assets or deferred income tax liabilities at the applicable tax rate during the period for expected recovery of such assets or settlement of such liabilities, according to the difference between the book value of assets or liabilities and the tax basis (the difference between the tax basis and the book number, if tax basis can be determined according to the tax law, regarding the item not recognized as asset and liability).

Deferred tax assets are recognized probably limited by the available taxable income tax amount for offsetting the deductible temporary difference. On the balance sheet date, if conclusive evidence indicates that it is likely to

obtain sufficient taxable income in future periods to offset deductible temporary differences, the deferred income tax assets unrecognized in previous accounting periods are recognized.

On the balance sheet date, the book value of deferred income tax assets is reviewed; if it is likely not to obtain sufficient taxable income to offset the benefits of deferred income tax assets in the future, the book value of deferred income tax assets shall be written off. Reverse the written-down amount, when it is likely to obtain sufficient taxable income.

The current income tax and deferred income tax of the company are included in the current profits or losses as income tax expense or revenue, but excluding the income tax arising from the following circumstances: consolidation of enterprises; trade or event recognized directly in the owner's equity.

When having legitimate right of net settlement, and intending to execute net settlement or concurrently obtaining assets and settling liabilities, the company's current income tax assets and current income tax liabilities shall be reported at the net amount after offsetting.

### **31. Leasing**

#### **(1) The company acts as a lessee**

The types of corporate leasing assets are mainly houses and buildings.

On the lease start date, the company recognizes right-of-use assets and lease liabilities for the lease other than short-term lease and low-value asset lease, and recognizes depreciation expense and interest expense respectively during the lease term.

The company includes the lease payment of short-term lease and low-value asset lease into the current expenses using the straight-line method during each period of the lease term.

##### **i. Right-of-use assets**

Right-of-use assets refer to the lessee's right to use the lease assets during the lease term. On the lease start date, the right-of-use assets shall be initially measured at cost. The costs include: ① initial measurement amount of leasing liabilities; ② where lease incentive exists in the lease payment paid on or before the lease start date, deduct relevant amount of lease incentive already entitled; ③ initial direct expense incurred by the lessee; ④ the costs estimated to incur by the lessee for dismantling and removing leasing assets, restoring the site where leasing assets are located, or recovering leasing assets to the state agreed in lease clauses.

The depreciation of company right-of-use assets is accrued on a straight-line basis. If it can be reasonably determined that the ownership of lease assets will be obtained at the expiration of the lease term, make provision for depreciation within the estimated remaining useful life of the lease assets; if it cannot be reasonably determined that the ownership of lease assets will be obtained at the expiration of the lease term, make provision for depreciation during the shorter of the lease term and the remaining service life of the lease assets.

The company determines whether the right-of-use assets have been impaired and makes accounting treatment in accordance with relevant provisions in Accounting Standards for Business Enterprises No.8—Asset Impairment.

##### **ii. Lease liabilities**

Leasing liabilities shall be initially measured at present value of lease payment not yet paid at the lease term start date. The lease payment includes: ① fixed payment (including actual fixed payment), if there exists lease

incentive, deduct relevant amount of lease incentive; ② variable lease payment depending on the index or ratio; ③ payables estimated according to the guarantee balance provided by the lessee; ④ exercise price of purchase option, provided that the lessee reasonably determines that this option will be exercised; ⑤ payables to exercise the lease termination option, provided that the lease term indicates that the lessee will exercise the lease termination option;

The company adopts interest rate implicit in lease as the discount rate; where interest rate implicit in lease cannot be determined, the company adopts incremental borrowing rate as the discount rate. The company calculates the interest expense of lease liabilities during each period of the lease term at a fixed periodic interest rate, and includes it in the finance expense. This periodic rate refers to the discount rate or revised discount rate adopted by the company.

Variable lease payments excluded from measurement of lease liabilities are included in current profits and losses at the time of actual occurrence.

When the company changes the evaluation result of renewal option, lease termination option or purchase option, re-measure the lease liabilities according to the present value calculated as per the changed lease payment and revised discount rate, and adjust the book value of right-of-use assets accordingly. When the actual lease payment, estimated payables of guarantee balance or variable lease payment depending on index or ratio is changed, re-measure the lease liabilities at the present value calculated as per the changed lease payment and original discount rate, and adjust the book value of right-of-use assets accordingly.

### iii. Short-term lease and low-value asset lease

For short-term lease (lease with a lease term of no more than 12 months on the lease start date) and low-value asset (with a value of less than RMB 2,000) lease, the company follows a simplified treatment method, without recognizing right-of-use assets and leasing liabilities, but it records the lease payment during each period of the lease term in the related asset costs or the current gains and losses using the straight-line method or other systematic reasonable methods.

## **(2) The company acts as a lessor**

### i. Operating leasing

The company adopts the straight-line method to recognize lease receipts from operating lease as the rental income for each period of the lease term. Variable lease payment amount related to operating lease and excluded from the lease receipt amount is recorded in current profits and losses when it actually occurs.

### ii. Financial leasing

On the lease start date, the company recognizes financial lease receivables, and de-recognizes financial lease assets. Financial lease receivables are initially measured by net lease investment (the sum of unguaranteed residual value and present value of lease payment amount not yet received on the lease start date discounted at the interest rate implicit in lease), and interest income during the lease term is calculated and recognized as per fixed periodic rate. Variable lease payment amount obtained by the company and excluded from the measurement of net lease investment is recorded in current profits and losses when it actually occurs.

### 32. Method for determining materiality thresholds and the basis for selection

Disclosure items related to the criteria for materiality judgments	Method for determining materiality thresholds and the basis for selection
Important prepayments with aging of over 1 year	Prepayments with single aging of over 1 year accounting for more than 10% of the total prepaid amount and the amount greater than RMB 15,000,000
Important construction in progress	Budget of single project greater than RMB 80,000,000
Important accounts payable with aging of over 1 year	Accounts payable with single aging of over 1 year accounting for more than 10% of the total accounts payable and the amount greater than RMB 80,000,000
Other important payables with aging of over 1 year	Other payables with single aging of over 1 year accounting for more than 10% of the total other payables and the amount greater than RMB 15,000,000
Important contract liabilities with aging of over 1 year	Contract liabilities with single aging of over 1 year accounting for more than 10% of the total contract liabilities and the amount greater than RMB 15,000,000
Important non-wholly owned subsidiaries	Subsidiary's net assets accounting for more than 5% of the consolidated statement net assets, or subsidiary's net profits accounting for more than 10% of the consolidated statement net profits
Important joint ventures or associated enterprises	Single investee company's long-term equity investment book value accounting for more than 5% of consolidated statement net assets with the amount greater than RMB 1,000,000,000, or investment profits and losses under the long-term equity investment equity method accounting for more than 10% of consolidated statement net profits with the amount greater than RMB 100,000,000

### 33. Other important accounting policies and accounting estimates

In the process of applying accounting policies, due to internal uncertainties of operating activities, the company needs to make judgments, estimates and assumptions on the book value of report items that cannot be accurately measured. These judgments, estimates and assumptions are made based on past experience of the company executives, and considering other relevant factors. These judgments, estimates and assumptions affect the reporting amount of incomes, expenses, assets and liabilities, as well as disclosure of contingent liabilities on the balance sheet date. Nevertheless, the actual results caused by uncertainties of these estimates may be different from current estimates of the company executives, and further cause significant adjustment on the book value of affected assets or liabilities in the future.

The company conducts periodic review on the foregoing judgments, estimates and assumptions on the basis of continuous operation; if changes in accounting estimates only affect the current period of changes, the affected amount shall be recognized in the current period of changes; if it affects both current period of changes and future period, the affected amount shall be recognized in the current period of changes and future period.

On the balance sheet date, important areas for the company's judgments, estimates and assumptions on financial statement item amount are as follows:

#### (1) Provision for bad debts

When the company adopts the expected credit loss model to evaluate impairment of financial instruments, the application of expected credit loss model requires major judgments and estimates, and all reasonable and reference information must be considered, including forward-looking information. When making such judgments and estimates, the company infers the expected changes in the debtor's credit risk according to historical repayment data, combined with economic policies, macroeconomic indicators, industry risks and other factors.

#### (2) Inventory falling price reserves

The company measures as per the lower of cost and net realizable value, and makes provision for inventory devaluation to the obsolete and unsalable inventory of which the cost exceeds the net realizable value, according

to inventory accounting policy. The inventory devaluation to net realizable value is based on assessing the saleability of inventory and its net realizable value. To identify inventory devaluation requires judgments and estimates of executives based on obtaining conclusive evidence, and considering the purpose of holding inventory, influence of events after balance sheet date and other factors. The difference between actual result and original estimate will affect the book value of inventory, as well as the reversal or accrued provision for inventory devaluation during the period of estimates changed.

### **(3) Impairment reserve of non-financial non-current assets**

The company judges if there is possible sign of impairment on the non-current assets other than financial assets on the balance sheet date. For intangible assets with uncertain service life, in addition to annual impairment test, when there is sign of impairment, impairment test shall be conducted as well. If there is indication showing that the carrying amount is not retrieved, non-liquid assets apart from financial assets shall be provided with impairment testing.

When the book value of asset or asset group is higher than the recoverable amount, which is the higher of net amount after fair value deducting disposal expense and present value of estimated future cash flow, it indicates occurrence of impairment.

The net amount of fair value deducting disposal expense is determined by reducing the incremental cost that can be directly attributed to such asset disposal, with reference to sales agreement price of similar assets in fair trade or observable market price.

When estimating the present value of future cash flow, major judgments are required on the asset (or asset group) output, selling price, related operating cost, discount rate used when calculating the present value, etc. When estimating recoverable amount, the company may use all relevant information available, including forecasts of output, selling price and related operating cost which are made based on reasonable and supportable assumptions.

The company tests whether goodwill is impaired at least every year. This requires estimation on the present value of future cash flow of asset group or asset group portfolio with goodwill allocated. When estimating the present value of future cash flow, the company needs to estimate the future cash flow generated by asset group or asset group portfolio, and concurrently select appropriate discount rate to determine the present value of future cash flow.

### **(4) Depreciation and amortization**

After considering the residue value of investing real estate, fixed assets and intangible assets, the company uses straight line method for depreciation and amortization provision in the service life. The company regularly reviews the service life, to determine the amount of depreciation and amortization expenses included in each reporting period. The service life is determined by the company based on past experience of similar assets and combined with expected technical updates. In case of significant change in previous estimates, the depreciation and amortization expenses will be adjusted in the future.

### **(5) The fair value of financial instruments**

For financial instruments without available quotation on active trading market, fair value shall be determined by the valuation techniques. Valuation techniques include using the latest trading information on the market, the discounted cash flow method and option pricing model, etc. The company has established a set of workflow,

ensuring that qualified personnel are responsible for the fair value calculation, verification and review work. The valuation model used by the company is made with market information as much as possible and unique information of the company as little as possible. It is noteworthy that some of the information used in the valuation model needs estimation by the management (e.g. discount rate, target exchange rate volatility, etc.). The company regularly reviews the above estimates and assumptions and makes adjustment when necessary.

#### (6) Income tax

In normal operating activities of the company, final tax treatment and calculation of some transactions have certain uncertainties. Whether some items can be listed as pre-tax shall gain approval of the tax authority. If there is difference between the final recognized result of these taxation matters and the originally estimated amount, such difference will have an impact on the current income tax and deferred income tax during the period of final recognition.

### 34. Changes in significant accounting policies and accounting estimates

#### (1) Important accounting policy changes

No.

#### (2) Changes in significant accounting estimates

No.

## IV. Tax items

### 1. Main tax categories and tax rates

Tax categories	Tax calculation basis	Specific tax rate
Value added tax	The output tax is calculated based on taxable income, and VAT is calculated and paid according to the difference after deducting the deductible input tax amount of the current period.	13%, 9%, 6%, 25% (IRD, Denmark), 22% (VHIO, Italy), 21% (Borit, Belgium), levy rate 5%
Urban maintenance and construction tax	Turnover tax payable	7%, 5%
Education surcharge	Turnover tax payable	5%
Enterprise income tax	Income tax payable	15%, 20%, 21%, 22%, 25%, 24%+ regional tax 3.9%
Description on taxpayers with different enterprise income tax rates:		
Name of taxpayer		Income tax rate
The company, Weifu Jinning, Weifu Lida, Weifu Tianli, Weifu Mashan, Weifu Autocam, Weifu Shimite, Weifu Lida (Chongqing), Weifu Autosmart, Weifu Chang'an		15%
Weifu Lida (Wuhan)		20%
IRD USA, Borit USA		21%
IRD (Denmark)		22%
Weifu International Trade, Weifu Electric Drive, Weifu Qinglong, Yiwo Auto, Weifu Lida (Nanchang), Weifu Intelligent Sensor, Weifu Lianhua, Borit (Belgium), Weifu Yite, Weifu Baolong		25%
VHIO (Italy)		24% + regional tax 3.9%

## 2. Tax benefit and approval document

The company, Weifu Jinning, Weifu Lida, Weifu Tianli and Weifu Mashan passed high-tech enterprise accreditation in 2023, entitled to 15% preferential income tax rate from 1 January 2023 to 31 December 2025. Weifu Autosmart was accredited as a high-tech enterprise in 2024, and entitled to 15% preferential income tax rate from 1 January 2024 to 31 December 2026. Weifu Autocam was accredited as a high-tech enterprise in 2024, and entitled to 15% preferential income tax rate from 1 January 2024 to 31 December 2026. Weifu Shimite and Weifu Chang'an were accredited as high-tech enterprises in 2025, and entitled to 15% preferential income tax rate from 1 January 2025 to 31 December 2027.

According to Announcement on Continuation of Income Tax Policy for Western Development Enterprises 2020 No.23 of the Ministry of Finance, State Taxation Administration and National Development and Reform Commission, from 1 January 2021 to 31 December 2030, for the enterprises located in the western region with industrial items specified in Catalogue of Encouraged Industries in the Western Region as their main business and main business income accounting for more than 60% of the total enterprise income, enterprise income tax shall be levied at a reduced rate of 15%. Weifu Lida (Chongqing) is subject to a preferential income tax rate of 15% in 2025.

According to Announcement on Relevant Tax Policy to Further Support the Development of Small-sized Micro-profit Enterprises and Individual Industrial and Commercial Households (Ministry of Finance and State Taxation Administration Announcement 2023 No.12), the taxable income shall be calculated at a reduced rate of 25% for small-sized micro-profit enterprises, with company income tax policy subject to a tax rate of 20%, which shall continue implementation until 31 December 2027. Weifu Lida (Wuhan) met the criteria for small-sized micro-profit enterprise in 2025, and was entitled to the above tax preference.

## V. Notes on consolidated financial statement items

Unless otherwise specified, in the following items of notes (including notes on main items of company financial statement), “end of period” refers to 31 December 2025, “end of last year” refers to 31 December 2024, “current period” refers to the year 2025, and “last period” refers to the year 2024.

### 1. Monetary fund

Items	Closing balance	Balance at the end of last year
Cash on hand	8,403.89	5,360.59
Bank savings	2,269,214,635.09	2,217,667,887.48
Other monetary funds	89,627,273.49	28,927,203.45
Total	2,358,850,312.47	2,246,600,451.52
Of which: Total amount due from overseas	101,759,199.50	153,019,429.47

Other descriptions: The closing balance of other monetary funds included large-denomination pledged certificates of deposit of RMB 60,412,602.74, bank acceptance bill security deposit of RMB 20,188,696.29, Mastercard security deposit of RMB 152.85, letter of guarantee security deposit of RMB 273,032.92, IRD performance security deposit of RMB 8,291,872.97, and third-party payment account balance of RMB 460,915.72.

**2. Trading financial assets**

Items	Closing balance	Balance at the end of last year
Financial assets at fair value and through current profit or loss	2,334,658,155.36	1,429,682,635.57
Of which: Listed company shares	888,391.56	10,501,800.00
Bank wealth management products	2,017,206,116.57	554,713,511.24
Otherswealth management products	316,563,647.23	864,467,324.33
Total	2,334,658,155.36	1,429,682,635.57

**3. Bills receivable****(1) List of bills receivable**

Items	Closing balance	Balance at the end of last year
Bank acceptance bill	--	--
Commercial acceptance bill	93,133,355.40	99,914,699.81
Total	93,133,355.40	99,914,699.81

**(2) Classified and presented by bad debt provision method**

Category	Closing balance				
	Book balance		Bad debt reserve		Book value
	Amount	Proportion (%)	Amount	Accrual ratio (%)	
Bills receivable with provision for bad debts made by combination	93,133,355.40	100.00	--	--	93,133,355.40
Of which: Bank acceptance bill	--	--	--	--	--
Commercial acceptance bill	93,133,355.40	100.00	--	--	93,133,355.40
Total	93,133,355.40	100.00	--	--	93,133,355.40

(Continued)

Category	Opening balance				
	Book balance		Bad debt reserve		Book value
	Amount	Proportion (%)	Amount	Accrual ratio (%)	
Bills receivable with provision for bad debts made by combination	99,914,699.81	100.00	--	--	99,914,699.81
Of which: Bank acceptance bill	--	--	--	--	--
Commercial acceptance bill	99,914,699.81	100.00	--	--	99,914,699.81
Total	99,914,699.81	100.00	--	--	99,914,699.81

**(3) Pledged notes receivable at the end of period**

No.

**(4) Notes receivable which was endorsed or discounted and undue on balance sheet date at the end of the period.**

Items	Ending derecognition amount	Ending non-derecognition amount
Bank acceptance bill	--	--
Commercial acceptance bill	--	6,228,142.15
Total	--	6,228,142.15

**(5) Notes converted to accounts receivable due to the drawer's failure to perform the agreement at the end of period**

No.

#### 4. Accounts receivable

##### (1) Disclosure by age

Aging	Closing balance	Balance at the end of last year
Within a year	4,334,268,607.72	3,729,236,009.53
Of which: Within six months	4,253,883,964.14	3,641,532,161.27
Six months to one year	80,384,643.58	87,703,848.26
One to two years	16,753,416.84	15,814,370.53
Two to three years	9,069,061.73	12,232,320.70
More than three years	26,951,657.03	21,845,527.28
Subtotal	4,387,042,743.32	3,779,128,228.04
Less: Bad debt provision	45,979,564.85	41,474,335.01
Total	4,341,063,178.47	3,737,653,893.03

##### (2) Classified and presented by bad debt provision method

Category	Closing balance				Book value
	Book balance		Bad debt reserve		
	Amount	Proportion (%)	Amount	Accrual ratio (%)	
Accounts receivable with single provision for bad debt reserve	22,742,112.36	0.52	22,231,606.13	97.76	510,506.23
Accounts receivable for which bad debt provision has been assessed by portfolios	4,364,300,630.96	99.48	23,747,958.72	0.54	4,340,552,672.24
Total	4,387,042,743.32	100.00	45,979,564.85	—	4,341,063,178.47

(Continued)

Category	Balance at the end of last year				Book value
	Book balance		Bad debt reserve		
	Amount	Proportion (%)	Amount	Accrual ratio (%)	
Accounts receivable with single provision for bad debt reserve	17,072,318.27	0.45	17,072,318.27	100.00	--
Accounts receivable for which bad debt provision has been assessed by portfolios	3,762,055,909.77	99.55	24,402,016.74	0.65	3,737,653,893.03
Total	3,779,128,228.04	100.00	41,474,335.01	—	3,737,653,893.03

##### i. Accounts receivable with single provision for bad debt reserve at the end of period:

Accounts receivable (by entity)	Closing balance			Accrual basis
	Book balance	Bad debt reserve	Accrual ratio (%)	
Linyi Zhongtai Automotive Parts Manufacturing Co., Ltd.	6,193,466.77	6,193,466.77	100.00	Forecast as difficult to recover
Brilliance Auto Group Holding Co., Ltd.	3,337,118.71	3,337,118.71	100.00	Forecast as difficult to recover
Shaanxi Wanfang Automotive Parts Co., Ltd.	2,198,973.18	2,198,973.18	100.00	Forecast as difficult to recover
SAIC Hongyan Automobile Co., Ltd.	1,883,372.36	1,863,738.32	98.96	Forecast as difficult to recover
Dongfeng Chaoyang Chaochai Power Co., Ltd.	1,823,262.64	1,823,262.64	100.00	Forecast as difficult to recover
Nedstack Fuel Cell Technology BV	1,460,456.57	1,460,456.57	100.00	Forecast as difficult to recover
Lovol Tianjin Engines Co., Ltd.	1,018,054.89	1,018,054.89	100.00	Forecast as difficult to recover
Other customers	4,827,407.24	4,336,535.05	89.83	Forecast as difficult to recover
Total	22,742,112.36	22,231,606.13	—	—

## VIII. (Continued)

Accounts receivable (by entity)	Opening balance			
	Book balance	Bad debt reserve	Accrual ratio (%)	Accrual basis
Linyi Zhongtai Automotive Parts Manufacturing Co., Ltd.	6,193,466.77	6,193,466.77	100.00	Forecast as difficult to recover
Brilliance Auto Group Holding Co., Ltd.	2,693,280.39	2,693,280.39	100.00	Forecast as difficult to recover
SAIC Hongyan Automobile Co., Ltd.	2,297,240.06	2,297,240.06	100.00	Forecast as difficult to recover
Dongfeng Chaoyang Chaochai Power Co., Ltd.	1,823,262.64	1,823,262.64	100.00	Forecast as difficult to recover
Lovol Tianjin Engines Co., Ltd.	1,018,054.89	1,018,054.89	100.00	Forecast as difficult to recover
Other customers	3,047,013.52	3,047,013.52	100.00	Forecast as difficult to recover
Total	17,072,318.27	17,072,318.27	—	—

## ii. Accounts receivable for which bad debt provision has been assessed by portfolios:

Aging	Closing balance		
	Book balance	Bad debt reserve	Accrual ratio (%)
Within six months	4,253,616,904.39	--	--
Six months to one year	77,567,514.76	7,756,751.46	10.00
One to two years	15,640,849.20	3,128,169.88	20.00
Two to three years	7,687,208.71	3,074,883.49	40.00
More than three years	9,788,153.90	9,788,153.89	100.00
Total	4,364,300,630.96	23,747,958.72	0.54

(Continued)

Aging	Balance at the end of last year		
	Book balance	Bad debt reserve	Accrual ratio (%)
Within six months	3,640,596,534.97	--	--
Six months to one year	87,407,080.86	8,740,708.09	10.00
One to two years	14,549,657.71	2,909,932.32	20.00
Two to three years	11,252,099.78	4,500,839.88	40.00
More than three years	8,250,536.45	8,250,536.45	100.00
Total	3,762,055,909.77	24,402,016.74	0.65

iii. In the portfolio, there were no accounts receivable with provision for bad debts by other methods.

## (3) Bad debt reserve status

Category	Balance at the end of last year	Amount of changes in current period				Closing balance
		Provision	Recovery or reversal	Write-off or write-off after verification	Conversion of foreign currency statement	
Single provision	17,072,318.27	5,193,036.39	-250,477.21	519,472.69	235,246.95	22,231,606.13
Portfolio provision	24,402,016.74	--	638,824.45	66,166.87	50,933.30	23,747,958.72
Total	41,474,335.01	5,193,036.39	388,347.24	585,639.56	286,180.25	45,979,564.85

Description: Significant recovery or reversal amount of bad debt reserve in the current period: No.

## (4) Receivables actually written-off in the current period

Items	Write-off amount
Accounts receivable actually written off	585,639.56

Descriptions: No significant accounts receivable write-off in the current period.

**(5) Accounts receivable of the Top 5 closing balance classified by the overdue party**

Name of debtors	Closing balance of receivables	Proportion to the total closing balance of accounts receivable (%)	Closing balance of allowance for bad debts
Bosch Powertrain	837,818,105.83	19.10	5,540,525.12
German Bosch	719,908,284.79	16.41	1,160,786.70
Customer 2	297,345,450.59	6.78	481.47
Customer 1	252,396,372.29	5.75	1,063,529.76
Customer 3	184,529,149.43	4.21	82,754.91
Total	2,291,997,362.93	52.25	7,848,077.96

**5. Receivables financing****(1) Financing of receivables**

Items	Closing balance	Balance at the end of last year
Bills receivable	1,861,919,025.73	1,713,187,182.25
Of which: Bank acceptance bill	1,861,919,025.73	1,713,187,182.25
Total	1,861,919,025.73	1,713,187,182.25

**(2) Financing of receivables pledged at the end of period**

Items	Pledged amount at the end of period
Bank acceptance bill	408,648,804.25
Total	408,648,804.25

**(3) Financing of receivables endorsed or discounted but not yet mature on the balance sheet date at the end of period**

Items	Ending derecognition amount	Ending non-derecognition amount
Bank acceptance bill	466,919,579.02	--
Total	466,919,579.02	--

**6. Advance payment****(1) Advance payment is listed by age**

Aging	Closing balance		Balance at the end of last year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within a year	98,012,846.59	98.51	87,178,436.38	93.45
One to two years	1,181,857.84	1.19	2,329,391.28	2.50
Two to three years	296,620.00	0.30	3,468,224.73	3.72
More than three years	1,635.12	0.00	307,414.10	0.33
Total	99,492,959.55	100.00	93,283,466.49	100.00

**(2) Advance payment of Top 5 closing balance classified by advance payment objects**

Name of company	Closing balance	Proportion to the total closing balance of advance payments (%)
German Bosch	13,992,553.66	14.06
Dongbei Special Steel Group Co., Ltd.	13,152,032.72	13.22
Wuxi Ling'en Electromechanical Equipment Co., Ltd.	12,126,000.00	12.19
State Grid Jiangsu Electric Power Co., Ltd.	10,603,491.07	10.66
Shenzhen Jinminjiang Intelligent Equipment Co., Ltd.	8,100,000.00	8.14
Total	57,974,077.45	58.27

**7. Other receivables**

Items	Closing balance	Balance at the end of last year
Interests receivable	--	--
Dividends receivable	5,357,758.49	5,357,758.49
Other receivables	77,623,089.75	925,171,249.08
Total	82,980,848.24	930,529,007.57

**(1) Dividends receivable**

Invested entity	Closing balance	Balance at the end of last year
Wuxi Weifu Precision Machinery Manufacturing Co., Ltd.	5,357,758.49	5,357,758.49
Total	5,357,758.49	5,357,758.49

**(2) Other receivables**

Disclosure by age

Aging	Closing balance	Balance at the end of last year
Within a year	16,389,752.66	25,570,895.82
One to two years	2,658,174.54	353,994.58
Two to three years	380,706.22	2,544,811,701.19
More than three years	2,045,106,282.98	4,320,762.08
Subtotal	2,064,534,916.40	2,575,057,353.67
Less: Bad debt provision	1,986,911,826.65	1,649,886,104.59
Total	77,623,089.75	925,171,249.08

Classification by fund nature

Nature of funds	Period-end book balance	Book balance at the end of last year
Corporate current accounts	645,071.02	7,013,631.68
Cash pledge and guarantee deposit	11,950,266.49	10,540,482.23
Employee borrowings and reserve funds	240,006.80	384,928.19
Social insurance and housing provident fund paid on behalf	13,442,906.73	13,024,199.29
Weifu International Trade "platform trade" business portfolio	2,038,255,787.68	2,542,263,370.70
Others	877.68	1,830,741.58
Subtotal	2,064,534,916.40	2,575,057,353.67
Less: Bad debt provision	1,986,911,826.65	1,649,886,104.59
Total	77,623,089.75	925,171,249.08

Provision for bad debt reserve

Bad debt reserve	Phase I	Phase II	Phase III	Total
	Expected credit losses in the next 12 months	Expected credit losses throughout existence period (no credit impairment occurred)	Expected credit losses throughout existence period (credit impairment occurred)	
Balance at the end of last year	5,786,049.86	--	1,644,100,054.73	1,649,886,104.59
Book balance of other receivables at the end of last year is in the current period:	--	--	--	--
——Transfer in Phase II	--	--	--	--
——Transfer in Phase III	--	--	--	--
——Transfer back to Phase II	--	--	--	--
——Transfer back to Phase I	--	--	--	--
Provision in the current period	1,749,549.39	--	335,092,051.77	336,841,601.16
Reversal in the current period	--	--	--	--
Write-off in current period	--	--	--	--

Bad debt reserve	Phase I	Phase II	Phase III	Total
	Expected credit losses in the next 12 months	Expected credit losses throughout existence period (no credit impairment occurred)	Expected credit losses throughout existence period (credit impairment occurred)	
Write-off in the current period	3,261.39	--	--	3,261.39
Other changes	187,382.29	--	--	187,382.29
Closing balance	7,719,720.15	--	1,979,192,106.50	1,986,911,826.65

## Bad debt reserve status

Category	Balance at the end of last year	Amount of changes in current period				Closing balance
		Provision	Recovery or reversal	Write-off or write-off after verification	Conversion of foreign currency statement	
Bad debt reserve	1,649,886,104.59	336,841,601.16	--	3,261.39	187,382.29	1,986,911,826.65
Total	1,649,886,104.59	336,841,601.16	--	3,261.39	187,382.29	1,986,911,826.65

## Other receivables actually written-off in this period

Items	Write-off amount
Other receivables actually written off	3,261.39

## Other receivables of Top 5 closing balance classified by debtors

Name of company	Nature of funds	Closing balance	Aging	Proportion to total closing balance of other receivables (%)	Bad debt reserve Closing balance
Weifu International Trade “platform trade” business portfolio	See other descriptions	2,038,255,787.68	Over 3 years	98.73	1,979,160,379.70
Wuxi CR Gas Co., Ltd.	Deposit	1,353,500.00	Over 3 years	0.07	1,353,500.00
Wuxi Xingzhou Industrial Park Development Co., Ltd.	Deposit	1,138,741.21	Within 1 year, 2-3 years, more than 3 years	0.06	710,923.98
Wuxi Xingzhou Energy Development Co., Ltd.	Deposit	1,045,373.12	Within 1 year, more than 3 years	0.05	903,042.26
Wuxi Chenyang Construction Equipment Leasing Co., Ltd.	Deposit	1,000,000.00	Within 1 year	0.05	100,000.00
Total	—	2,042,793,402.01	—	98.96	1,982,227,845.94

Other descriptions: For details on Weifu International Trade “platform trade” business portfolio, refer to the description in Note XV, 7 “Other important transactions and events affecting investor decision-making”.

## 8. Inventory

### (1) Inventory classification

Items	Closing balance		
	Book balance	Inventory falling price reserves	Book value
Raw materials	583,093,953.74	100,756,472.59	482,337,481.15
Unfinished products	558,452,738.49	30,798,354.66	527,654,383.83
Finished products	1,579,852,880.89	131,709,756.97	1,448,143,123.92
Total	2,721,399,573.12	263,264,584.22	2,458,134,988.90

(Continued)

Items	Balance at the end of last year		
	Book balance	Inventory falling price reserves	Book value

Items	Balance at the end of last year		
	Book balance	Inventory falling price reserves	Book value
Raw materials	558,770,000.24	100,525,696.37	458,244,303.87
Unfinished products	555,451,953.02	28,344,427.22	527,107,525.80
Finished products	1,468,970,529.18	145,401,957.71	1,323,568,571.47
Total	2,583,192,482.44	274,272,081.30	2,308,920,401.14

**(2) Inventory falling price reserves**

Items	Balance at the end of last year	Increased amount in current period		Decreased amount in current period		Closing balance
		Provision	Conversion of foreign currency statement	Reversal or write-off	Others	
Raw materials	100,525,696.37	38,567,033.38	1,204,383.64	39,540,640.80	--	100,756,472.59
Unfinished products	28,344,427.22	10,726,669.08	1,099,306.21	9,372,047.85	--	30,798,354.66
Finished products	145,401,957.71	84,973,828.75	444,688.59	99,110,718.08	--	131,709,756.97
Total	274,272,081.30	134,267,531.21	2,748,378.44	148,023,406.73	--	263,264,584.22

**9. Non-current assets due within 1 year**

Items	Closing balance	Balance at the end of last year
Other non-current assets due within one year [Note]	689,033,205.47	509,070,575.38
Other non-current financial assets due within one year	--	50,000,000.00
Total	689,033,205.47	559,070,575.38

[Note]: Refer to the principal of large-denomination certificates of deposit redeemed upon maturity within one year and accrued interest.

**10. Other current assets**

Items	Closing balance	Balance at the end of last year
Export tax rebate receivable	7,369,802.15	5,356,094.47
VAT rebate receivable	2,489,909.34	7,165,454.75
Prepaid tax and VAT retained	171,745,232.56	146,820,302.41
Input tax to be deducted and certified	14,674,947.65	17,548,216.30
Prepaid expenses	15,244,244.74	10,282,601.20
Physical assets such as small household appliances [Note 1]	42,786,744.82	--
Others	6,425,755.18	1,815,790.33
Subtotal	260,736,636.44	188,988,459.46
Less: Impairment reserve of other non-current assets [Note 2]	122,887,023.61	--
Total	137,849,612.83	188,988,459.46

[Note 1]: Small home appliances are the properties involved in the Weifu International Trade “platform trade” case returned by the public security organ to the company;

[Note 2]: After prudent assessment by management of the company regarding VAT receivables - prepaid VAT, there is significant uncertainty as to the future recoverability of such amounts, and clear indications of impairment have emerged. Accordingly, an impairment provision of RMB 122,887,000 has been recognized.

**11. Long-term equity investment**

Invested entity	Balance at the end of last year	Increases and decreases in current period				
		Additional investment	Investment reduction	Investment gains and losses recognized under equity method	Adjustment of other comprehensive revenues	Other equity change
<b>Associated enterprises:</b>						
Wuxi Weifu Environmental Protection Catalyst Co., Ltd.	1,010,047,290.27	--	--	207,208,545.69	--	1,935,873.21
Bosch Powertrain Co., Ltd.	3,413,961,630.25	--	--	725,067,949.82	--	--
Zhonglian Automotive Electronics Co., Ltd.	1,871,790,817.25	--	--	514,090,471.95	--	--
Wuxi Weifu Precision Machinery Manufacturing Co., Ltd.	44,310,168.33	--	--	-269,981.18	--	74,644.79
Changchun Xuyang Weifu Automotive Parts Technology Co., Ltd.	8,472,997.94	--	--	9,210.97	--	--
Precors GmbH	--	--	--	--	--	--
Wuxi Autolink Intelligent Technology Co., Ltd.	210,866,149.89	--	--	-63,616,983.38	--	-5,010,637.63
Lezhuo Bowei Hydraulic Technology (Shanghai) Co., Ltd.	132,760,771.59	--	--	-33,886,008.88	--	--
Wuxi Zhuowei Times High-tech Co., Ltd.	37,919,312.88	--	--	-2,126,059.56	--	--
Voith HySTech GmbH	304,969,740.19	28,963,801.82	--	-220,140,284.10	--	--
Total	7,035,098,878.59	28,963,801.82	--	1,126,336,861.33	--	-3,000,119.63

(Continued)

Invested entity	Increases and decreases in current period				Closing balance	Closing balance of provision for impairment
	Declare distribution of cash dividends or profits	Provision for impairment	Conversion of foreign currency statement	Other changes		
<b>Associated enterprises:</b>						
Wuxi Weifu Environmental Protection Catalyst Co., Ltd.	117,600,000.00	--	--	--	1,101,591,709.17	--
Bosch Powertrain Co., Ltd.	214,397,603.56	--	--	--	3,924,631,976.51	--
Zhonglian Automotive Electronics Co., Ltd.	300,000,000.00	--	--	--	2,085,881,289.20	--
Wuxi Weifu Precision Machinery Manufacturing Co., Ltd.	--	--	--	--	44,114,831.94	--

Invested entity	Increases and decreases in current period				Closing balance	Closing balance of provision for impairment
	Declare distribution of cash dividends or profits	Provision for impairment	Conversion of foreign currency statement	Other changes		
Changchun Xuyang Weifu Automotive Parts Technology Co., Ltd.	--	--	--	--	8,482,208.91	--
Precors GmbH	--	--	--	--	--	8,998,648.57
Wuxi Autolink Intelligent Technology Co., Ltd.	--	--	--	142,238,528.88	--	--
Lezhuo Bowei Hydraulic Technology (Shanghai) Co., Ltd.	--	--	--	--	98,874,762.71	--
Wuxi Zhuowei Times High-tech Co., Ltd.	--	--	--	--	35,793,253.32	--
Voith HySTech GmbH	--	136,596,429.69	22,803,171.78	--	--	138,865,054.65
Total	631,997,603.56	136,596,429.69	22,803,171.78	142,238,528.88	7,299,370,031.76	147,863,703.22

## 12. Other equity instrument investments

### (1) Investment of other equity instruments

Items	Closing balance	Balance at the end of last year
Wuxi Xichan Microchip Co., Ltd.	592,742,690.00	592,742,690.00
Wuxi Autolink Intelligent Technology Co., Ltd. [Note]	371,348,000.00	--
Others	85,048,000.00	85,048,000.00
Total	1,049,138,690.00	677,790,690.00

[Note]: In November 2025, Wuxi Autolink Intelligent Technology Co., Ltd. initiated the Hong Kong stock application work. According to the revised articles of association of this company, the company shall no longer have the right to appoint directors to the invested entity, unable to continue to exert significant influence over the company, and therefore this investment was no longer accounted for as an associated enterprise; meanwhile, the company designated this investment as a financial asset measured at fair value with changes recorded in other comprehensive income, according to the business model for managing this financial asset. At the end of 2025, the Autolink investment fair value of the company was determined, with reference to the appraisal result issued by Beijing Zhongheyi Asset Appraisal Co., Ltd. and the latest financing price of Autolink.

**(2) Investment of non-transactional equity instruments**

Items	Gains and losses recorded in other comprehensive income in the current period (losses marked as “-”)	Cumulative gains and losses recorded in other comprehensive income at the end of the current period (losses marked as “-”)	Dividend income recognized in the current period	Reasons for designating to measure at fair value with changes included in other comprehensive income
Wuxi Xichan Microchip Co., Ltd.	--	--	--	Attributable to non-trading equity instrument investment
Wuxi Autolink Intelligent Technology Co., Ltd.	--	--	--	Attributable to non-trading equity instrument investment
Others	--	--	--	Attributable to non-trading equity instrument investment
Total	--	--	--	—

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

Items	Closing balance	Balance at the end of last year
Financial assets classified as measuring at fair value with change recorded in current profits and losses	751,258,396.69	747,471,349.81
Of which: Investment in other debt instruments and equity instruments held for more than one year	751,258,396.69	747,471,349.81
Less: Other non-current financial assets due within one year	--	50,000,000.00
Total	751,258,396.69	697,471,349.81

**14. Investment real estate****(1) Investment real estate with the model of cost measurement**

Items	Houses and buildings	Total
IX. Original book value		
1. Balance at the end of last year	95,327,686.03	95,327,686.03
2. Increased amount in current period	23,689,544.68	23,689,544.68
(1) Outsourcing	--	--
(2) Transfer of the fixed assets	23,689,544.68	23,689,544.68
3. Decreased amount in current period	17,273,395.16	17,273,395.16
(1) Disposal	501,896.37	501,896.37
(2) Other transfer-out	16,771,498.79	16,771,498.79
4. Closing balance	101,743,835.55	101,743,835.55
X. Cumulative depreciation and amortization		
1. Balance at the end of last year	50,366,755.64	50,366,755.64
2. Increased amount in current period	10,008,123.41	10,008,123.41
(1) Provision or amortization	2,152,844.95	2,152,844.95
(2) Transfer of the fixed assets	7,855,278.46	7,855,278.46
3. Decreased amount in current period	10,949,363.37	10,949,363.37
(1) Disposal	486,839.48	486,839.48
(2) Other transfer-out	10,462,523.89	10,462,523.89
4. Closing balance	49,425,515.68	49,425,515.68
XI. Provisions for impairment		
1. Balance at the end of last year	--	--
2. Increased amount in current period	--	--
3. Decreased amount in current period	--	--

Items	Houses and buildings	Total
4. Closing balance	--	--
XII. Book value		
1. Period-end book value	52,318,319.87	52,318,319.87
2. Book value at the end of last year	44,960,930.39	44,960,930.39

## (2) Amount and reason for investment real estate with property ownership certificate unhandled

Items	Book value	Reasons for uncompleted the Property Ownership Certificate
Weifu Jinning House	52,182.36	Relevant property right procedures are being handled

## 15. Fixed assets

Items	Closing balance	Balance at the end of last year
Fixed assets	4,582,924,701.55	4,461,619,375.21
Fixed asset liquidation	--	--
Total	4,582,924,701.55	4,461,619,375.21

### (1) Fixed assets

Fixed assets are as follows

Items	Houses and buildings	Machinery equipment	Transportation equipment	Electronics and other equipments	Land	Total
XIII. Original book value						
1. Balance at the end of last year	2,476,447,467.18	5,407,734,912.76	46,817,358.94	1,391,716,721.51	30,905,579.87	9,353,622,040.26
2. Increased amount in current period	57,970,397.78	548,415,029.35	13,930,656.11	171,419,593.43	--	791,735,676.67
(1) Purchase	1,487,808.80	46,594,559.44	3,704,470.50	17,137,783.43	--	68,924,622.17
(2) Transfer of construction progress	39,565,694.99	489,711,837.54	10,226,185.61	154,281,810.00	--	693,785,528.14
(3) Others	16,916,893.99	12,108,632.37	--	--	--	29,025,526.36
3. Decreased amount in current period	27,658,210.01	53,561,975.64	883,229.26	54,184,717.65	--	136,288,132.56
(1) Disposal or scraping	3,968,665.33	53,561,975.64	883,229.26	42,337,770.73	--	100,751,640.96
(2) Others	23,689,544.68	--	--	11,846,946.92	--	35,536,491.60
4. Conversion of foreign currency statement	11,754,394.55	49,519,687.05	7,302.03	36,017,264.27	2,915,022.81	100,213,670.71
5. Closing balance	2,518,514,049.50	5,952,107,653.52	59,872,087.82	1,544,968,861.56	33,820,602.68	10,109,283,255.08
XIV. Cumulative depreciation						
1. Balance at the end of last year	668,529,085.04	3,063,216,934.23	24,275,580.49	933,624,243.29	--	4,689,645,843.05
2. Increased amount in current period	87,166,958.74	375,388,180.61	3,808,092.00	165,155,881.83	--	631,519,113.18
(1) Provision	76,696,854.97	373,665,099.24	3,808,092.00	165,155,881.83	--	619,325,928.04
(2) Others	10,470,103.77	1,723,081.37	--	--	--	12,193,185.14
3. Decreased amount in current period	9,051,347.41	43,776,066.00	862,394.20	25,237,574.96	--	78,927,382.57
(1) Disposal or scraping	1,196,068.95	43,776,066.00	862,394.20	23,608,683.62	--	69,443,212.77

Items	Houses and buildings	Machinery equipment	Transportation equipment	Electronics and other equipments	Land	Total
(2) Others	7,855,278.46	--	--	1,628,891.34	--	9,484,169.80
4. Conversion of foreign currency statement	5,472,482.93	29,748,826.14	1,606.11	27,254,350.48	--	62,477,265.66
5. Closing balance	752,117,179.30	3,424,577,874.98	27,222,884.40	1,100,796,900.64	--	5,304,714,839.32
XV. Provisions for impairment						
1. Balance at the end of last year	14,287,345.82	148,936,967.61	73,319.90	23,694,157.00	15,365,031.67	202,356,822.00
2. Increased amount in current period	1,192,045.29	12,720,710.79	77,327.71	304,124.54	--	14,294,208.33
(1) Provision [Note]	1,192,045.29	10,483,486.52	77,327.71	304,124.54	--	12,056,984.06
(2) Others	--	2,237,224.27	--	--	--	2,237,224.27
3. Decreased amount in current period	--	1,356,428.31	--	3,596,884.47	--	4,953,312.78
(1) Disposal or scraping	--	1,356,428.31	--	1,359,660.20	--	2,716,088.51
(2) Others	--	--	--	2,237,224.27	--	2,237,224.27
4. Conversion of foreign currency statement	1,328,140.67	6,046,973.01	-1,261.43	1,122,910.39	1,449,234.02	9,945,996.66
5. Closing balance	16,807,531.78	166,348,223.10	149,386.18	21,524,307.46	16,814,265.69	221,643,714.21
XVI. Book value						
1. Period-end book value	1,749,589,338.42	2,361,181,555.44	32,499,817.24	422,647,653.46	17,006,336.99	4,582,924,701.55
2. Book value at the end of last year	1,793,631,036.32	2,195,581,010.92	22,468,458.55	434,398,321.22	15,540,548.20	4,461,619,375.21

Other descriptions: Other changes in buildings and structures were mainly caused by the conversion of investment properties in the current period; other changes in machinery equipment and electronic and other equipment were caused by the asset category adjustment in the current period.

[Note]: Affected by relevant policy adjustment of overseas hydrogen energy industry, the operating losses of overseas wholly-owned subsidiary IRD and its US subsidiary increased, with signs of impairment in long-term assets; after a prudent impairment test, the provisions were made for fixed asset impairment reserve of RMB 12,056,984.04, construction in progress impairment reserve of RMB 36,839,003.67, right-of-use asset impairment reserve of RMB 3,609,952.82, long-term deferred expense impairment reserve of RMB 5,484,764.62, and other non-current asset impairment reserve of RMB 8,596,558.12.

#### Temporarily idle fixed assets

Items	Original book value	Cumulative depreciation	Provisions for impairment	Book value
Machinery equipment	1,509,286.38	617,182.45	864,626.49	27,477.44
Other devices	5,988,078.39	2,939,148.49	2,749,525.98	299,403.92
Total	7,497,364.77	3,556,330.94	3,614,152.47	326,881.36

#### Fixed assets rent through operating lease

Items	Period-end book value
Houses and buildings	14,822,858.71
Total	14,822,858.71

#### Fixed assets without handling property ownership certificate

Items	Book value	Reasons for uncompleted the property certificate
-------	------------	--

Items	Book value	Reasons for uncompleted the property certificate
Weifu Chang'an - Plant houses and office buildings	24,678,867.02	Relevant property right procedures are being handled
Weifu Jinning - Plant houses and office buildings	147,218.79	Relevant property right procedures are being handled

## 16. Construction in process

Items	Closing balance	Balance at the end of last year
Construction in process	280,431,452.37	380,321,816.50
Engineering materials	--	--
Total	280,431,452.37	380,321,816.50

### (1) Construction in process

#### Construction in process

Items	Closing balance			Balance at the end of last year		
	Book balance	Provisions for impairment	Book value	Book balance	Provisions for impairment	Book value
Hydrogen Energy Industrial Park construction project	1,044,510.86	--	1,044,510.86	385,316.66	--	385,316.66
Weifu (Huishan) Intelligent Industrial Park Phase II	7,573,068.22	--	7,573,068.22	--	--	--
Company Xinan Branch No.1 Workshop Renovation Project	--	--	--	4,456,868.76	--	4,456,868.76
Land Plot 103 Phase 6 Project	--	--	--	222,994.13	--	222,994.13
Production lines and equipment under installation and commissioning	288,205,125.59	36,422,667.30	251,782,458.29	353,665,522.78	184,615.38	353,480,907.40
Software and systems under installation and commissioning	8,335,003.57	--	8,335,003.57	17,367,111.09	--	17,367,111.09
Sporadic construction security projects	11,696,411.43	--	11,696,411.43	4,408,618.46	--	4,408,618.46
Total	316,854,119.67	36,422,667.30	280,431,452.37	380,506,431.88	184,615.38	380,321,816.50

#### Changes of important construction in progress in current period

Name of projects	Amount of Budget (RMB ten thousand)	Balance at the end of last year	Increased amount in current period	Current transfer in of fixed assets	Other current reductions	Closing balance
Company Xinan Branch No.1 Workshop Renovation Project	41,245.40	4,456,868.76	--	4,456,868.76	--	--
Land Plot 103 Phase 6 Project	6,309.48	222,994.13	--	222,994.13	--	--
Hydrogen Energy Industrial Park construction project	55,000.00	385,316.66	659,194.20	--	--	1,044,510.86
Weifu (Huishan) Intelligent Industrial Park Phase II	27,000.00	--	7,573,068.22	--	--	7,573,068.22
Production lines and equipment under installation and commissioning	—	353,665,522.78	588,759,435.96	654,219,833.15	--	288,205,125.59

Name of projects	Amount of Budget (RMB ten thousand)	Balance at the end of last year	Increased amount in current period	Current transfer in of fixed assets	Other current reductions	Closing balance
Software and systems under installation and commissioning	—	17,367,111.09	30,124,824.53	--	39,156,932.05	8,335,003.57
Subtotal	—	376,097,813.42	627,116,522.91	658,899,696.04	39,156,932.05	305,157,708.24

(Continued)

Project name	Proportion of cumulative engineering investment to budget (%)	Engineering progress	The accumulated amount of interest capitalization	Of which: Amount of interest capitalization in the current period	Interest capitalization rate in the current period (%)	Source of funds
Company Xinan Branch No.1 Workshop Renovation Project	100%	Completed	--	--	--	Own capital
Land Plot 103 Phase 6 Project	100%	Completed	--	--	--	Own capital
Hydrogen Energy Industrial Park construction project	0.19%	Completion of design plan	--	--	--	Own capital
Weifu (Huishan) Intelligent Industrial Park Phase II	2.80%	Engineering early stage	--	--	--	Own capital
Production lines and equipment under installation and commissioning	--	--	--	--	--	Own capital
Software and systems under installation and commissioning	--	--	--	--	--	Own capital
Subtotal	--	--	--	--	--	--

Impairment reserve of construction in progress accrued in the current period

Items	Opening balance	Provision in the current period	Decrease in current period	Converted difference in foreign currency statements	Closing balance
Equipments installation	184,615.38	36,839,003.67	--	-600,951.75	36,422,667.30
Total	184,615.38	36,839,003.67	--	-600,951.75	36,422,667.30

## 17. Right-of-use assets

Items	Houses and buildings	Machinery equipment	Total
XVII. Original book value			
1. Balance at the end of last year	83,289,566.04	27,897,838.84	111,187,404.88
2. Increased amount this year	64,713,247.53	1,281,886.44	65,995,133.97
(1) Rental increase	64,713,247.53	1,281,886.44	65,995,133.97
3. Decreased amount this year	8,168,774.25	533,943.57	8,702,717.82
(1) Upon maturity or disposal	8,168,774.25	533,943.57	8,702,717.82
4. Converted difference in foreign currency statements	3,973,130.31	2,040,399.00	6,013,529.31
5. Closing balance	143,807,169.63	30,686,180.71	174,493,350.34
XVIII. Cumulative depreciation			
1. Balance at the end of last year	29,728,433.95	13,693,528.56	43,421,962.51
2. Increased amount this year	28,226,492.74	6,979,626.27	35,206,119.01
(1) Provision	28,226,492.74	6,979,626.27	35,206,119.01
3. Decreased amount this year	7,391,319.51	278,955.08	7,670,274.59
(1) Upon maturity or disposal	7,391,319.51	278,955.08	7,670,274.59
4. Converted difference in foreign currency statements	711,126.17	1,208,944.06	1,920,070.23
5. Balance at the end of the year	51,274,733.35	21,603,143.81	72,877,877.16
XIX. Provisions for impairment			

Items	Houses and buildings	Machinery equipment	Total
1. Balance at the end of last year	--	--	--
2. Increased amount this year	3,609,952.82	--	3,609,952.82
(1) Provision	3,609,952.82	--	3,609,952.82
3. Decreased amount this year	--	--	--
4. Converted difference in foreign currency statements	59,954.92	--	59,954.92
5. Balance at the end of the year	3,669,907.74	--	3,669,907.74
XX. Book value			
1. Book value at the end of the year	88,862,528.54	9,083,036.90	97,945,565.44
2. Book value at the end of last year	53,561,132.09	14,204,310.28	67,765,442.37

## 18. Intangible assets

### (1) Intangible assets

Items	Land use right	Computer software	Trademark and trademark license use right	Patented and non-patented technology	Total
XXI. Original book value					
1. Balance at the end of last year	419,260,133.17	241,798,650.13	41,597,126.47	255,390,917.74	958,046,827.51
2. Increased amount in current period	14,337,536.79	39,542,492.36	--	--	53,880,029.15
(1) Purchase	14,337,536.79	385,560.31	--	--	14,723,097.10
(2) Transfer of construction in progress	--	39,156,932.05	--	--	39,156,932.05
3. Decreased amount in current period	977,558.40	2,797,687.01	--	3,539,793.05	7,315,038.46
(1) Disposal or scraping	977,558.40	2,390,607.36	--	3,539,793.05	6,907,958.81
(2) Others	--	407,079.65	--	--	407,079.65
4. Conversion of foreign currency statement	--	1,678,522.84	--	20,592,935.52	22,271,458.36
5. Closing balance	432,623,934.75	280,218,155.13	41,597,126.47	272,444,060.21	1,026,883,276.56
XXII. Accumulated amortization					
1. Balance at the end of last year	121,763,326.96	201,212,782.11	9,709,000.00	127,725,716.90	460,410,825.97
2. Increased amount in current period	9,148,502.24	32,743,464.43	--	22,315,214.61	64,207,181.28
(1) Provision	9,148,502.24	32,743,464.43	--	22,315,214.61	64,207,181.28
3. Decreased amount in current period	806,462.41	1,862,687.81	--	3,539,793.05	6,208,943.27
(1) Disposal or scraping	806,462.41	1,760,917.90	--	3,539,793.05	6,107,173.36
(2) Others	--	101,769.91	--	--	101,769.91
4. Conversion of foreign currency statement	--	1,400,370.36	--	11,031,070.88	12,431,441.24
5. Closing balance	130,143,106.85	233,456,189.03	9,709,000.00	157,532,209.34	530,840,505.22
XXIII. Provisions for impairment					
1. Balance at the end of last year	--	448,292.66	16,646,900.00	--	17,095,192.66
2. Increased amount in current period	--	--	--	--	--
3. Decreased amount in current period	--	--	--	--	--
4. Conversion of foreign currency statement	--	42,283.08	--	--	42,283.08

Items	Land use right	Computer software	Trademark and trademark license use right	Patented and non-patented technology	Total
5. Closing balance	--	490,575.74	16,646,900.00	--	17,137,475.74
<b>XXIV. Book value</b>					
1. Period-end book value	302,480,827.90	46,271,390.36	15,241,226.47	114,911,850.87	478,905,295.60
2. Book value at the end of last year	297,496,806.21	40,137,575.36	15,241,226.47	127,665,200.84	480,540,808.88

## 19. Goodwill

### (1) Goodwill book value

Matters generating goodwill	Balance at the end of last year	Increase in current period	Decrease in current period	Conversion of foreign currency statement	Closing balance
		Enterprise merger	Disposal		
Consolidated with Weifu Tianli	1,784,086.79	--	--	--	1,784,086.79
Consolidated with Borit	238,284,918.92	--	--	22,070,419.90	260,355,338.82
Total	240,069,005.71	--	--	22,070,419.90	262,139,425.61

### (2) Provision for goodwill impairment

Matters generating goodwill	Balance at the end of last year	Increase in current period	Decrease in current period	Conversion of foreign currency statement	Closing balance
		Provision	Disposal		
Consolidated with Weifu Tianli	--	--	--	--	--
Consolidated with Borit	207,463,687.49	33,125,793.96	--	19,765,857.37	260,355,338.82
Total	207,463,687.49	33,125,793.96	--	19,765,857.37	260,355,338.82

### (3) Relevant information on asset group or asset group portfolio where the goodwill exists

Name	Asset group or portfolio composition and basis	Operating division and basis	Whether consistent with previous years
Weifu Tianli	Long-term assets concerning the consolidated Weifu Tianli goodwill; the management clarified such asset group to be used and operated independent of other assets, and to generate cash inflow independently	Automotive Intake System Product Division; asset group output product category	Yes
Borit	Long-term assets concerning the consolidated Borit goodwill; the management clarified such asset group to be used and operated independent of other assets, and to generate cash inflow independently	Other automotive parts divisions; asset group output product category	Yes

### (4) Specific method of determining recoverable amount

The company estimates the recoverable amount of asset group with impairment signs according to the higher of the net amount of its fair value minus disposal expense and the present value of expected future net cash flow; regarding the asset group without impairment signs, the company determines the recoverable amount of this asset group by the present value of the expected future net cash flow of such asset group.

Weifu Tianli: Determine its recoverable amount according to the present value of expected future cash flow

Items	Book value of asset group including goodwill	Recoverable amount	Impairment amount	Year limit of the forecast period	Key parameters of the forecast period	Key parameters of stable period	Basis for determining key parameters of stable period
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Weifu Tianli	199,231,916.97	777,560,811.19	—	5 years	Income growth rate: 2%-38%; profit margin: 6%-7%; discount rate 10.14%	Income growth rate 0%, profit margin 6.49%, discount rate 10.14%	Considering prudence, the income growth during the stable period was 0%
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Borit: Determine the recoverable amount according to the net amount of fair value minus disposal expense

Items	Book value of asset group including goodwill	Recoverable amount	Impairment amount	Method of determining fair value and disposal expense	Key parameters	Basis for determining key parameters
Borit	170,848,710.18	136,709,454.69	33,125,793.96	Market approach	Enterprise value/sales income	Comparable company average

Descriptions: The company calculated the recoverable amount of this asset group, with reference to the appraisal result of Hu Jia Appraisal Report (2026) No.0095 Asset Appraisal Report of Wuxi Weifu High-Technology Group Co., Ltd. on the Recoverable Amount of Goodwill-related Asset Group Arising from Weifu Holding ApS Acquisition of Borit NV Concerning Goodwill Impairment Test for the Purpose of Financial Reporting issued by Shanghai Jiace Asset Appraisal Co., Ltd. According to the impairment test results, the company has made provision for impairment reserve of RMB 33,125,793.96 to the goodwill associated with the asset group in the current period.

#### (5) Performance commitment completion and corresponding impairment of goodwill

Inapplicable.

#### 20. Long-term deferred expense

Items	Balance at the end of last year	Increase in current period	Current amortization	Conversion of foreign currency statement	Other decrease	Closing balance
Decoration expense, etc.	22,202,465.04	49,728,058.21	11,178,248.90	2,129,430.87	5,484,764.62	57,396,940.60
Total	22,202,465.04	49,728,058.21	11,178,248.90	2,129,430.87	5,484,764.62	57,396,940.60

Descriptions: Other reductions were the provision for impairment reserve.

#### 21. Deferred income tax assets/deferred income tax liabilities

##### (1) Non-offset deferred income tax asset details

Items	Closing balance		Balance at the end of last year	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Bad debt reserve	44,152,193.79	6,905,968.05	41,797,429.02	6,435,174.40
Inventory falling price reserves	213,603,028.75	33,540,830.32	236,847,793.55	36,125,249.29
Fixed asset impairment reserve	95,191,249.93	16,607,584.61	96,998,034.32	17,014,413.73
Impairment reserve of construction in progress	184,615.38	27,692.31	184,615.38	27,692.31
Provisions for intangible asset impairment	16,646,900.00	2,497,035.00	16,646,900.00	2,497,035.00
Deferred incomes	116,439,925.84	17,563,299.19	149,757,581.67	22,633,752.36
Internal unrealized profits	71,547,412.32	13,192,513.91	65,395,598.24	13,015,777.61

Items	Closing balance		Balance at the end of last year	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Wage payable, accrued expense, etc.	954,373,383.21	149,574,911.28	917,718,552.00	145,328,224.99
Asset depreciation, amortization difference	24,717,114.06	3,711,115.68	23,208,041.96	3,527,337.81
Deductible loss amount	1,231,507,412.99	188,106,484.27	1,168,677,565.93	175,301,634.90
Impairment reserve of other non-current assets	146,615,749.63	21,992,362.44	146,615,749.63	21,992,362.44
Lease liabilities	77,754,490.02	16,628,519.52	61,461,573.00	14,237,201.65
Fluctuation of fair value	40,671,644.15	6,100,746.63	30,550,763.25	4,582,614.49
Total	3,033,405,120.07	476,449,063.21	2,955,860,197.95	462,718,470.98

**(2) Details of non-offset deferred tax liabilities**

Items	Closing balance		Balance at the end of last year	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Difference in fair value of consolidated Weifu Tianli assets under different control and taxation basis	8,788,973.20	1,318,345.98	9,256,736.95	1,388,510.52
Difference in fair value of consolidated IRD assets under different control and taxation basis	35,509,947.59	7,812,188.47	42,249,682.78	9,294,930.21
Difference in fair value of consolidated Borit assets under different control and taxation basis	13,838,768.77	3,459,692.13	15,512,362.69	3,878,090.60
Difference in fair value of consolidated VH business assets under different control and taxation basis	44,901,017.14	10,776,244.06	42,200,640.32	10,128,153.65
Fluctuation of fair value	44,731,787.81	7,018,986.57	823,158.14	123,473.72
Accelerated depreciation of fixed assets	870,317,608.44	135,932,828.36	844,054,613.82	131,777,556.75
Right-of-use assets	76,082,085.49	16,266,866.76	62,433,477.96	13,999,594.04
Others	64,198,291.94	10,983,558.81	83,354,236.41	13,578,003.30
Total	1,158,368,480.38	193,568,711.14	1,099,884,909.07	184,168,312.79

**(3) Deferred income tax assets or liabilities presented by net amount after offsetting**

Items	Mutually offset amount of deferred income tax assets and liabilities at the end of period	Closing balance of deferred income tax assets or liabilities after offsetting	Offset amount of deferred income tax assets and liabilities at the end of last year	Balance of deferred income tax assets or liabilities at the end of last year after offsetting
Deferred income tax assets	166,550,052.70	309,899,010.51	159,298,304.33	303,420,166.65
Deferred income tax liabilities	166,550,052.70	27,018,658.45	159,298,304.33	24,870,008.46

**(4) Unrecognized deferred income tax assets**

Items	Closing balance	Balance at the end of last year
Bad debt reserve	1,988,739,197.71	1,649,563,010.58
Inventory falling price reserves	49,661,555.47	37,424,287.75
Subsidiary loss amount	1,350,265,857.24	923,958,282.87
Provisions for long-term equity investment impairment	147,863,703.22	8,223,048.38
Fixed asset impairment reserve	126,452,464.28	105,358,787.68
Impairment reserve of construction in progress	36,238,051.92	--
Provisions for intangible asset impairment	490,575.74	448,292.66
Fair value changes of other equity instrument investments	12,600,000.00	13,600,000.00
Impairment reserve of other non-current assets	122,887,023.61	--
Wage payable, accrued expense, etc.	42,545,482.35	49,304,003.51

Items	Closing balance	Balance at the end of last year
Total	3,877,743,911.54	2,787,879,713.43

Other descriptions: Due to the uncertainty about whether the loss-making subsidiary can obtain sufficient taxable income in the future, the deferred income tax assets are not recognized.

#### (5) The deductible losses of unrecognized deferred income tax assets will expire in the following years

Year	Closing balance	Balance at the end of last year
2025 years	--	7,635,552.89
2026 years	33,144,849.80	46,267,496.16
2027 years	54,686,831.09	90,932,850.34
2028 years	78,303,845.07	104,023,377.77
2029 years	99,939,854.63	119,116,583.00
2030 and thereafter	344,928,798.27	--
No expiration date [Note]	739,261,678.38	555,982,422.71
Total	1,350,265,857.24	923,958,282.87

Note: Those with no expiration date in the deductible losses are operating losses incurred by overseas subsidiaries of the company, and operating losses can be compensated infinitely in accordance with the tax policy in the locality where overseas subsidiaries operate.

## 22. Other non-current assets

Items	Closing balance	Balance at the end of last year
Prepaid engineering and equipment fund	192,938,074.50	186,322,984.79
Contract acquisition cost with amortization period of more than one year at the time of initial recognition	3,625,624.88	4,330,621.43
Contract performance cost with amortization period of more than one year at the time of initial recognition	40,362,622.75	--
Large certificate of deposit due over one year	20,769,315.07	689,071,260.28
Finance products	146,615,749.63	160,163,280.47
Subtotal	404,311,386.83	1,039,888,146.97
Less: Impairment reserve of other non-current assets	155,072,072.78	146,615,749.63
Total	249,239,314.05	893,272,397.34

## 23. Assets with limited ownership or right of use

Items	Period-end book value	Limited type	Restricted case
Monetary fund	20,188,696.29	Deposit	Security deposit paid for issuing bank acceptance bills
Monetary fund	8,291,872.97	Deposit	IRD performance bond
Monetary fund	273,032.92	Deposit	Guarantee deposit for letter of guarantee
Monetary fund	152.85	Deposit	Mastercard security deposit
Monetary fund	60,412,602.74	Deposit	Security deposit for obtaining bank loan pledge and interest
Accounts receivable	10,000,000.00	Pledge	Accounts receivable pledge financing
Receivables financing	408,648,804.25	Pledge	Notes pledged for issuing bank acceptance bills
Trading financial assets	10,150,000.00	Freeze	Funds were frozen by the court due to litigation. The frozen funds are held in a corporate structured deposit account opened by the company with a bank. The principal balance of this deposit account is RMB 100 million, of which RMB 10.15 million is restricted as a result of the freeze.
Total	517,965,162.02	—	—

**24. Short-term borrowings****(1) Short-term loan classification**

Items	Closing balance	Balance at the end of last year
Credit loan	504,667,506.68	392,800,433.57
Pledge borrowings	59,426,508.10	--
Interest payable	669,795.45	319,714.38
Total	564,763,810.23	393,120,147.95

**25. Bills payable**

Category	Closing balance	Balance at the end of last year
Bank acceptance bill	1,913,336,503.36	2,014,217,247.05
Total	1,913,336,503.36	2,014,217,247.05

**26. Accounts payable****(1) List of payables**

Items	Closing balance	Balance at the end of last year
Operational accounts payable for purchasing goods or labor services	4,195,992,940.45	3,661,507,490.23
Engineering and equipment funds payable	179,884,154.40	238,437,702.05
Total	4,375,877,094.85	3,899,945,192.28

**(2) Major payables aged over 1 year**

No.

**27. Advance receipt**

Items	Closing balance	Balance at the end of last year
Advance receipt of rental fee	4,013,931.36	2,652,511.04
Total	4,013,931.36	2,652,511.04

**28. Contract liabilities****(1) Contract liability**

Items	Closing balance	Balance at the end of last year
Advance receipt of cargo funds	63,010,303.58	56,148,545.13
Total	63,010,303.58	56,148,545.13

**(2) Important contractual liabilities aging more than 1 year**

No.

**29. Payroll payable****(1) Staff remuneration payables**

Items	Balance at the end of last year	Increase in current period	Decrease in current period	Closing balance
XXV. Short-term remuneration	286,170,405.86	1,540,056,720.42	1,524,576,419.43	301,650,706.85

Items	Balance at the end of last year	Increase in current period	Decrease in current period	Closing balance
XXVI. Post-employment welfare defined benefit plan	28,540,420.13	225,331,805.12	239,220,866.44	14,651,358.81
XXVII. Dismissal benefits	1,023,380.23	10,676,964.45	1,920,559.41	9,779,785.27
XXVIII. Incentive fund paid within one year	67,660,000.00	--	47,660,000.00	20,000,000.00
XXIX. Other short-term benefits—housing subsidy, employee reward and welfare fund	21,883,842.70	--	3,709,523.94	18,174,318.76
Total	405,278,048.92	1,776,065,489.99	1,817,087,369.22	364,256,169.69

Description of dismissal benefit: Dismissal benefit was the employee remuneration payable arising from the company internal employee retirement plan, and the amount forecast to be paid in the next year was presented under this subject.

### (2) Short-term remuneration

Items	Balance at the end of last year	Increase in current period	Decrease in current period	Closing balance
XXX. Salaries, bonuses, allowances and subsidies	270,773,275.35	1,250,498,320.54	1,235,220,924.10	286,050,671.79
XXXI. Staff welfare expenses	--	86,833,609.47	86,833,609.47	--
XXXII. Social insurance charges	312,450.03	74,412,227.88	74,386,438.15	338,239.76
Of which: Medical insurance premium	231,732.98	60,013,189.83	59,986,887.57	258,035.24
Injury insurance premium	71,875.47	8,040,824.14	8,042,697.69	70,001.92
Maternity insurance premium	8,841.58	6,358,213.91	6,356,852.89	10,202.60
XXXIII. Housing fund	778,913.00	92,053,908.66	92,006,965.66	825,856.00
XXXIV. Labor union fund & employee education fund	9,551,179.06	19,202,042.19	18,823,919.98	9,929,301.27
XXXV. Other short-term remuneration - social security	4,754,588.42	17,056,611.68	17,304,562.07	4,506,638.03
Total	286,170,405.86	1,540,056,720.42	1,524,576,419.43	301,650,706.85

### (3) Setting up withdrawing and deposit plan

Items	Balance at the end of last year	Increase in current period	Decrease in current period	Closing balance
1. Basic pension insurance premium	8,666,008.76	183,799,310.18	183,508,369.52	8,956,949.42
2. Unemployment insurance premium	20,356.56	5,014,837.98	4,990,591.39	44,603.15
3. Enterprise annuity payment	19,854,054.81	36,517,656.96	50,721,905.53	5,649,806.24
Total	28,540,420.13	225,331,805.12	239,220,866.44	14,651,358.81

Description of post-employment benefit - defined contribution plan:

The company joins in the pension and unemployment insurance programs established by government agencies in accordance with regulations, and according to these programs, the company deposits expense to such programs according to a certain percentage of social insurance premium base specified by the government every month. Except for the above monthly payment, the company will no longer hold any further payment obligations. All the related expenses shall be included into current profit or loss or the costs of related assets when occurs. For the enterprise annuity plan, refer to the Note XV, 4 “Annuity plan”.

### 30. Taxes payable

Items	Closing balance	Balance at the end of last year
Value added tax	23,728,130.97	17,962,320.77

Items	Closing balance	Balance at the end of last year
Enterprise income tax	26,338,033.58	15,110,401.06
Urban maintenance and construction tax	1,556,316.59	1,103,941.58
Education surcharge	1,146,327.89	798,036.26
Housing property tax	7,056,699.71	6,355,132.42
Land use tax	1,408,216.46	1,556,476.60
Individual income tax	6,766,820.73	6,198,892.34
Stamp duty	2,887,888.46	2,469,983.52
Others	366,601.08	155,033.86
Total	71,255,035.47	51,710,218.41

### 31. Other payables

Items	Closing balance	Balance at the end of last year
Interest payable	--	--
Dividends payable	2,937,600.00	--
Other payables	62,369,120.22	44,547,794.12
Total	65,306,720.22	44,547,794.12

#### (1) Dividends payable

Items	Closing balance	Balance at the end of last year
Subsidiary's dividends payable	2,937,600.00	--
Total	2,937,600.00	--

#### (2) Other payables

Presented by fund nature

Items	Closing balance	Balance at the end of last year
Deposit and margin	31,307,210.21	13,909,942.25
Withheld social insurance and housing provident fund, etc.	2,707,549.19	1,301,468.22
Corporate current accounts	23,526,000.00	23,526,000.00
Others	4,828,360.82	5,810,383.65
Total	62,369,120.22	44,547,794.12

Major other payables aged over 1 year

Items	Closing balance	Reasons for outstanding or not carrying over
Ningbo Jiangbei High-tech Industrial Park Development and Construction Co., Ltd.	19,026,000.00	The conditions for carrying forward not met

### 32. Non-current liabilities due within 1 year

Items	Closing balance	Balance at the end of last year
Long-term borrowings due within 1 year (Note V, 34)	100,104,542.78	200,010,680.56
Lease liabilities due within 1 year (Note V, 36)	30,052,680.37	20,693,207.97
Total	130,157,223.15	220,703,888.53

### 33. Other current liabilities

Items	Closing balance	Balance at the end of last year
Rebate payable	231,984,909.31	282,435,925.87
Tax to be output	7,722,417.64	2,950,311.81
Commercial acceptance bill endorsed and undue	6,228,142.15	--

Items	Closing balance	Balance at the end of last year
Total	245,935,469.10	285,386,237.68

**34. Long-term borrowing**

Items	Closing balance	Balance at the end of last year
Credit loan	187,404,542.78	300,010,680.56
Less: Long-term borrowings due within one year	100,104,542.78	200,010,680.56
Total	87,300,000.00	100,000,000.00

**35. Bonds payable****(1) Bonds payable**

Items	Closing balance	Balance at the end of last year
Bonds payable	500,624,657.53	--
Total	500,624,657.53	--

**(2) Increase and decrease of bond payable**

Bond name	Face value	Coupon rate	Issue date	Bond maturity	Issue amount	Balance at the end of last year
25 Weifu K1	500,000,000.00	1.90%	2025/12/8	3 years	500,000,000.00	--
Total	500,000,000.00	--	--	--	500,000,000.00	--

(Continued)

Bond name	Issue in current period	Accrued interest at face value	Premium discount amortization	Repayment in the current period	Closing balance
25 Weifu K1	500,000,000.00	624,657.53	--	--	500,624,657.53
Total	500,000,000.00	624,657.53	--	--	500,624,657.53

Descriptions: On 21 October 2025, the company received Reply on Agreeing to the Registration of Technological Innovation Company Bonds Publicly Issued by Wuxi Weifu High-Technology Group Co., Ltd. to Professional Investors (CSRC License [2025] No.2321) from the China Securities Regulatory Commission, agreeing to the registration application of Technological Innovation Company Bonds with a total face value of no more than RMB 3 billion publicly issued by the company to professional investors. The company publicly issued the first batch of Technological Innovation Company Bonds with a face value of RMB 500 million (specifically used for 465 modern industrial cluster) to professional investors on 8 December 2025, raised funds of RMB 500 million, with a bond term of 3 years and a coupon rate of 1.90%.

**36. Lease liabilities**

Items	Closing balance	Balance at the end of last year
Lease payment amount	110,509,867.86	73,534,246.81
Unrecognized financing expense	-7,083,414.26	-5,524,522.36
Less: Leasing liabilities due within one year	30,052,680.37	20,693,207.97
Total	73,373,773.23	47,316,516.48

**37. Long-term accounts payable**

Items	Closing balance	Balance at the end of last year
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Items	Closing balance	Balance at the end of last year
Long-term accounts payable	7,780,000.00	8,740,000.00
Special accounts payable	--	18,265,082.11
Total	7,780,000.00	27,005,082.11

**(1) Long-term accounts payable**

Items	Items	Closing balance	Balance at the end of last year
Nanjing Finance Bureau High-tech Branch (Note ①)	Financial support funds (2010)	--	960,000.00
Nanjing Finance Bureau High-tech Branch (Note ②)	Financial support funds (2011)	5,040,000.00	5,040,000.00
Nanjing Finance Bureau High-tech Branch (Note ③)	Financial support funds (2013)	2,740,000.00	2,740,000.00
Total	--	7,780,000.00	8,740,000.00

Notes:

Note ①: Financial support funds are the support funds provided by Nanjing Finance Bureau High-tech Branch to encourage Weifu Jinning to settle in Nanjing High-tech Industrial Development Zone, with a period from 27 December 2010 to 27 December 2025. If the operating period in the zone is less than 15 years, the financial support funds must be refunded.

Note ②: Financial support funds are the support funds provided by Nanjing Finance Bureau High-tech Branch to encourage Weifu Jinning to settle in Nanjing High-tech Industrial Development Zone, with a period from 28 December 2011 to 28 December 2026. If the operating period in the zone is less than 15 years, the financial support funds must be refunded.

Note ③: Financial support funds are the support funds provided by Nanjing Finance Bureau High-tech Branch to encourage Weifu Jinning to settle in Nanjing High-tech Industrial Development Zone, with a period from 18 December 2013 to 18 December 2028. If the operating period in the zone is less than 15 years, the financial support funds must be refunded.

**(2) Special accounts payable**

Items	Balance at the end of last year	Increase in current period	Decrease in current period	Closing balance	Cause of formation
Weifu Jinning demolition compensation funds	18,265,082.11	--	18,265,082.11	--	See the description
Total	18,265,082.11	--	18,265,082.11	--	

Descriptions: According to the Housing Expropriation Decision of Nanjing Xuanwu District People's Government Ning Xuan Government Expropriation (2012) No.001, in order to implement the Ming Dynasty City Wall Environmental Comprehensive Improvement Project, partial lands and real estates of Weifu Jinning must be expropriated. According to the State-owned Land House Expropriation and Compensation Agreement signed between Weifu Jinning and Nanjing Xuanwu District Housing Expropriation Management Office, the total compensation was RMB 19,706,700, including the lessee's operating losses and more totaling RMB 1,441,600. The above funds were received in the early stage, and the lessee's losses were compensated. As of the end of 2025, the above lands and real estates had been transferred.

**38. Long-term employee remuneration payable****(1) Long-term payable employee payroll**

Items	Closing balance	Balance at the end of last year
XXXVI. Post-employment welfare - defined benefit plan net liabilities	18,028,501.68	19,879,635.58
XXXVII. Dismissal benefits	7,606,269.58	11,027,155.79
XXXVIII. Other long-term benefits - incentive fund	78,319,699.51	100,872,070.31
Less: Incentive fund paid within one year	23,500,000.00	85,660,000.00
Other long-term benefits - incentive fund balance	54,819,699.51	15,212,070.31
Total	80,454,470.77	46,118,861.68

**(2) Defined benefit plan changes**

Present value of the defined benefit plan obligations

Items	The current period	Same period last year
XXXIX. Balance at the end of last year	19,879,635.58	21,238,891.62
XL. Defined benefit cost included in current period (year) profits and losses	645,658.20	652,062.46
1. Service cost in the current period (year)	645,658.20	652,062.46
XLI. Defined benefit cost recorded into other comprehensive incomes	-413,276.52	-135,700.88
1. Actuarial gains (losses marked with "-")	-413,276.52	-135,700.88
XLII. Other changes	-2,083,515.58	-1,875,617.62
1. Paid welfare	-3,893,574.84	-985,295.66
2. Converted difference in foreign currency statements	1,810,059.26	-890,321.96
XLIII. Balance at the end of period (year)	18,028,501.68	19,879,635.58

Other notes: Retirement allowance system shall be established in accordance with relevant Italian regulations (Trattamento di Fine Rapporto, short for TFR, namely employee severance pay). VHIO must make provision for the employee retirement allowance according to employees' employment period and taxable base salary, and pay it to employees after they depart the job or are dismissed. In this plan, future cash outflow is forecast by inflation rate, and the present value is determined by the discount rate. The above defined benefit plan brings actuarial risks to VHIO, mainly including interest rate risk and inflation risk. The interest rate reduction will cause an increase in the present value of defined benefit plan obligation. Furthermore, the present value of defined benefit plan obligation is related to the planned future payment standard, and the payment standard is determined according to the inflation rate. Therefore, rising inflation rate will also lead to increase in the planned liabilities.

**39. Estimated liabilities**

Items	Closing balance	Balance at the end of last year
Product quality assurance	104,609,340.95	121,072,840.23
Environmental protection commitments	315,420.20	288,233.90
Pending disputes and lawsuits	530,742.49	508,477.63
Total	105,455,503.64	121,869,551.76

**40. Deferred incomes**

Items	Balance at the end of last year	Increase in current period	Decrease in current period	Conversion of foreign currency statement	Closing balance
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Items	Balance at the end of last year	Increase in current period	Decrease in current period	Conversion of foreign currency statement	Closing balance
Government subsidies	151,419,335.74	22,314,064.57	45,116,021.66	324,642.49	128,942,021.14
Total	151,419,335.74	22,314,064.57	45,116,021.66	324,642.49	128,942,021.14

Among them, project involving government subsidy:

Subsidy item	Balance at the end of last year	Amount of subsidies added in current period	Amount recorded in other incomes in current period	Conversion of foreign currency statement	Closing balance	Related to assets / incomes
Diesel Engine-based Distributed High-pressure Common Rail System R&D Capability & Production Line Technology Reform Project	3,973,394.44	--	781,651.38	--	3,191,743.06	Assets concerned
Automobile Diesel Engine Common Rail System High-pressure Variable Pump R&D & Industrialization Project	688,639.41	--	685,275.89	--	3,363.52	Assets concerned
Industrial Upgrading Fund (2014)	33,722,041.39	--	11,006,608.67	--	22,715,432.72	Revenue concerned
Compensation for newly-built assets after relocation of parent company	26,199,457.92	--	15,043,256.69	--	11,156,201.23	Assets concerned
Industrial Upgrading Fund (2016)	40,000,000.00	--	--	--	40,000,000.00	Revenue concerned
National High-tech Management Committee technology reform guidance funds	1,354,537.03	--	1,113,873.64	--	240,663.39	Assets concerned
Diesel engine variable cross-section turbocharger implementation program	1,624,110.44	--	944,989.46	--	679,120.98	Assets concerned
2020 municipal technology reform fund project funding	2,295,544.70	--	605,316.80	--	1,690,227.90	Assets concerned
Strategic cooperation agreement funds of key intelligent manufacturers in High-tech Zone	1,708,305.34	--	374,518.91	--	1,333,786.43	Assets concerned
High-performance vehicle proton exchange membrane fuel cell membrane electrode R&D and industrialization project	6,296,840.52	--	2,006,084.07	--	4,290,756.45	Assets concerned
2023 Wuxi industrial transformation and upgrading funds	8,114,753.86	--	1,010,230.51	--	7,104,523.35	Assets concerned
Project for Technology Reform and Capacity Optimization of Turbochargers with Annual Output of 150,000 Units	1,472,238.25	--	203,881.14	--	1,268,357.11	Assets concerned

Subsidy item	Balance at the end of last year	Amount of subsidies added in current period	Amount recorded in other incomes in current period	Conversion of foreign currency statement	Closing balance	Related to assets / incomes
High-durability Dynamic Seal Development Machine Application Project	1,530,000.00	--	--	--	1,530,000.00	Assets concerned
2022 Project of Equipment Input at Small Test Stage of Hydrogen Fuel Cell Parts	582,043.36	--	138,180.83	--	443,862.53	Assets concerned
Intelligent construction - motor shaft expansion project	--	1,990,000.00	274,369.20	--	1,715,630.80	Assets concerned
Low-platinum high-environment adaptability hydrogen fuel cell system R&D project	--	1,560,000.00	--	--	1,560,000.00	Assets concerned
Systematic technical research on hybrid gasoline engines for China VII emission standard	--	1,500,000.00	--	--	1,500,000.00	Assets concerned
“Industries 4.0 grants” (Industrial 4.0 subsidy or funding)	--	13,659,112.90	2,709,746.38	239,427.72	11,188,794.24	Assets concerned
Other projects	21,857,429.08	3,604,951.67	8,218,038.09	85,214.77	17,329,557.43	Related to assets / incomes
Total	151,419,335.74	22,314,064.57	45,116,021.66	324,642.49	128,942,021.14	—

#### 41. Share capital

Items	Balance at the end of last year	Increase or decrease in current period (+, -)					Closing balance
		New shares issued	Shares given for free	Share conversion of provident fund	Others-cancellation	Subtotal	
Total number of shares	996,986,293	--	--	--	-30,200,600	-30,200,600	966,785,693

Note: The share capital reduction in the current period was caused by company repurchased share cancellation of 30,200,600 shares.

#### 42. Capital reserve

Items	Balance at the end of last year	Increase in current period	Decrease in current period	Closing balance
Capital stock premium	3,158,553,526.22	326,423.50	539,526,820.24	2,619,353,129.48
Other capital reserves	105,095,575.22	2,010,518.00	39,955,086.44	67,151,006.78
Total	3,263,649,101.44	2,336,941.50	579,481,906.68	2,686,504,136.26

Note: (1) The share capital premium increased by RMB 326,423.50 in the current period, caused by the premium capital contribution of subsidiary minority shareholders; the reduction of RMB 539,526,820.24 in the current period was caused by company repurchased share cancellation of 30,200,600 shares.

(2) Other capital reserve increase of RMB 2,010,518.00 in the current period was the amount enjoyed by the

company as per the shareholding ratio due to other equity changes of associated enterprises; other capital reserves decreased in the current period included other capital reserves of RMB 39,945,647.02 corresponding to the equity of Autolink transferred out, and the handling fee paid for repurchased shares of RMB 9,439.42.

#### 43. Treasury stock

Items	Balance at the end of last year	Increase in current period	Decrease in current period	Closing balance
Share repurchase	469,722,092.24	100,005,328.00	569,727,420.24	--
Total	469,722,092.24	100,005,328.00	569,727,420.24	--

Note: The increase of RMB 100,005,328.00 in the current period was caused by 5,200,600 repurchased shares; the reduction of RMB 569,727,420.24 in the current period was caused by company repurchased share cancellation of 30,200,600 treasury shares.

#### 44. Other comprehensive incomes

Items	End of last year Balance	Amount incurred in this period				Closing balance
		Amount incurred before income tax for the current period	Less: Income tax expenses	After-tax parent company's attributable share	After-tax minority shareholders' attributable share	
XLIV. Other comprehensive income that will be reclassified to profit or loss	-1,437,353.97	413,276.52	--	413,276.52	--	-1,024,077.45
Of which: Other comprehensive incomes unable to transfer to profits and losses under the equity method	16,008.80	--	--	--	--	16,008.80
Changes arising from re-measuring defined benefit plan	-1,453,362.77	413,276.52	--	413,276.52	--	-1,040,086.25
XLV. Other comprehensive income reclassified into profit and loss	11,569,759.36	111,852,416.71	--	111,852,416.71	--	123,422,176.07
Of which: Foreign currency financial statement translation difference	11,569,759.36	111,852,416.71	--	111,852,416.71	--	123,422,176.07
Total	10,132,405.39	112,265,693.23	--	112,265,693.23	--	122,398,098.62

#### 45. Special reserve

Items	Balance at the end of last year	Provision in the current period	Used in this period	Closing balance
Safety production expense	6,257,090.28	30,637,084.80	28,274,540.91	8,619,634.17

Other notes:

(1) Description on the extraction of special reserve (safety production expense): According to Financial Assets [2022] No.136 Administrative Measures for Withdrawing and Using Enterprise Safety Production Expenses jointly issued by the Ministry of Finance and the Ministry of Emergency Management, in the current

period, the company shall determine the amount to be accrued for the current year by excess regressive, based on the last year's operating income, and withdraw on average on a monthly basis.

(2) The above safety production fee included the safety production fee accrued by the company in accordance with regulations and the part in subsidiary's safety production expense accrued as stipulated attributable to shareholders of the company.

#### 46. Surplus reserve

Items	Balance at the end of last year	Increase in current period	Decrease in current period	Closing balance
Statutory surplus reserve	510,100,496.00	--	--	510,100,496.00

Note: Pursuant to provisions of the Company Law and articles of association, the company withdraws the statutory surplus reserve as per 10% of net profits. If the cumulative amount of statutory surplus reserve reaches more than 50% of the corporate registered capital, it shall no longer be withdrawn.

#### 47. Undistributed profits

Items	The current period	Last period	Proportion of extraction or distribution
Undistributed profit at the end of the prior year before adjustment	15,523,124,882.77	15,054,950,398.12	--
Adjustment of total undistributed profits at the end of last year (increase +, decrease -)			--
Adjusted undistributed profits at the end of last year	15,523,124,882.77	15,054,950,398.12	--
Add: Net profit attributable to shareholders of parent company in current period	1,068,167,498.05	1,659,533,740.63	--
Others	1,004,237.29		--
Less: Withdrawal of statutory surplus reserve			--
Less: Withdrawal of staff bonus and welfare funds	--	5,535,978.52	--
Cash dividends payable	969,152,063.00	1,185,823,277.46	RMB 10/10 shares this year, RMB 12.2/10 shares last year
Undistributed profits at the end of period	15,623,144,555.11	15,523,124,882.77	

#### 48. Operating incomes and operating costs

##### (1) Operating income and operating cost

Items	Current amount		Previous amount	
	Income	Cost	Income	Cost
Main business	11,873,975,422.18	9,899,708,804.88	11,010,590,101.39	9,083,542,710.99
Other businesses	149,903,636.09	40,129,343.86	156,673,054.46	53,624,305.40
Total	12,023,879,058.27	9,939,838,148.74	11,167,263,155.85	9,137,167,016.39

##### (2) Operating income and operating cost decomposition information

Items	Energy conservation and emission reduction: Automotive Fuel Injection System Product Division		Energy conservation and emission reduction: Automotive After-treatment System Product Division	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Main business	4,913,386,776.49	3,920,096,418.96	3,671,578,714.98	3,146,612,888.30

Items	Energy conservation and emission reduction: Automotive Fuel Injection System Product Division		Energy conservation and emission reduction: Automotive After-treatment System Product Division	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Of which: Recognition at a certain point of time	4,913,386,776.49	3,920,096,418.96	3,671,578,714.98	3,146,612,888.30
Recognition at a certain period of time	--	--	--	--
Other businesses	100,032,453.43	20,502,908.49	31,027,726.39	14,888,045.97
Of which: Recognition at a certain point of time	76,716,521.79	17,979,763.49	28,958,646.70	14,198,328.19
Recognition at a certain period of time	--	--	--	--
Rental income	23,315,931.64	2,523,145.00	2,069,079.69	689,717.78
Total	5,013,419,229.92	3,940,599,327.45	3,702,606,441.37	3,161,500,934.27

(Continued)

Items	Energy conservation and emission reduction: Intake System Product Division		Intelligent Electric Product Division	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Main business	1,061,023,325.54	844,205,344.54	2,142,422,632.33	1,860,011,218.94
Of which: Recognition at a certain point of time	1,061,023,325.54	844,205,344.54	2,142,422,632.33	1,860,011,218.94
Recognition at a certain period of time	--	--	--	--
Other businesses	9,544,264.80	819,097.20	9,280,997.87	3,916,195.20
Of which: Recognition at a certain point of time	8,099,243.67	566,729.47	9,280,997.87	3,916,195.20
Recognition at a certain period of time	--	--	--	--
Rental income	1,445,021.13	252,367.73	--	--
Total	1,070,567,590.34	845,024,441.74	2,151,703,630.20	1,863,927,414.14

(Continued)

Items	Green Hydrogen Energy Product Division		Total	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Main business	85,563,972.84	128,782,934.14	11,873,975,422.18	9,899,708,804.88
Of which: Recognition at a certain point of time	85,563,972.84	128,782,934.14	11,873,975,422.18	9,899,708,804.88
Recognition at a certain period of time	--	--	--	--
Other businesses	18,193.60	3,097.00	149,903,636.09	40,129,343.86
Of which: Recognition at a certain point of time	18,193.60	3,097.00	123,073,603.63	36,664,113.35
Recognition at a certain period of time	--	--	--	--
Rental income	--	--	26,830,032.46	3,465,230.51
Total	85,582,166.44	128,786,031.14	12,023,879,058.27	9,939,838,148.74

#### 49. Taxes and surcharges

Items	Current amount	Previous amount
Urban maintenance and construction tax	14,581,136.84	13,049,328.17
Education surcharge	10,542,293.48	9,351,364.94
Housing property tax	25,297,533.91	21,451,633.02
Land use tax	5,191,297.54	5,804,975.69
Vehicle and vessel use tax	30,878.47	18,416.00

Items	Current amount	Previous amount
Stamp duty	9,419,461.23	8,374,396.39
Other taxes	1,607,386.37	1,649,642.74
Total	66,669,987.84	59,699,756.95

Notes: As for the payment standard of taxes and fees, please refer to Note IV, Tax Items.

## 50. Sales expenses

Items	Current amount	Previous amount
Wage and wage-related expense	99,745,132.59	89,134,548.13
Office material consumption and business travel expense	12,616,935.70	13,162,540.56
Warehouse expense	32,465,033.33	27,004,714.83
Business entertainment expenses	14,712,930.63	14,344,721.18
Others	45,319,976.17	29,648,076.13
Total	204,860,008.42	173,294,600.83

## 51. Management expenses

Items	Current amount	Previous amount
Wage and wage-related expense	395,848,807.39	366,182,391.60
Depreciation expense and long-term asset amortization	149,861,368.85	127,534,031.96
Office material consumption and business travel expense	35,370,421.09	29,148,557.96
Others	226,460,408.28	203,745,469.77
Total	807,541,005.61	726,610,451.29

## 52. R&D expenses

Items	Current amount	Previous amount
Technical development expense	695,553,391.89	690,258,974.54
Total	695,553,391.89	690,258,974.54

## 53. Financial expenses

Items	Current amount	Previous amount
Interest expense	22,596,287.74	25,385,434.57
Less: Interest income	51,524,160.25	101,699,691.65
Exchange gains and losses	-5,229,358.85	15,276,844.52
Handling fee expenditure, etc.	4,097,581.15	5,267,914.58
Total	-30,059,650.21	-55,769,497.98

## 54. Other revenues

Items	Current amount	Previous amount	Amount included in current non-recurring gains and losses
Government grants related to daily business activities	64,332,685.51	84,356,626.01	36,103,638.35
Offset amount of VAT input tax addition	79,064,682.97	101,017,699.02	--
Overseas subsidiary tax credit	1,287,655.08	9,439,082.70	1,287,655.08

Items	Current amount	Previous amount	Amount included in current non-recurring gains and losses
Refund of handling fee for withholding personal income tax	733,427.02	717,913.05	--
Total	145,418,450.58	195,531,320.78	37,391,293.43

Among them, government grants are as follows:

Subsidy item	Current amount	Previous amount	Related to assets/revenues
Compensation for depreciation/amortization of newly-built assets after relocation of parent company	15,043,256.69	18,626,888.11	Assets concerned
Automobile Diesel Engine Common Rail System High-pressure Variable Pump R&D & Industrialization Project	685,275.89	998,635.05	Assets concerned
Diesel engine variable cross-section turbocharger implementation program	944,989.46	1,081,642.59	Assets concerned
National High-tech Management Committee technology reform guidance funds	1,113,873.64	1,218,151.94	Assets concerned
Industrial Upgrading Fund	11,006,608.67	10,361,436.74	Revenue concerned
Diesel Engine-based Distributed High-pressure Common Rail System R&D Capability & Production Line Technology Reform Project	781,651.38	781,651.40	Assets concerned
2020 municipal technology reform fund project funding	605,316.80	615,654.83	Assets concerned
Special funds for 2019 2nd batch provincial-level industrial and information industry transformation	117,919.21	422,844.68	Assets concerned
Post stabilization and expansion subsidy	2,432,715.03	2,166,190.72	Revenue concerned
Weifu Jinning financial support funds	960,000.00	1,030,000.00	Revenue concerned
Ningbo Jiangbei District Top 50 Enterprise Selection	1,710,000.00	840,000.00	Revenue concerned
Strategic cooperation agreement funds of key intelligent manufacturers in High-tech Zone	374,518.91	833,156.76	Revenue concerned
Talent policy subsidy	1,311,450.00	1,646,000.00	Revenue concerned
Special funds for intelligent transformation and digital transformation	400,000.00	500,000.00	Revenue concerned
Wuxi industrial transformation and upgrading funds	3,616,314.58	7,535,176.47	Related to assets / incomes
R&D subsidy for high-performance vehicle proton exchange membrane fuel cell membrane electrode R&D and industrialization project	--	4,500,000.00	Revenue concerned
2022 Hydrogen Energy Project R&D and settlement award	--	11,433,123.80	Revenue concerned
VH Project rental subsidy	2,400,000.00	3,502,124.77	Revenue concerned
Ningbo 2023 8th Batch National Manufacturing Single-Category Champion Enterprise Reward	--	1,500,000.00	Revenue concerned
2024 Wuxi technical transformation funds	1,630,000.00	--	Revenue concerned
IoT-based diesel power system distribution collaboration support key technology R&D subsidy funds	2,000,000.00	--	Assets concerned
Ningbo 2025 Key "Little Giant" Subsidy Funds	2,000,000.00	--	Revenue concerned
"Industries 4.0 grants" (Industrial 4.0 subsidies)	2,709,746.38	--	Assets concerned
Other subsidy projects	12,489,048.87	14,763,948.15	Related to assets / incomes
Total	64,332,685.51	84,356,626.01	

## 55. Investment income

Items	Current amount	Previous amount
Long-term equity investment incomes by equity methods	1,124,396,147.32	1,481,848,406.86
Investment income of financial assets held for trading during the holding period	8,593,762.36	43,914,146.08

Items	Current amount	Previous amount
Investment income from disposing of long-term equity investment	264,044,480.51	--
Investment income from disposing transactional financial assets	34,018,616.93	16,818,201.49
Dividend income obtained during the period of holding other equity instrument investment	--	18,590.00
Income of de-recognition of financial assets measured at amortized cost	--	-3,521,058.98
Receivables financing discount de-recognition profits and losses	-2,300,079.55	-3,439,527.22
Debt restructuring revenue	5,433,965.62	-599,671.45
Total	1,434,186,893.19	1,535,039,086.78

### 56. Proceed from fair value variance

Items	Current amount	Previous amount
Increase and decrease in fair value of tradable financial assets	61,265,098.76	-17,300,039.60
Total	61,265,098.76	-17,300,039.60

### 57. Credit impairment losses

Items	Current amount	Previous amount
Bad debt losses of accounts receivable	-4,491,174.48	6,297,099.34
Bad debt losses of other receivables	-336,841,601.16	-233,309.61
Total	-341,332,775.64	6,063,789.73

### 58. Asset impairment losses

Items	Current amount	Previous amount
Inventory depreciation losses	-134,267,531.21	-162,213,478.31
Fixed asset impairment loss	-12,056,984.04	-3,647,300.41
Impairment losses of construction in progress	-36,839,003.67	--
Impairment loss of long-term equity investment	-136,596,429.69	-8,420,913.32
Goodwill impairment losses	-33,125,793.96	-86,485,586.18
Right-of-use asset impairment losses	-3,609,952.82	--
Long-term deferred expense impairment losses	-5,484,764.62	--
Impairment losses on other non-current assets	-122,887,023.61	--
Impairment losses on other non-current assets	-8,596,558.12	-146,615,749.63
Total	-493,464,041.74	-407,383,027.85

### 59. Asset disposal gains

Items	Current amount	Previous amount	Amount included in current non-recurring gains and losses
Profits from disposal of non-current assets	24,692,882.72	13,291,098.40	24,692,882.72
Non-current asset disposal losses	-7,035,698.74	-2,823,757.81	-7,035,698.74
Total	17,657,183.98	10,467,340.59	17,657,183.98

**60. Non-operating income**

Items	Current amount	Previous amount	Amount included in current non-recurring gains and losses
Payables without need for payment	1,509,736.47	2,828,169.51	1,509,736.47
Liquidated damages and compensation income	2,304,679.77	892,435.26	2,304,679.77
Others	137,047.63	204,273.23	137,047.63
Total	3,951,463.87	3,924,878.00	3,951,463.87

**61. Non-operating expenses**

Items	Current amount	Previous amount	Amount included in current non-recurring gains and losses
Non-current asset scraping losses	3,328,234.71	1,790,013.62	3,328,234.71
Of which: Abandonment of fixed assets loss	3,328,234.71	1,790,013.62	3,328,234.71
External donation expenditure	213,500.00	327,000.00	213,500.00
Fines and late fees	222,521.73	2,982,546.00	222,521.73
Others	16,995.32	31,305.96	16,995.32
Total	3,781,251.76	5,130,865.58	3,781,251.76

**62. Income tax expenses****(1) Income tax expense statement**

Items	Current amount	Previous amount
Current income tax expense	69,143,208.01	43,361,008.86
Deferred income tax expenses	-6,447,989.94	-3,317,862.74
Total	62,695,218.07	40,043,146.12

**(2) Accounting profit and income tax expense adjustment process**

Items	Current amount
Total profit	1,163,377,187.22
Income tax expense calculated by statutory/applicable tax rate	174,506,578.08
Impact of subsidiaries applicable for different tax rates	-95,009,303.14
Impact of adjusting income tax in previous periods	12,137,314.48
Impact of non-taxable income	-192,856,274.29
Impact of non-deductible costs, expenses and losses	11,354,238.92
Impact of deductible losses of unrecognized deferred income tax assets used previously	-11,416,028.55
Impact of deductible temporary differences or deductible losses of unrecognized deferred income tax assets this year	237,870,530.82
Impact of additional deduction expenses	-73,891,838.25
Income tax expenses	62,695,218.07

**63. Other comprehensive incomes**

Refer to Note V, 44 for details.

**64. Cash flow statement****(1) Other cash received related to operating activities**

Items	Current amount	Previous amount
Interest incomes	18,893,587.77	32,663,700.79
Government subsidy	41,298,955.44	46,851,928.27
Operational bill security deposit	118,482.75	1,100,355.80
Weifu International Trade “platform trade” business fund inflow	460,416,340.50	--
Others	51,040,717.03	29,401,358.02
<b>Total</b>	<b>571,768,083.49</b>	<b>110,017,342.88</b>

**(2) Other cash paid to operating-related activities**

Items	Current amount	Previous amount
Cash payment	484,077,701.87	408,752,372.86
Others	25,190,036.64	9,769,220.53
<b>Total</b>	<b>509,267,738.51</b>	<b>418,521,593.39</b>

**(3) Other cash paid to financing-related activities**

Items	Current amount	Previous amount
Lease payment	39,164,279.59	27,764,816.39
Repurchased circulating A-shares	100,005,328.00	--
Acquired subsidiary minority shareholders' equity	--	191,118,200.00
Repurchased shares of restricted share incentive plan that have not been unlocked	--	63,567,420.00
Payment of bank loan security deposit	60,000,000.00	--
Others	259,439.42	9,766.98
<b>Total</b>	<b>199,429,047.01</b>	<b>282,460,203.37</b>

**65. Supplementary information of Cash Flow Statement****(1) Supplementary information of Cash Flow Statement**

Supplementary information	Current amount	Previous amount
<b>1. Net profits adjusted to cash flow from operating activities:</b>		
Net profits	1,100,681,969.15	1,717,171,190.56
Add: Provision for impairment of assets	834,796,817.38	401,319,238.12
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets	621,478,772.99	592,342,504.85
Depreciation of right-of-use assets	35,206,119.01	21,478,575.57
Amortization of intangible assets	64,207,181.28	73,374,527.58
Amortization of long-term prepaid expenses	11,178,248.90	9,487,894.63
Losses from disposing fixed assets, intangible assets and other long-term assets (revenues marked with “-”)	-17,657,183.98	-10,467,340.59
Losses of fixed asset scrapping (revenues marked with “-”)	3,328,234.71	1,790,013.62
Fair value change losses (revenues marked with “-”)	-61,265,098.76	17,300,039.60
Financial costs (revenues marked with “-”)	-15,014,255.29	-33,424,181.14
Investment losses (revenues marked with “-”)	-1,431,053,007.12	-1,542,599,344.43
Decrease of deferred income tax assets (increase marked with “-”)	-6,478,843.86	8,492,788.42
Increase of deferred income tax liabilities (decrease marked with “-”)	2,148,649.99	-12,882,114.41
Decrease of inventory (increase marked with “-”)	-286,230,497.41	-401,241,175.69
Decrease of operational receivables (increase marked with “-”)	-358,197,164.92	234,141,091.44
Increase of operational payables (decrease marked with “-”)	493,234,536.91	500,829,903.35

Supplementary information	Current amount	Previous amount
Others	2,362,543.89	5,219,037.26
Net cash flow from operating activities	992,727,022.87	1,582,332,648.74
<b>2. Major investing and financing activities uninvolved cash receipts and expenditures:</b>		
Debt conversion to capital		
Convertible company bonds due within one year		
Fixed assets acquired under finance lease		
<b>3. Net change of cash and cash equivalents:</b>		
Closing balance of cash	2,020,913,308.04	1,756,944,672.22
Less: Cash balance at the end of last year	1,756,944,672.22	2,061,986,694.41
Add: Closing balance of cash equivalents		--
Less: Cash equivalent balance at the end of last year		--
Net increase of cash and cash equivalents	263,968,635.82	-305,042,022.19

**(2) Composition of cash and cash equivalents**

Items	Closing balance	Balance at the end of last year
XLVI. Cash	2,020,913,308.04	1,756,944,672.22
Of which: Cash on hand	8,403.89	5,360.59
Bank deposits for payment at any time	2,020,443,988.43	1,756,884,345.96
Other monetary assets for payment at any time	460,915.72	54,965.67
XLVII. Cash equivalents	--	--
Of which: Bond investments due within three months	--	--
XLVIII. Closing balance of cash and cash equivalents	2,020,913,308.04	1,756,944,672.22
Of which: Cash and cash equivalents with restricted use by the parent company or group subsidiaries	--	--

**(3) Circumstances of limited scope of use but still presenting under the cash and cash equivalents:**

No.

**(4) Monetary funds not falling under cash and cash equivalents**

Items	Current amount	Previous amount	Causes
Bank deposit - principal of time deposit for 3 months or more and accrued interest	248,770,646.66	460,783,541.52	Not meeting the definition of cash and cash equivalents
Other monetary funds - security deposit paid for obtaining bank loan and accrued interest	60,412,602.74	--	Not meeting the definition of cash and cash equivalents
Other monetary funds - security deposit paid for issuing bank acceptance bills	20,188,696.29	20,363,281.63	Not meeting the definition of cash and cash equivalents
Other monetary funds - IRD performance bond	8,291,872.97	7,583,721.64	Not meeting the definition of cash and cash equivalents
Other monetary funds - Mastercard security deposit	152.85	202,231.29	Not meeting the definition of cash and cash equivalents
Other monetary funds - L/G security deposit	273,032.92	719,003.22	Not meeting the definition of cash and cash equivalents
Other currency funds - ETC frozen	--	4,000.00	Not meeting the definition of cash and cash equivalents
Total	337,937,004.43	489,655,779.30	

**(5) Classified presentation of the changes in the liabilities arising from financing activities from opening balance to closing balance**

Items	Opening balance	Increase in current period		Decrease in current period		Closing balance
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Short-term borrowings	393,120,147.95	753,489,427.09	350,081.07	582,195,845.88	--	564,763,810.23

Items	Opening balance	Increase in current period		Decrease in current period		Closing balance
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Long-term loans (including those due within one year)	300,010,680.56	90,000,000.00	--	202,500,000.00	106,137.78	187,404,542.78
Bonds payable	--	500,000,000.00	624,657.53	--	--	500,624,657.53
Leasing liabilities (including those due within one year)	68,009,724.44	--	73,495,157.60	37,538,717.34	540,049.25	103,426,115.45
Total	761,140,552.95	1,343,489,427.09	74,469,896.20	822,234,563.22	646,187.03	1,356,219,125.99

## 66. Foreign currency monetary items

### (1) Foreign currency monetary items

Items	Foreign currency balance at the end of period	Conversion rate	Converted RMB balance at the end of period
Monetary fund			
Of which: USD	34,352,686.29	7.0288	241,458,161.40
EUR	26,933,318.52	8.2355	221,809,344.67
HKD	2,050,478.93	0.90322	1,852,033.58
JPY	16,498,011.00	0.044797	739,061.40
DKK	18,554,907.04	1.1018	20,443,796.58
Accounts receivable			
Of which: USD	2,624,634.10	7.0288	18,448,028.16
EUR	27,564,480.29	8.2355	227,007,277.43
DKK	8,413,769.95	1.1018	9,270,291.73
Other receivables			
Of which: EUR	295,314.81	8.2355	2,432,065.12
DKK	2,186,588.55	1.1018	2,409,183.26
Short-term borrowings			
Of which: EUR	3,001,854.84	1.1018	3,307,443.66
DKK	22,435,982.26	8.2355	184,771,531.90
Accounts payable			
Of which: USD	1,016,854.40	7.0288	7,147,266.21
EUR	23,445,576.42	8.2355	193,086,044.61
JPY	10,304,463.00	0.044797	461,609.03
DKK	12,392,867.24	1.1018	13,654,461.13
CHF	124,612.57	8.8510	1,102,945.86
Other payables			
Of which: EUR	13,068.91	8.2355	107,629.01
DKK	896,112.34	1.1018	987,336.58
Non-current liabilities due within 1 year			
Of which: USD	57,248.88	7.0288	402,390.93
EUR	801,133.65	8.2355	6,597,736.17
DKK	2,757,142.29	1.1018	3,037,819.38
Lease liabilities			
Of which: EUR	2,221,467.63	8.2355	18,294,896.67
DKK	16,049,095.45	1.1018	17,682,893.37

### (2) Description on overseas operating entities

The subsidiary IRD was founded in Denmark in 1990. The company obtained 66.00% equity of this company in April 2019 through cash purchase of equity, and increased stake in this company by 34.00% in

October 2020 through cash purchase of equity. After increasing holding, the company acquired 100.00% equity of the company. The company adopts DKK as its accounting standard currency, mainly specialized in the R&D, production and sales of fuel cell parts.

The subsidiary Borit was founded in Belgium in 2010. The company obtained 100.00% equity of this company in November 2020 through cash purchase of equity. The company adopts EUR as its accounting standard currency, mainly specialized in the R&D, production and sales of fuel cell parts.

The subsidiary VHIO was founded in Italy in 2000. The company obtained 100.00% equity of this company in October 2022 through cash purchase of equity. The company adopts EUR as its accounting standard currency, mainly specialized in the R&D, production and sales of vacuum and hydraulic pumps.

## 67. Leasing

### (1) The company acts as a lessee

For details of right-of-use assets and lease liabilities, refer to the Note V, 17 and V, 36.

Recorded in this year's profits and losses

Items	Recorded in This Year's Profits and Losses	
	Reporting item	Amount
Interest on leasing liabilities	Financial expenses	3,760,196.75
Short-term leasing expense (applicable to simplified treatment)	Operating costs, period expenses	8,629,253.86

Note: "Short-term lease expenses" in the above table exclude lease-related expenses with a lease period of less than one month; "low-value asset lease expenses" exclude short-term lease expenses of low-value assets in "short-term lease expenses".

Cash outflow related to leasing

Items	Cash Flow Category	Amount this year
Cash paid to repay principal and interest on leasing liabilities	Cash outflow from financing activities	37,538,717.34
Payment of lease security deposit	Cash outflow from financing activities	1,625,562.25
Payment made for short-term lease and low-value assets (for simplified processing)	Cash outflow from operating activities	8,629,253.86
Total	—	47,793,533.45

### (2) The company as the lessor

Information concerning operating lease

A. Recorded in this year's profits and losses

Items	Recorded in This Year's Profits and Losses	
	Reporting item	Amount
Rental income	Other business incomes:	26,830,032.46
Total		26,830,032.46

B. Collection status of lease receipts

Period	Undiscounted lease receivables to be received
First year after the balance sheet date	27,230,474.32
2nd year after the balance sheet date	24,632,336.82
3rd year after the balance sheet date	20,292,056.80
4th year after the balance sheet date	20,416,152.04
5th year after the balance sheet date	19,516,977.43
Remaining year	121,247,199.65

Period	Undiscounted lease receivables to be received
Total	233,335,197.06

## VI. R&D expenditure

### 1. Amount of R&D expenditure incurred in the current period

Items	Current amount	Previous amount
Staff salary	312,319,917.36	288,363,791.43
Direct investment	203,964,686.69	194,751,232.70
Depreciation and amortization	85,409,551.57	119,233,302.47
Other expenses	93,859,236.27	87,910,647.94
Total	695,553,391.89	690,258,974.54
Of which: Expensed R&D expenditure	695,553,391.89	690,258,974.54
Capitalized R&D expenditure	--	--
Total	695,553,391.89	690,258,974.54

## VII. Equity in other entities

### 1. Composition of enterprise group

Name of subsidiaries	Registered capital (ten thousand Yuan)	Main business place	Registered place	Business nature	Shareholding ratio (%)		Acquisition mode
					Direct	Indirect	
Weifu Jinning	34,628.68	Nanjing	Nanjing	Internal combustion engine parts	80.00	--	Enterprise merge under the same control
Weifu Lida	50,259.63	Wuxi	Wuxi	Automotive exhaust converters, mufflers	100.00	--	Enterprise merge under the same control
Weifu Mashan	16,500	Wuxi	Wuxi	Internal combustion engine parts	100.00	--	Establishment by investment
Weifu Chang'an	21,000	Wuxi	Wuxi	Internal combustion engine parts	100.00	--	Establishment by investment
Weifu International Trade	3,000	Wuxi	Wuxi	Trading	100.00	--	Enterprise merge under the same control
Weifu Schmidt	7,600	Wuxi	Wuxi	Internal combustion engine parts	66.00	--	Establishment by investment
Weifu Tianli	11,136	Ningbo	Ningbo	Internal combustion engine parts	98.83	1.17	Business combination not under the same control
Weifu Autocam	USD3,310	Wuxi	Wuxi	Internal combustion engine parts	51.00	--	Business combination not under the same control
Weifu Lida (Wuhan)	300.00	Wuhan	Wuhan	Automotive exhaust converters, mufflers	--	60.00	Establishment by investment
Weifu Lida (Chongqing)	5,000	Chongqing	Chongqing	Automotive exhaust converters, mufflers	--	100.00	Establishment by investment
Weifu Lida (Nanchang)	3,000	Nanchang	Nanchang	Automotive exhaust converters, mufflers	--	100.00	Establishment by investment
Weifu Autosmart	16,500	Wuxi	Wuxi	Intelligent vehicle devices	--	66.00	Establishment by investment
Weifu Lianhua	2,000	Fuzhou	Fuzhou	Intelligent vehicle devices	--	40.00	Establishment by investment

Name of subsidiaries	Registered capital (ten thousand Yuan)	Main business place	Registered place	Business nature	Shareholding ratio (%)		Acquisition mode
					Direct	Indirect	
Weifu Electric Drive	USD2,000	Wuxi	Wuxi	Wheel hub motors	80.00	--	Business combination not under the same control
Weifu Qinglong	50,000	Wuxi	Wuxi	Fuel cell parts	45.00	30.00	Establishment by investment
Yiwo Automotive	13,400	Wuxi	Wuxi	Vacuum and hydraulic pumps	100.00	--	Business combination not under the same control
Weifu Zhigan	35,000	Wuxi	Wuxi	Intelligent vehicle devices	61.43	--	Establishment by investment
Weifu Yite	EUR1,213.60	Wuxi	Wuxi	Fuel cell parts	51.00	--	Establishment by investment
Weifu Baolong	40,000	Nanjing	Nanjing	Internal combustion engine parts	--	55.00	Establishment by investment
SPV	DKK13,009	Denmark	Denmark	Investment	100.00	--	Establishment by investment
IRD	DKK12,732	Denmark	Denmark	Fuel cell parts	--	100.00	Business combination not under the same control
IRD USA	USD1,543	USA	USA	Fuel cell parts	--	100.00	Business combination not under the same control
Borit	EUR1,183	Belgium	Belgium	Fuel cell parts	--	100.00	Business combination not under the same control
Borit USA	USD5	USA	USA	Fuel cell parts	--	100.00	Business combination not under the same control
VHIO	EUR500	Italy	Italy	Vacuum and hydraulic pumps	--	100.00	Business combination not under the same control

## 2. Changes in consolidation scope for other reasons

(1) In February 2025, the company and the associated enterprise Voith HySTech GmbH jointly invested to establish Weifu Yite Hydrogen Energy Technology (Wuxi) Co., Ltd. The registered capital of Weifu Yite at its establishment was EUR 12,136,000, of which the company subscribed capital of EUR 6,189,360, with a shareholding ratio of 51%; Voith HySTech GmbH subscribed capital of EUR 5,946,640, with a shareholding ratio of 49%. According to the articles of association of Weifu Yite and relevant investment agreements, the company can exercise control over Weifu Yite. Since February 2025, the company has included it in the consolidation scope of the consolidated financial statements.

(2) In July 2025, the subsidiary Weifu Jinning and Shanghai Baolong Automobile Technology (Anhui) Co., Ltd. jointly invested to establish Weifu Baolong (Nanjing) Technology Co., Ltd., the registered capital of Weifu Baolong at its establishment was RMB 400.00 million, and the company subscribed capital of RMB 220 million, with a shareholding ratio of 55%; Shanghai Baolong Automobile Technology (Anhui) Co., Ltd. subscribed capital of RMB 180.00 million, with a shareholding ratio of 45%. According to the articles of association of Weifu Baolong and relevant investment agreements, the company can exercise control over Weifu Baolong. Since July 2025, the company has included it in the consolidation scope of the consolidated financial statements.

### 3. Equity held by subsidiary's minority shareholders

#### (1) Important non-wholly owned subsidiaries

Name of subsidiaries	Minority shareholders' shareholding ratio	Current profit and loss attributable to minority shareholders	Dividends distributed to minority shareholders in the current period	Balance of minority shareholder's equity at the end of period
Weifu Jinning	20.00%	9,293,325.88	7,312,597.73	414,553,309.44

#### (2) Important financial information of important subsidiaries

Name of subsidiaries	Closing balance					
	Current assets	Non-current assets	Total assets	Current liability	Non-current liabilities	Total liabilities
Weifu Jinning	1,338,912,784.54	441,611,115.66	1,780,523,900.20	354,865,886.53	23,106,628.07	377,972,514.60

(Continued)

Name of subsidiaries	Balance at the end of last year					
	Current assets	Non-current assets	Total assets	Current liability	Non-current liabilities	Total liabilities
Weifu Jinning	1,338,912,784.54	441,611,115.66	1,780,523,900.20	354,865,886.53	23,106,628.07	377,972,514.60

(Continued)

Name of subsidiaries	Amount this year			
	Operating revenue	Net profits	Total comprehensive incomes	Cash flow from operating activities
Weifu Jinning	633,360,460.18	95,576,153.00	95,576,153.00	41,629,636.59

(Continued)

Name of subsidiaries	Amount last year			
	Operating revenue	Net profits	Total comprehensive incomes	Cash flow from operating activities
Weifu Jinning	641,568,618.84	121,876,628.75	121,876,628.75	103,197,928.04

Descriptions: Main financial data of subsidiary Weifu Jinning includes the financial data after its consolidation of controlling subsidiary Weifu Baolong.

### 4. Significant restrictions on use of assets and debt repayment

No.

### 5. Equity in joint ventures or associated enterprises

#### (1) Associated enterprises

Name of affiliates	Main business place	Registered place	Business nature	Shareholding ratio (%)		Accounting method for investment of joint ventures or associated enterprises
				Direct	Indirect	
Wuxi Weifu Environmental Protection Catalyst Co., Ltd.	Wuxi	Wuxi	Catalyst	--	49.00	Equity method
Bosch Powertrain Co., Ltd.	Wuxi	Wuxi	Internal combustion engine accessories	32.50	1.50	Equity method
Zhonglian Automotive Electronics Co., Ltd.	Shanghai	Shanghai	Internal combustion engine accessories	20.00	--	Equity method

Name of affiliates	Main business	Registered place	Business nature	Shareholding ratio (%)		Accounting method for
Wuxi Weifu Precision Machinery Manufacturing Co., Ltd.	Wuxi	Wuxi	Internal combustion engine accessories	20.00	--	Equity method
Changchun Xuyang Weifu Automotive Parts Technology Co., Ltd.	Changchun	Changchun	Auto parts	--	34.00	Equity method
Precors GmbH	Germany	Germany	Fuel cell parts	--	43.39	Equity method
Lezhuo Bawei Hydraulic Technology (Shanghai) Co., Ltd.	Shanghai	Shanghai	Auto parts	50.00	--	Equity method
Wuxi Zhuowei Times High-tech Co., Ltd.	Wuxi	Wuxi	Professional technical service	--	39.00	Equity method
Voith HySTech GmbH	Germany	Germany	Hydrogen storage system technology R&D	--	40.00	Equity method

Note: Description of the shareholding ratio in joint ventures or associated enterprises different from voting right ratio: No.

## (2) Main financial information of important associated enterprises

Items	Year-end balance/current amount		
	Weifu Environmental Protection	Bosch Powertrain	Zhonglian Automotive
Current assets	3,492,136,152.91	13,357,799,513.32	1,442,357,420.24
Non-current assets	472,000,993.97	3,641,992,480.33	8,992,710,110.46
Total assets	3,964,137,146.88	16,999,791,993.65	10,435,067,530.70
Current liability	1,531,666,962.93	6,019,430,062.79	3,444,430.21
Non-current liabilities	184,323,838.72	203,083,647.18	9,252,984.32
Total liabilities	1,715,990,801.65	6,222,513,709.97	12,697,414.53
Net assets	2,248,146,345.23	10,777,278,283.68	10,422,370,116.17
Minority shareholder's equity	--	--	--
Attributed to the shareholders' equity of the parent company	2,248,146,345.23	10,777,278,283.68	10,422,370,116.17
Portion of net assets calculated as per shareholding ratio	1,101,591,709.17	3,664,274,616.45	2,084,474,023.24
Adjustment matters:			
- Goodwill	--	267,788,761.35	1,407,265.96
- Unrealized profits of internal transaction	--	-7,431,401.01	--
- Other	--	-0.28	--
Book value of equity investment in associated enterprises	1,101,591,709.17	3,924,631,976.51	2,085,881,289.20
Fair value of equity investment of associated enterprise with publicly quoted price exists	--	--	--
Operating revenue	4,056,231,656.75	10,142,531,993.13	29,696,317.62
Net profits	422,874,583.03	1,769,213,245.05	2,570,452,359.73
Net profits from discontinued operation	--	--	--
Other comprehensive incomes	--	--	--
Total comprehensive incomes	422,874,583.03	1,769,213,245.05	2,570,452,359.73
Dividends received from associated enterprises in the current period	117,600,000.00	214,397,603.56	300,000,000.00

(Continued)

Items	Year-beginning balance/last-year amount		
	Weifu Environmental Protection	Bosch Powertrain	Zhonglian Automotive
Current assets	3,041,695,695.74	12,910,623,291.25	119,577,141.22
Non-current assets	472,221,845.21	3,547,389,964.65	9,254,084,391.23

Items	Year-beginning balance/last-year amount		
	Weifu Environmental Protection	Bosch Powertrain	Zhonglian Automotive
Total assets	3,513,917,540.95	16,458,013,255.90	9,373,661,532.45
Current liability	1,270,209,456.66	7,011,624,627.65	14,640,927.97
Non-current liabilities	182,387,083.75	169,080,572.93	7,102,848.04
Total liabilities	1,452,596,540.41	7,180,705,200.58	21,743,776.01
Net assets	2,061,321,000.54	9,277,308,055.32	9,351,917,756.44
Minority shareholder's equity	--	--	--
Attributed to the shareholders' equity of the parent company	2,061,321,000.54	9,277,308,055.32	9,351,917,756.44
Portion of net assets calculated as per shareholding ratio	1,010,047,290.27	3,154,284,738.81	1,870,383,551.29
Adjustment matters:			
- Goodwill	--	267,788,761.35	1,407,265.96
- Unrealized profits of internal transaction	--	-8,111,869.63	--
- Other	--	-0.28	--
Book value of equity investment in associated enterprises	1,010,047,290.27	3,413,961,630.25	1,871,790,817.25
Fair value of equity investment of associated enterprise with publicly quoted price exists	--	--	--
Operating revenue	3,823,507,561.86	11,262,081,616.84	32,829,998.51
Net profits	439,225,033.08	2,720,732,465.47	2,261,333,602.60
Net profits from discontinued operation	--	--	--
Other comprehensive incomes	--	--	--
Total comprehensive incomes	439,225,033.08	2,720,732,465.47	2,261,333,602.60
Dividends received from associated enterprises in the current period	122,500,000.00	527,829,600.44	266,000,000.00

Other descriptions: Others of adjustment events "RMB -0.28": Tail difference.

### (3) Financial information summary of unimportant joint ventures and associated enterprises

Items	Closing balance/current period amount	Balance at the end of last year/amount in last period
Associated enterprises:		
Total investment book value	187,265,056.88	739,299,140.82
Total of the following items calculated as per shareholding ratio		
- Net profits	-320,025,021.56	-113,113,361.13
- Other comprehensive incomes	--	--
- Total comprehensive incomes	-320,025,021.56	-113,113,361.13

(4) Description of significant restrictions on the ability of joint ventures or associated enterprises to transfer funds to the Company

No.

(5) Unrecognized excess losses incurred by joint ventures or associated enterprises

No.

(6) Unconfirmed commitment regarding joint venture investment:

No.

(7) Contingent liabilities related to joint venture or associated enterprise investments:

No.

## 6. Important joint management

No.

## VIII. Government subsidies

### 1. Government subsidy recognized by receivables at the end of the reporting period

No.

### 2. Liability items related to government grants

Account	Opening balance	Amount of subsidies added in current period	Amount recognized as non-operating income in the current period	Amount recorded in other incomes in current period	Other changes during the current period	Closing balance	Related to assets / incomes
Deferred incomes	73,326,831.65	20,039,612.90	--	28,739,370.56	195,158.83	64,822,232.82	Assets concerned
Deferred incomes	2,708,708.63	580,600.00	--	2,205,154.12	--	1,084,154.51	Related to assets / incomes
Deferred incomes	75,383,795.46	1,693,851.67	--	14,171,496.98	129,483.66	63,035,633.81	Revenue concerned
Long-term accounts payable	8,740,000.00	--	--	960,000.00	--	7,780,000.00	Revenue concerned
Total	160,159,335.74	22,314,064.57	--	46,076,021.66	324,642.49	136,722,021.14	—

### 3. Government grants recognized in current profit or loss

Account	Current amount	Previous amount
Other revenues	64,332,685.51	84,356,626.01
Total	64,332,685.51	84,356,626.01

## IX. Risks associated with financial instruments

### 1. Various risks arising from financial instruments

Main corporate financial instruments include monetary funds, structured deposits, receivables, equity instrument investments, wealth management products, borrowings, payables, etc. Refer to relevant items of Note V for details of financial instruments. Risks associated with these financial instruments and risk management policies adopted by the company to reduce these risks are described below.

The company is engaged in risk management for the purpose of seeking balance between risk and return, minimizing the negative impact of risk on corporate business performance, and maximizing the interests of shareholders and other investors. Based on this risk management target, the basic strategy of corporate risk management is to determine and analyze various risks confronted by the company, establish proper risk tolerance bottom line, implement risk management, promptly and reliably supervise various risks, and control risks within a

limited range.

During operation, the company is mainly exposed to relevant risks of financial instruments including credit risk, market risk and liquidity risk. The company board of directors is fully responsible for determining risk management target and policy, and holds ultimate responsibility for risk management objectives and policies. Compliance department and finance department manage and monitor these risk exposures, ensuring the above risks controlled within a limited range.

### **(1) Credit risk.**

Credit risk refers to the risk that one party of financial instrument fails to perform obligations, causing financial losses of the other party. Company credit risk is mainly derived from monetary funds, structured deposits, notes receivable, accounts receivable, other receivables, etc. The management level has formulated appropriate credit policies and continuously monitored the credit risk exposures.

The monetary funds and structured deposit held by the company are mainly deposited in financial institutions such as commercial banks, and the management level believes these commercial banks have high reputation and asset status, with low credit risks. The company adopts quota policy to avoid credit risk of any financial institution.

Regarding accounts receivable, other receivables and notes receivable, the company has established relevant policies to control credit risk exposure. To prevent such risks, the company has formulated new customer credit evaluation system and old customer credit sale balance analysis system. New customer credit evaluation system refers that the company will conduct customer background investigation on new customers according to established procedures, so as to determine whether to grant credit sale limit to these customers, as well as the credit sale limit size and credit period. Accordingly, the company has set credit sale limit and credit period for each customer, and this limit is the maximum limit that does not require extra approval. The old customer's credit sale balance analysis system refers that after receiving purchase order from an old customer, the company will check the order amount against the outstanding balance of this customer's account. If the sum of the two exceeds the customer's credit sale limit, the company can only grant credit sale to it upon extra approval, otherwise it must require paying the corresponding amount in advance. Additionally, in terms of the credit sale occurred, the company shall ensure its overall credit risk within a controllable range by analyzing and reviewing the accounts receivable risk warning monthly report.

The maximum credit risk exposure borne by the company is the book amount of each financial asset in the balance sheet.

### **(2) Market risk**

The market risk of financial instruments refers to the risk of fair value or future cash flow fluctuation of financial instruments due to market price change, mainly including interest rate risk, exchange rate risk and other price risks.

#### 1) Interest rate risk

Interest rate risk refers to the risk of fluctuation in the financial status and cash flow of the company due to market interest rate changes. Corporate interest rate risk is mainly associated with bank loans. To reduce the impact of interest rate risk fluctuation, the company chooses floating or fixed interest rate based on the expected direction of interest rate changes, namely it chooses a fixed exchange rate, if the interest rate is forecast to rise in

the future period; it chooses a floating exchange rate, if the interest rate is forecast to decline in the future period. To reduce the adverse impact caused by forecast inconsistent with reality, the company chooses short-term borrowings for the liquidity capital demand, and specially stipulates on early repayment terms and conditions.

## 2) Exchange rate risk

Exchange rate risk refers to the risk of losses due to exchange rate fluctuations. The exchange rate risk borne by the company is mainly related to USD, EUR, CHF, JPY, HKD and DKK. Except that the machinery equipment purchasing of parent company and Weifu Autocam, material purchasing of parent company, technical service fee and trademark usage fee payment of parent company, import and export trade of Weifu Guomao, IRD operation, Borit operation and VHIO operation are mainly denominated in USD, EUR, CHF, JPY, HKD and DKK, all other major business activities of the company are priced and settled in CNY. Because foreign currency financial assets and liabilities account for a small proportion in total assets, the corporate management believes that the exchange rate risk of financial instruments is quite low.

As of 31 December 2025, except that the assets or liabilities in the table below are denominated in foreign currency, the corporate assets and liabilities were all CNY balances.

As of 31 December 2025, the breakdown of corporate foreign currency assets was as follows:

Items	Foreign currency balance at the end of period	Conversion rate	Converted RMB balance at the end of period	Proportion to assets (%)
Monetary fund				
Of which: USD	34,352,686.29	7.0288	241,458,161.40	0.81
EUR	17,933,318.52	8.2355	147,689,844.67	0.50
HKD	2,050,478.93	0.90322	1,852,033.58	0.01
JPY	16,498,011.00	0.044797	739,061.40	0.002
DKK	18,554,907.04	1.1018	20,443,796.58	0.07
Accounts receivable				
Of which: USD	2,624,634.10	7.0288	18,448,028.16	0.06
EUR	27,711,568.15	8.2355	228,218,619.50	0.77
DKK	5,669,161.87	1.1018	6,246,282.55	0.02
Other receivables				
Of which: EUR	175,606.54	8.2355	1,446,207.66	0.005
DKK	633,735.90	1.1018	698,250.21	0.002
Total proportion to assets				2.25

As of 31 December 2025, the breakdown of corporate foreign currency liabilities was as follows:

Items	Foreign currency balance at the end of period	Conversion rate	Converted RMB balance at the end of period	Proportion to liabilities (%)
Accounts payable				
Of which: USD	1,016,854.40	7.0288	7,147,266.21	0.08
EUR	22,837,801.56	8.2355	188,080,714.75	2.14
JPY	10,304,463.00	0.044797	461,609.03	0.01
DKK	12,392,867.24	1.1018	13,654,461.13	0.16
CHF	124,612.57	8.8510	1,102,945.86	0.01
Other payables				
Of which: USD	356,753.39	7.0288	2,507,548.23	0.03
EUR	13,068.91	8.2355	107,629.01	0.001
DKK	896,112.34	1.1018	987,336.58	0.01
Non-current liabilities due within 1 year				

Items	Foreign currency balance at the end of period	Conversion rate	Converted RMB balance at the end of period	Proportion to liabilities (%)
Of which: USD	57,248.88	7.0288	402,390.93	0.005
EUR	801,133.65	8.2355	6,597,736.17	0.07
DKK	2,757,142.29	1.1018	3,037,819.38	0.03
Lease liabilities				
Of which: EUR	2,221,467.63	8.2355	18,294,896.67	0.21
DKK	16,049,095.45	1.1018	17,682,893.37	0.20
Total proportion to liabilities	—	—	—	2.95

### 3) Other price risks

The equity instrument investments held by the company, classified as trading financial assets and other non-current financial assets, are measured at fair value on the balance sheet date. The expected price fluctuation of this part of investment will accordingly affect the fair value change profits and losses of the company.

Furthermore, upon the review and adoption at the 8th meeting of the 10th board of directors, the company has entrusted its own idle funds for wealth management, and therefore the company bears the risk of defaulting on the wealth management products at maturity and unable to recover the principal. To cope with this risk, the company has set forth the Fund Wealth Management System, stipulating on the entrusted wealth management authority, review process, reporting system, entrusted party selection, daily monitoring and verification, accountability and other aspects in details, in order to effectively prevent investment risks and ensure fund security. To reduce the adverse impact of unforeseeable factors, it has conducted short and mid-term allocation in the investment period, and in principle, the investment product period shall not exceed 5 years to the maximum; in terms of investment varieties, they include bank wealth management products, trust plans of trust companies, asset management plans of asset management companies, various products issued by securities companies, fund companies and insurance companies.

### (3) Liquidity risk

Liquidity risk refers to the risk of fund shortage that occurs when the company fulfills the obligation of settlement by cash payment or other financial assets. The corporate target is to ensure sufficient cash to repay maturing debts, and in this regard, the company has set a financial control department to centrally control this risk. On one hand, the financial control department ensures that the company has sufficient funds to repay debts under all reasonable forecasts by monitoring cash balances, negotiable securities realizable at any time and rolling forecast of cash flow for the next 12 months; on the other hand, by establishing a perfect bank-enterprise relationship, credit limits, credit varieties and credit terms are designed rationally, so as to ensure sufficient bank credit limit and meet various short-term financing needs of the company.

## 2. Hedging

No.

### 3. Financial assets

#### (1) Transfer method classification

Transfer method	Nature of transferred financial assets	Amount of transferred financial assets	De-recognition	Basis for judging de-recognition
Bill endorsement	Bank acceptance bills not matured in receivables financing	749,479,357.46	De-recognition	Almost all of its risks and rewards have been transferred
Bill endorsement	Undue commercial acceptance bills in the notes receivable	6,228,142.15	Non-derecognized	Almost all risks and rewards not transferred
Discounting of bill	Bank acceptance bills not matured in receivables financing	746,484,910.79	De-recognition	Almost all of its risks and rewards have been transferred
Total		1,502,192,410.40		

#### (2) Financial assets de-recognized due to transfer

Items	Financial asset transfer approach	Amount of de-recognized financial assets	Losses concerning de-recognition
Receivables financing	Bill endorsement	749,479,357.46	--
Receivables financing	Discounting of bill	746,484,910.79	2,300,079.55
Total	—	1,495,964,268.25	2,300,079.55

#### (3) Continuous involvement in the transferred financial assets

No.

## X. Fair value disclosure

### 1. Fair value at the end of period of assets and liabilities measured at fair value

Items	Ending fair value			
	Tier 1 fair value measurement	Tier 2 fair value measurement	Tier 3 fair value measurement	Total
XLIX. Continuous fair value measurement	888,391.56		5,996,085,876.22	5,996,974,267.78
(2) Trading financial assets				
1. Financial assets at fair value and through current profit or loss	888,391.56	--	2,333,769,763.80	2,334,658,155.36
(1) Equity instrument investment	888,391.56	--	--	888,391.56
(2) Other debt instrument and equity instrument investments	--	--	2,333,769,763.80	2,333,769,763.80
(II) Other non-current financial assets				
1. Financial assets at fair value and through current profit or loss	--	--	751,258,396.69	751,258,396.69
(1) Equity instrument investment	--	--	751,258,396.69	751,258,396.69
(III) Receivables financing				
1. Financial assets measured at fair value with changes included in other comprehensive incomes	--	--	1,861,919,025.73	1,861,919,025.73
(IV) Other equity instrument investments				
1. Financial assets at fair value and through current profit or loss	--	--	1,049,138,690.00	1,049,138,690.00
<b>Total assets continuously measured at fair value</b>	888,391.56	--	5,996,085,876.22	5,996,974,267.78
<b>Total liabilities continuously measured at fair value</b>	--	--	--	--

Items	Ending fair value			
	Tier 1 fair value measurement	Tier 2 fair value measurement	Tier 3 fair value measurement	Total
L. Non-continuous fair value measurement	--	--	--	--
<b>Total assets measured at fair value on a non-recurring basis</b>	--	--	--	--
<b>Total liabilities measured at fair value on a non-recurring basis</b>	--	--	--	--

## 2. Basis for determining market price of continuous and non-continuous first-level fair value measurement projects

On 31 December 2025, company transactional financial assets, equity instrument investment were the held CAMC stock (stock code: 600375), and the basis for determining the closing fair value was the closing price on 31 December 2025.

## 3. Qualitative and quantitative information of valuation techniques and important parameters adopted for continuous and non-continuous third-level fair value measurement projects

### (1) Receivables financing

Regarding this part of financial assets, the company determined their fair value by discounted cash flow valuation technique. Among them, important unobservable input values mainly included discount rate, contract cash flow maturity period, etc. Cash flows with a contract expiration period of less than 12 months (included) were not discounted, with the cost as their fair value.

### (2) Other equity instrument investments

For this part of financial assets, due to the lack of market liquidity, the company determined their fair value by replacement cost method. Among them, important unobservable input values mainly included financial data of the investee company, etc.

### (3) Other debt instrument and equity instrument investments

For this part of financial assets, the company determined by discounted cash flow valuation technique. Among them, important unobservable input values mainly included expected annualized yield, risk coefficient, etc.

## XI. Associated parties and associated transactions

### 1. Parent company of the company

Name of parent company	Registered place	Business nature	Registered capital (RMB ten thousand)	Shareholding ratio of parent company to the company (%)	Voting right ratio of parent company to the company (%)
Wuxi Industrial Group	Wuxi	State-owned asset operation	600,853.10	22.05	22.05

Descriptions on the parent company's shareholding ratio of the company: As of 31 December 2025, Wuxi Industry Group had held 22.05% shares in the company.

Description on the parent company of the company: Wuxi Industrial Group is an enterprise controlled by the

State-owned Assets Supervision and Administration Commission of Wuxi Municipal People's Government, with business scope: foreign investment using own assets; housing lease service; self-operation and agent for import and export business of various commodities and technologies (except the commodities and technologies restricted or prohibited for enterprise import and export by the state), domestic trade (excluding projects restricted or prohibited by the state). (For the projects subject to the approval according to law, the business activities must not be carried out without the approval the relevant department).

The ultimate controller of the company is Wuxi State-owned Assets Supervision and Administration Commission.

## 2. Subsidiaries of the company

Refer to Note VII, 1, Composition of enterprise group for details.

## 3. Joint ventures and associated enterprises of the company

Refer to the Note VII, 5 Equity in joint ventures or associated enterprises for joint ventures and associated enterprises of the company.

## 4. Other associated parties

Name of other associated parties	Relationships between other associated parties with the company
German Bosch	The second largest shareholder of the company
Wuxi Sunan Urban Public Distribution Co., Ltd. (hereinafter referred to as Urban Public Distribution)	Enterprises controlled by parent company
Falcon Tech Co., Ltd. (hereinafter referred to as Falcon)	Enterprises controlled by parent company
Wuxi IoT Innovation Center Co., Ltd. (hereinafter referred to as Wuxi IoT)	Enterprises controlled by parent company
Jiangsu Wuxi National Grain Reserve Co., Ltd. (hereinafter referred to as Wuxi Grain Reserve)	Enterprises controlled by parent company
Wuxi Grain Group Co., Ltd. (hereinafter referred to as Grain Group)	Enterprises controlled by parent company
Wuxi Security Service Co., Ltd. (hereinafter referred to as Wuxi Security)	Enterprises controlled by parent company
The IT Electronics Eleventh Design & Research Institute Scientific and Technological Engineering Co., Ltd. (hereinafter referred to as Eleventh Technology)	Enterprise directly or indirectly controlled by Taiji Industrial, with company-related personnel serving as the director
Wuxi Autolink Intelligent Manufacturing Co., Ltd. (hereinafter referred to as Autolink Intelligent)	Subsidiary of Autolink, associated enterprise of the company
Wuxi Junhai Xichan Investment Management Co., Ltd. (hereinafter referred to as Junhai Xichan)	Enterprises controlled by parent company
Shenzhen Deqi Consulting Co., Ltd. (hereinafter referred to as Shenzhen Deqi)	Enterprise controlled by company-affiliated natural person
Key management personnel	Company director and senior management personnel

## 5. Conditions of related party transactions

### (1) Associated transaction of purchasing and selling commodities, providing and accepting labor service

Purchase of goods/acceptance of labor service

Associated party	Affiliated transaction content	Current amount	Previous amount
Weifu Environmental Protection	Goods and labor services	731,999,572.63	800,690,587.70

Associated party	Affiliated transaction content	Current amount	Previous amount
Bosch Powertrain	Goods and labor services	302,613,516.59	254,181,294.44
German Bosch	Goods and labor services	215,979,450.95	245,990,950.13
Weifu Precision Machinery	Goods and labor services	20,135,744.69	33,594,562.90
Falcon	Goods and labor services	200,756.74	77,747.81
Eleventh Technology	Goods and labor services	738,113.21	71,698.12
Wuxi Security	Goods and labor services	--	3,362.26
Wuxi Grain Group	Goods and labor services	2,066,263.60	--
Voith HySTech GmbH	Goods and labor services	1,796,407.29	--
Lezhuo Bowei	Goods and labor services	6,860.00	--
Changchun Xuyang	Goods and labor services	5,287.00	--

## Sales of goods/service provision

Associated party	Affiliated transaction content	Current amount	Previous amount
German Bosch	Goods and labor services	2,259,396,102.93	2,078,120,537.08
Bosch Powertrain	Goods and labor services	1,379,122,013.36	1,352,740,802.27
Lezhuo Bowei	Goods and labor services	9,412,044.98	10,940,310.56
Changchun Xuyang	Goods and labor services	23,694,038.83	5,761,578.80
Weifu Precision Machinery	Goods and labor services	1,287,009.00	1,201,055.62
Weifu Environmental Protection	Goods and labor services	4,221,805.33	550,946.52
Zhuowei High-tech	Goods and labor services	379,314.47	113,776.50
Wuxi Grain Reserve	Goods and labor services	309,752.83	214,601.77

**(2) Related entrusted management/entrusting management**

No.

**(3) Related contracting**

No.

**(4) Associated lease**

The company as the lessor

Name of lessee	Type of leased assets	Rental income recognized in the current period	Rental income recognized in the last period
Weifu Environmental Protection	House	2,008,904.38	2,006,634.05
Lezhuo Bowei	House and equipment	3,200,028.00	3,148,672.50
Bosch Powertrain	Parking lot	530,400.00	499,200.00
Junhai Xichan	Office location	18,348.64	--
German Bosch	Equipment	--	38,532.00

Description of related lease:

1) Subsidiary Weifu Lida and associated enterprise Weifu Environmental Protection signed a house lease contract on Weifu Environmental Protection leasing Weifu Lida's plant houses located at No.9 Lingjiang Road, Xinwu District, Wuxi. In 2025, Weifu Lida recognized rental income of RMB 2,008,904.38.

2) Subsidiary Weifu Jinning signed a house lease contract with associated enterprise Le-HydrauliX, and Le-HydrauliX leased partial factory buildings of Weifu Jinning located at No.12 North Liuzhou Road, Pukou District, Nanjing, with a lease period from 1 January 2025 to 31 December 2025. Weifu Jinning recognized factory building lease income of RMB 3,200,028.00 in 2025.

The company as the lessee

Name of lessor	Type of leased assets	Rental fee recognized in the current period	Rental fee recognized in the last period
Autolink Intelligent	House and equipment	4,047,300.00	2,698,200.00

Description on related lease: Subsidiary Weifu Zhigan signed a lease contract with Autolink Intelligent on Autolink Intelligent renting its property located at No.8 Huayun Road, Wuxi (including factory buildings, parking lots and ancillary office furniture, facilities, equipment, etc.) as a whole to Weifu Zhigan, with a lease period from 1 June 2024 to 31 May 2026. Weifu Intelligent Sensor recognized property lease expense of RMB 4,047,300.00 for the year 2025.

#### (5) Details of related guarantees

The company as the guarantor

Guaranteed party	Amount guaranteed (RMB ten thousand)	Guarantee start date	Guarantee due date	Whether the guarantee has been fulfilled
Yiwo Automotive	1,000.00	2022.12.12	--	No
VHIO	7,784.00	18.7.2023	2027.7.31	No
VHIO	5,309.00	18.7.2023	2028.2.15	No
VHIO	30,706.00	2024.4.9	--	No
IRD	2,490.00	2025.9.15	2026.9.15	No

Description of related security:

The company bore a guarantee liability security with the total amount of no more than RMB 10,000,000 for all debts (including principal creditor's right and interest, liquidated damages, damage awards and expenses for realizing creditor's right) in the sales contract signed between subsidiary Yiwo Automotive and Shenzhen BYD Supply Chain Management Co., Ltd., with the security period of two years from the master contract signing date to the expiration of debt performance period under the master contract or till 30 December 2026 (inclusive) (whichever is earlier).

The company provided three business performance guarantees to the wholly-owned subsidiary VHIO, including letters of guarantee and more, detailing: a guarantee amount of RMB 77,840,000 occurred on 18 July 2023, with a guarantee period of three years since the date when Italian tax authority received the letter of guarantee; a guarantee amount of RMB 53,090,000 occurred on 16 November 2023, with a guarantee period: six months since the date when each guarantee debt was due, but no later than 30 June 2028; a guarantee amount of RMB 307,060,000 occurred on 9 April 2024, with a guarantee period of two years since the date when VHIO completed performance of all supplier obligations or meeting the indicator requirements stipulated in the letter of guarantee.

The company provided loan guarantee with the guarantee amount of RMB 24,900,000 to the wholly-owned subsidiary IRD, and this contract took the security deposit account of the company opened at China CITIC Bank Wuxi Branch and the monetary funds in the account as the pledged property, providing pledge guarantee for IRD debts.

#### (6) Associated party fund borrowing

No.

#### (7) Associated party asset transfer and debt restructuring

No.

**(8) Key management personnel remuneration**

Items	Current amount (RMB ten thousand)	Last period amount (RMB ten thousand)
Key management personnel remuneration	798.00	1,079.00

**(9) Related party commitment**

No.

**(10) Other associated transactions**

Associated party	Name of projects	Current amount	Previous amount
Bosch Powertrain	Paid technical commission fee, etc.	3,029,904.54	--
German Bosch	Technical service fee payable, etc.	2,056,330.99	193,000.00
German Bosch	Paid technical commission fee, etc.	4,272,142.00	2,724,741.59
German Bosch	Purchase of fixed assets	13,335,398.23	9,212,449.26
German Bosch	Selling fixed assets	--	2,774,443.00
German Bosch	Provided technical service, etc.	6,007,355.00	--
Urban public distribution	Purchased canteen food ingredients, etc.	3,850,806.65	2,470,675.30
Wuxi Grain Group	Purchased canteen food ingredients, etc.	696,883.30	--
Wuxi Industrial Group	Provided technical service, etc.	365,094.34	752,122.64
Weifu Environmental Protection	Technical service fee payable, etc.	275,283.02	589,056.60
Weifu Environmental Protection	Kinetic energy fee payable	1,052,652.89	1,125,244.70
Weifu Environmental Protection	Provided technical service, etc.	--	641,320.75
Eleventh Technology	Technical service fee payable, etc.	--	25,471.70
Lezhuo Bowei	Provided technical service, etc.	--	82,722.27
Lezhuo Bowei	Technical service fee payable, etc.	8,761.06	--
Wuxi IoT	Purchase of fixed assets	--	68,867.93
Weifu Precision Machinery	Purchase of fixed assets	--	3,000.00
Autolink Intelligent	Kinetic energy fee payable	683,489.99	--
Shenzhen Deqi	Receiving consulting services	237,623.76	--

**6. Receivables and payables of related parties****(1) Receivables**

Name of projects	Associated party	Closing balance		Balance at the end of last year	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Accounts receivable	Weifu Precision Machinery	778,983.46	131,537.33	253,087.10	--
Accounts receivable	Bosch Powertrain	837,818,105.83	5,540,525.12	807,220,878.29	3,096,153.84
Accounts receivable	German Bosch	719,908,284.79	1,160,786.70	638,685,114.08	1,347,705.10
Accounts receivable	Lezhuo Bowei	3,333,359.57	1,382.13	5,234,363.76	0.03
Accounts receivable	Weifu Environmental Protection	3,484,406.91	17,030.00	2,599,809.56	--
Accounts receivable	Changchun Xuyang	28,140,261.21	--	9,644,850.41	--
Accounts receivable	Wuxi Grain Reserve	290,447.45	740.95	242,500.00	--

Name of projects	Associated party	Closing balance		Balance at the end of last year	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Dividends receivable	Weifu Precision Machinery	5,357,758.49	--	5,357,758.49	--
Advance payment	German Bosch	13,992,553.66	--	10,933,876.91	--
Other receivables	German Bosch	--	--	2,885,068.34	225,599.82
Other receivables	Autolink Intelligent	449,700.00	89,940.00	449,700.00	--
Other non-current assets	German Bosch	7,713,000.00	--	7,513,200.00	--
Other non-current assets	Wuxi Industrial Group	5,452,800.00	--	5,452,800.00	--
Total		1,626,719,661.37	6,941,942.23	1,496,473,006.94	4,669,458.79

## (2) Payables

Name of projects	Associated party	Closing balance	Balance at the end of last year
Accounts payable	Weifu Precision Machinery	11,557,314.95	7,803,153.23
Accounts payable	Weifu Environmental Protection	821,788,108.10	581,475,733.94
Accounts payable	Bosch Powertrain	106,344,798.47	67,673,428.74
Accounts payable	German Bosch	49,807,318.10	28,113,764.28
Accounts payable	Autolink Intelligent	50,000.00	1,478,079.00
Accounts payable	Urban public distribution	159,977.13	--
Accounts payable	Wuxi Grain Group	70,557.01	--
Accounts payable	Lezhuo Bowei	7,751.80	--
Accounts payable	Voith HySTech GmbH	1,607,709.29	--
Accounts payable	Changchun Xuyang	162,773.76	--
Accounts payable	Eleventh Technology	--	46,000.00
Advance receipt	German Bosch	--	41,380.29
Other payables	Junhai Xichan	1,666.67	--
Other payables	Weifu Precision Machinery	--	29,000.00
Contract liabilities	Weifu Precision Machinery	195,643.85	203,031.12
Contract liabilities	Bosch Powertrain	0.36	0.36
Contract liabilities	German Bosch	999,124.21	325,299.33
Contract liabilities	Weifu Environmental Protection	--	75,840.73
Other current liabilities	Bosch Powertrain	0.05	0.05
Other current liabilities	Weifu Environmental Protection	--	9,859.30
Other current liabilities	Weifu Precision Machinery	25,433.70	26,394.04
Other current liabilities	German Bosch	2,535.00	--
Lease liabilities	Autolink Intelligent	2,678,104.32	2,228,404.32
Total		9,954,58,816.77	689,529,368.73

## XII. Share-based payment

### 1. Overall share-based payment

No.

### 2. Equity-settled share-based payment

No.

**3. Cash-settled share-based payment**

No.

**4. Total amount of share-based payment expenses in the current period**

No.

**5. Share-based payment modification and termination**

No.

**XIII. Commitments and contingencies****1. Major commitments**

The company does not have any significant commitments which need to be disclosed.

**2. Contingencies**

Contingent liabilities formed by provision of debt guarantee for other organizations and its financial impact Security to subsidiaries: As of 31 December 2025, the company provided security for all debts incurred by the contract performance of subsidiary Yiwo Automotive and Shenzhen BYD Supply Chain Management Co., Ltd., with a security amount of RMB 10,000,000;

As of 31 December 2025, the company has provided a guarantee facility of RMB 562,730,000 to its subsidiary VHIO. The scope of the guarantee includes, but is not limited to, financing-related guarantees arising from financing activities (including loans, bank acceptance bills, foreign exchange derivatives transactions, letters of credit, and guarantees), as well as performance guarantees arising from daily operations. In addition, the company has provided a pledged loan guarantee for its subsidiary IRD by pledging the margin account opened with China CITIC Bank Wuxi Branch and the funds therein as collateral to secure IRD's obligations.

Other contingent liabilities and the financial impact

There aren't other significant contingencies that needed to be disclosed.

**XIV. Events after the balance sheet date****1. Significant non-adjusting events**

No.

**2. Profit distribution**

Company 2025 profit distribution plan: distributing cash dividend of RMB 7 (including tax) per 10 shares, based on the latest company total share capital (996,785,693 shares), without giving bonus shares or increasing share capital by provident fund. The remaining undistributed profits shall be carried forward to the next year. The

total cash dividend intended to be distributed this time is RMB 676,749,985.10 (including tax). When implementing this profit distribution plan, if the total amount of shares entitled to profit distribution changes, the total distribution amount shall be adjusted according to the principle of unchanged distribution ratio, based on the total shares entitled to profit distribution on the date of equity registration when implementing the distribution plan.

### **3. Sales return**

No.

### **4. Other significant non-adjusting events after the balance sheet date**

No.

## **XV. Other important matters**

### **1. Correction of previous-period accounting errors**

No.

### **2. Debt restructuring**

No.

### **3. Replacement of assets**

No.

### **4. Annuity plan**

The 8th meeting of the 7th board of directors of the company reviewed and adopted Enterprise Annuity Plan of Wuxi Weifu High-Technology Group Co., Ltd.: In order to mobilize the enthusiasm and creativity of employees, establish a long-term talent incentive mechanism, strengthen cohesion and competitiveness of enterprise, the company will implement the above annuity plan from the date of receiving the plan reporting reply letter from the labor security administrative department. The annuity plan content is as follows: The enterprise annuity fund is jointly paid by the enterprise and individual employees; the annual payment of enterprise shall not exceed 8% of the total wages of its employees, and the total payment of the enterprise and individual employees shall not exceed 12% of the total wages of its employees. It is subject to adjustments as appropriate according to the national enterprise annuity policy and corporate economic benefits, and in the principle of adapting to corporate economic strength, enterprise payment in the current year is controlled at 8% of last year's total wages. The maximum annual distribution quota of employees shall not exceed 5 times average distribution quota of employees, and the excess part is excluded from the distribution quota. Personal payment is controlled at 1% of the individual's total salary last year. In the future, the specific annual payment ratio shall be adjusted by the enterprise according to operation of the company.

In December 2012, the company received the Reply on the Filing of the Enterprise Annuity Plan of Wuxi Weifu High-Technology Group Co., Ltd. from the labor security administrative department, and then signed the Entrusted Management Contract of the Enterprise Annuity Plan of Wuxi Weifu High-Technology Group Co., Ltd. with China Life Pension Insurance Co., Ltd.

## 5. Discontinued operations

Inapplicable.

## 6. Division information

### (1) Basis for determining reporting divisions and accounting policy

The company determines its operation segments based on the internal organizational structure, management requirements, and internal reporting system. The corporate operating divisions refer to the components that simultaneously meet the following conditions:

Such components can generate income and incur expense in daily activities;

The corporate management can regularly evaluate the operating results of such components to determine the allocation of resources and evaluate of the performance;

The company can obtain relevant accounting information such as financial status, operating results and cash flow of this component through analysis.

If two or more business divisions have similar economic characteristics and meet certain conditions, they may be merged into one.

The company considers the principle of importance, and determines the reporting divisions based on the operating divisions. Corporate reporting divisions are business units that provide different products or services, or operate in different regions. Due to different technological and market strategies required by various businesses or regions, the company manages the production and operation activities of reporting divisions independently, evaluates their operating results respectively, and decides to allocate resources to them and evaluate their performance. The company mainly produces automotive internal combustion engine fuel system and fuel cell parts products, automotive parts, mufflers, converters, vacuum and hydraulic pumps and other relevant products. The company determines the reporting divisions by product or service content, but due to mixed operation of relevant businesses, the total assets, total liabilities and period expenses have not been allocated.

### (2) Financial information of reporting divisions

Items	Energy conservation and emission reduction: Automotive Fuel Injection System Product Division	Energy conservation and emission reduction: Automotive After-treatment System Product Division	Energy conservation and emission reduction: Automotive Intake System Product Division
Operating revenue	5,013,419,229.92	3,702,606,441.37	1,070,567,590.34
Operating cost	3,940,599,327.45	3,161,500,934.27	845,024,441.74

(Continued)

Items	Intelligent Electric Product Division	Green Hydrogen Energy Product Division	Total
Operating revenue	2,151,703,630.20	85,582,166.44	12,023,879,058.27

Items	Intelligent Electric Product Division	Green Hydrogen Energy Product Division	Total
Operating cost	1,863,927,414.14	128,786,031.14	9,939,838,148.74

## 7. Other important matters affecting investor decision-making

In March 2023, the company reported case to the Xinwu Branch of Wuxi Public Security Bureau regarding subsidiary Weifu International Trade suffering contract fraud. The Bureau issued Case Filing Notice on 12 April 2023, and initiated criminal case investigation (refer to the 2023-007 information disclosure announcement of the company on 13 April 2023). On 11 April 2025, Wuxi Intermediate People's Court made the first-instance judgment ((2024) Su 02 Criminal First No.22), sentencing that defendant Liu committed the crime of contract fraud, and the seized, sealed and frozen case-related properties and more shall be handled by the public security organ according to law. Defendant Liu appealed, and the final criminal judgment ((2024) Su 02 Criminal No.22) entered into effect on 8 July 2025. As of the end of 2025, the company had received a part of the case-related properties returned by the public security organ and executed by the court, including monetary funds of RMB 460,416,300, as well as small home appliances totaling RMB 43,591,200.

After the case occurred in 2023, the company conducted accounting treatment based on the receipt and payment of funds, according to the principle of substance over form, prudently identified the purchasing payments actually made to "suppliers" and the sales amount received from "customers" as credits and debts, and presented them in other receivables as per net amounts by means of "platform trade" business portfolio. As of 31 December 2025, the balance of credits receivable for "platform trade" event was RMB 2,038,255,800, the company prudently judged the recoverable amount according to the case execution situation, and the cumulative provision for expected credit losses was RMB 1,979,160,400.

## XVI. Main item notes of company financial statements

### 1. Accounts receivable

#### (1) Disclosure by age

Aging	Closing balance	Balance at the end of last year
Within a year	1,671,151,997.55	1,482,006,067.41
Of which: Within six months	1,645,841,412.82	1,460,455,344.98
Six months to one year	25,310,584.73	21,550,722.43
One to two years	8,116,785.90	6,409,424.43
Two to three years	1,181,729.54	8,408,261.89
More than three years	5,657,755.38	1,242,046.26
Subtotal	1,686,108,268.37	1,498,065,799.99
Less: Bad debt provision	10,933,135.26	8,130,109.94
Total	1,675,175,133.11	1,489,935,690.05

#### (2) Classified and presented by bad debt provision method

Category	Closing balance				Book value
	Book balance		Bad debt reserve		
	Amount	Proportion (%)	Amount	Accrual ratio (%)	
Accounts receivable with single provision for bad debt reserve	1,331,421.03	0.08	1,311,786.99	98.53	19,634.04

Category	Closing balance				Book value
	Book balance		Bad debt reserve		
	Amount	Proportion (%)	Amount	Accrual ratio (%)	
Accounts receivable for which bad debt provision has been assessed by portfolios	1,684,776,847.34	99.92	9,621,348.27	0.57	1,675,155,499.07
Of which: receivables from customers	1,467,954,762.11	87.06	9,621,348.27	0.66	1,458,333,413.84
Receivables from internal related parties	216,822,085.23	12.86	--	--	216,822,085.23
Total	1,686,108,268.37	100.00	10,933,135.26	0.65	1,675,175,133.11

(Continued)

Category	Balance at the end of last year				Book value
	Book balance		Bad debt reserve		
	Amount	Proportion (%)	Amount	Accrual ratio (%)	
Accounts receivable with single provision for bad debt reserve	1,439,571.54	0.10	1,439,571.54	100.00	--
Accounts receivable for which bad debt provision has been assessed by portfolios	1,496,626,228.45	99.90	6,690,538.40	0.45	1,489,935,690.05
Of which: receivables from customers	1,331,265,647.15	88.87	6,690,538.40	0.50	1,324,575,108.75
Receivables from internal related parties	165,360,581.30	11.04	--	--	165,360,581.30
Total	1,498,065,799.99	100.00	8,130,109.94	—	1,489,935,690.05

**i. Accounts receivable with single provision for bad debt reserve at the end of period**

Accounts receivable (by entity)	Closing balance			
	Book balance	Bad debt reserve	Accrual ratio	Accrual basis
SAIC Hongyan Automobile Co., Ltd.	827,475.79	807,841.75	97.63	Forecast as difficult to recover
Lovol Tianjin Engines Co., Ltd.	503,945.24	503,945.24	100.00	Forecast as difficult to recover
Total	1,331,421.03	1,311,786.99	—	—

Continued

Accounts receivable (by entity)	Balance at the end of last year			
	Book balance	Bad debt reserve	Accrual ratio	Accrual basis
SAIC Hongyan Automobile Co., Ltd.	935,626.30	935,626.30	100.00	Forecast as difficult to recover
Lovol Tianjin Engines Co., Ltd.	503,945.24	503,945.24	100.00	Forecast as difficult to recover
Total	1,439,571.54	1,439,571.54	—	—

**ii. Provision for bad debt reserve by portfolio:**

Items	Closing balance		
	Book balance	Bad debt reserve	Accrual ratio (%)
Within six months	1,645,821,317.46	--	--
Six months to one year	25,291,517.36	2,529,151.74	10.00
One to two years	7,328,472.84	1,465,694.58	20.00
Two to three years	1,181,729.54	472,691.82	40.00
More than three years	5,153,810.14	5,153,810.13	100.00
Total	1,684,776,847.34	9,621,348.27	0.57

**iii. In the portfolio, the receivables from internal related parties:**

Items	Closing balance	
	Book balance	Accrual ratio (%)
Weifu Autosmart	1,365,012.34	--
Weifu Yite	2,860,205.13	--
Weifu Lida	5,923,814.10	--
Weifu Qinglong	1,853,247.57	--
Weifu Schmidt	48,922,909.34	--
Weifu Zhigan	28,242,469.27	--
Weifu International Trade	101,243,271.74	--
Weifu Tianli	6,210,211.72	--
Yiwo Automotive	20,200,944.02	--
Total	216,822,085.23	--

**(3) Bad debt reserve status**

Category	Balance at the end of last year	Amount of changes in current period			Closing balance
		Provision	Recovery or reversal	Write-off or write-off after verification	
Single provision	1,439,571.54	3,205.61	--	130,990.16	1,311,786.99
Portfolio provision	6,690,538.40	2,931,521.76	--	711.89	9,621,348.27
Total	8,130,109.94	2,934,727.37	--	131,702.05	10,933,135.26

**(4) Accounts receivable of the Top 5 closing balance classified by the overdue party**

Name of debtors	Closing balance of receivables	Proportion to the total closing balance of accounts receivable (%)	Closing balance of allowance for bad debts
Bosch Powertrain	837,818,105.83	49.69	5,540,525.12
German Bosch	196,859,610.74	11.68	562,623.77
Customer 4	132,683,984.57	7.87	14,567.37
Weifu International Trade	101,243,271.74	6.00	--
Customer 5	60,596,569.26	3.59	--
Total	1,329,201,542.14	78.83	6,117,716.26

**2. Other receivables**

Items	Closing balance	Balance at the end of last year
Interests receivable	117,347.22	6,702,396.94
Dividends receivable	5,357,758.49	5,357,758.49
Other receivables	483,559,405.62	1,417,306,880.03
Total	489,034,511.33	1,429,367,035.46

**(1) Interests receivable**

Items	Closing balance	Balance at the end of last year
Interests receivable from subsidiaries	117,347.22	6,702,396.94
Total	117,347.22	6,702,396.94

**(2) Dividends receivable**

Invested entity	Closing balance	Balance at the end of last year
Weifu Precision Machinery	5,357,758.49	5,357,758.49

**(3) Other receivables****i. Disclosure by age**

Aging	Closing balance	Balance at the end of last year
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Aging	Closing balance	Balance at the end of last year
Within a year	189,367,609.76	216,098,598.61
One to two years	125,219.45	279,688,422.50
Two to three years	--	2,566,161,181.33
More than three years	2,276,254,327.54	1,753,896.21
Subtotal	2,465,747,156.75	3,063,702,098.65
Less: Bad debt provision	1,982,187,751.13	1,646,395,218.62
Total	483,559,405.62	1,417,306,880.03

## ii. Classification by fund nature

Nature of funds	Period-end book balance	Book balance at the end of last year
Employee borrowings and reserve funds	140,080.00	330,080.00
Balance of related parties within the consolidation scope	2,456,258,778.73	3,051,023,208.99
Cash pledge and guarantee deposit	3,046,966.99	3,097,870.78
Social security and housing provident fund paid on behalf	6,268,831.03	6,199,417.67
Others	32,500.00	3,051,521.21
Subtotal	2,465,747,156.75	3,063,702,098.65
Less: Bad debt provision	1,982,187,751.13	1,646,395,218.62
Total	483,559,405.62	1,417,306,880.03

## iii. Provision for bad debt reserve

Bad debt reserve	Phase I	Phase II	Phase III	Total
	Expected credit losses in the next 12 months	Expected credit losses throughout existence period (no credit impairment occurred)	Expected credit losses throughout existence period (credit impairment occurred)	
Balance at the end of last year	2,326,890.69	--	1,644,068,327.93	1,646,395,218.62
Book balance of other receivables at the end of last year is in the current period:	--	--	--	--
——Transfer in Phase II	--	--	--	--
——Transfer in Phase III	--	--	--	--
——Transfer back to Phase II	--	--	--	--
——Transfer back to Phase I	--	--	--	--
Provision in the current period	700,480.74	--	335,092,051.77	335,792,532.51
Reversal in the current period	--	--	--	--
Write-off in current period	--	--	--	--
Write-off in the current period	--	--	--	--
Other changes	--	--	--	--
Closing balance	3,027,371.43	--	1,979,160,379.70	1,982,187,751.13

## iv. Bad debt reserve status

Category	Balance at the end of last year	Amount of changes in current period			Closing balance
		Provision	Recovery or reversal	Write-off or write-off after verification	
Bad debt reserve	1,646,395,218.62	335,792,532.51	--	--	1,982,187,751.13
Total	1,646,395,218.62	335,792,532.51	--	--	1,982,187,751.13

## v. Other receivables of Top 5 closing balance classified by debtors

Name of company	Nature of funds	Closing balance	Aging	Proportion to total closing balance of other receivables (%)	Bad debt reserve Closing balance
Weifu International Trade	Balance of related parties within the consolidation scope	2,273,260,000.00	More than three years	92.19	1,979,160,379.70
Weifu Chang'an	Balance of related parties within the consolidation scope	153,857,900.00	Within a year	6.24	--
Weifu Autosmart	Balance of related parties within the consolidation scope	25,000,000.00	Within a year	1.01	--
Weifu Autocam	Balance of related parties within the consolidation scope	3,069,263.11	Within a year	0.12	--
Weifu Schmidt	Balance of related parties within the consolidation scope	1,071,615.62	Within a year	0.04	--
Total	—	2,456,258,778.73	—	99.60	1,979,160,379.70

### 3. Long-term equity investment

#### (1) Classification of long-term equity investment

Items	Closing balance			Balance at the end of last year		
	Book balance	Provisions for impairment	Book value	Book balance	Provisions for impairment	Book value
Investment in subsidiaries	4,274,257,102.63	--	4,274,257,102.63	3,846,281,133.43	--	3,846,281,133.43
Investment in associated enterprises and joint ventures	5,989,123,912.54	--	5,989,123,912.54	5,533,108,674.14	--	5,533,108,674.14
Total	10,263,381,015.17	--	10,263,381,015.17	9,379,389,807.57	--	9,379,389,807.57

#### (2) Investment in subsidiaries

Invested entity	Balance at the end of last year	Increase in current period	Decrease in current period	Closing balance	Provision for impairment in the current period	Closing balance of provision for impairment
Weifu Jinning	185,704,551.82	--	--	185,704,551.82	--	--
Weifu Lida	658,974,651.80	--	--	658,974,651.80	--	--
Weifu Mashan	170,986,195.35	--	--	170,986,195.35	--	--
Weifu Chang'an	222,664,737.01	130,000,000.00	--	352,664,737.01	--	--
Weifu International Trade	33,726,511.51	--	--	33,726,511.51	--	--
Weifu Schmidt	51,116,685.47	--	--	51,116,685.47	--	--
Weifu Tianli	238,063,380.00	--	--	238,063,380.00	--	--
Weifu Autocam	82,454,467.99	--	--	82,454,467.99	--	--
Weifu Electric Drive	54,012,820.23	--	--	54,012,820.23	--	--
SPV	1,564,188,899.46	273,914,271.20	--	1,838,103,170.66	--	--
Weifu Lida (Chongqing)	191,160.00	--	--	191,160.00	--	--
Weifu Autosmart	631,890.00	--	--	631,890.00	--	--
Weifu Qinglong	225,000,000.00	--	--	225,000,000.00	--	--
Yiwo Automotive	143,559,879.99	--	--	143,559,879.99	--	--
Weifu Zhigan	215,005,302.80	--	--	215,005,302.80	--	--

Invested entity	Balance at the end of last year	Increase in current period	Decrease in current period	Closing balance	Provision for impairment in the current period	Closing balance of provision for impairment
Weifu Yite	--	24,061,698.00	--	24,061,698.00	--	--
Total	3,846,281,133.43	427,975,969.20	--	4,274,257,102.63	--	--

### (3) Investment in associated enterprises and joint ventures

Invested entity	Balance at the end of last year	Increases and decreases in current period				
		Additional investment	Investment reduction	Investment gains and losses recognized under equity method	Adjustment of other comprehensive revenues	Other equity change
<b>Associated enterprises:</b>						
Bosch Powertrain	3,273,396,963.14	--	--	691,806,062.80	--	--
Zhonglian Automotive	1,871,790,817.25	--	--	514,090,471.95	--	--
Weifu Precision Machinery	44,293,972.27	--	--	-264,896.61	--	74,644.79
Autolink	210,866,149.89	--	--	-63,616,983.38	--	-5,010,637.63
Lezhuo Bowei	132,760,771.59	--	--	-33,886,008.88	--	--
Total	5,533,108,674.14	--	--	1,108,128,645.88	--	-4,935,992.84

(Continued)

Invested entity	Increases and decreases in current period			Closing balance	Closing balance of provision for impairment
	Declare distribution of cash dividends or profits	Provision for impairment	Others		
<b>Associated enterprises:</b>					
Bosch Powertrain	204,938,885.76	--	--	3,760,264,140.18	--
Zhonglian Automotive	300,000,000.00	--	--	2,085,881,289.20	--
Weifu Precision Machinery	--	--	--	44,103,720.45	--
Autolink	--	--	142,238,528.88	--	--
Lezhuo Bowei	--	--	--	98,874,762.71	--
Total	504,938,885.76	--	142,238,528.88	5,989,123,912.54	--

### 4. Operating income, operating cost

Items	Current amount		Previous amount	
	Income	Cost	Income	Cost
Main business	3,560,634,505.19	3,075,407,070.88	3,175,428,485.74	2,585,384,392.97
Other businesses	310,688,548.32	244,907,210.29	221,947,252.49	163,133,107.97
Total	3,871,323,053.51	3,320,314,281.17	3,397,375,738.23	2,748,517,500.94

### 5. Investment incomes (losses marked with "--")

Items	Current amount	Previous amount
Investment returns on subsidiaries	571,101,597.33	139,560,230.16
Investment income in joint ventures and associated enterprises	1,108,128,645.88	1,237,057,888.34
Investment income of financial assets held for trading during the holding period	1,134,540.55	38,210,665.77
Investment income from disposing transactional financial assets	33,092,928.80	16,818,201.49

Items	Current amount	Previous amount
Investment incomes generated by the disposal of long-term equity investments	264,044,480.51	--
Dividend income obtained during the period of holding other equity instrument investment	--	18,590.00
Income of de-recognition of financial assets measured at amortized cost	--	-312,015.98
Debt restructuring revenue	-107,928.63	-133,897.16
<b>Total</b>	<b>1,977,394,264.44</b>	<b>1,431,219,662.62</b>

## XVII. Supplementary Information

### 1. Current non-recurring gains/losses

Applicable Not applicable

In RMB

Item	Amount	Note
Gains/losses from the disposal of non-current asset	14,328,949.27	
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)	37,391,293.43	
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	103,877,478.05	
Reserve for impairment of receivables separately tested for impairment transfer back	476,700.90	
Gains/losses of debt restructuring	5,433,965.62	
Other non-operating income and expenditure except for the aforementioned items	3,498,446.82	
Other gains/losses that meet the definition of non-recurring gains/losses	264,044,480.51	
Less: Impact on income tax	23,966,266.80	
Impact on minority shareholders' equity (After tax)	4,756,773.60	
<b>Total</b>	<b>400,328,274.20</b>	

Specific information on other items of gains/losses that qualified the definition of non-recurring gains/losses

Applicable Not applicable

The Company does not have other gains/losses that qualified the definition of non-recurring gains/losses

Information on the definition of non-recurring gains/losses that listed in the *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary (non-recurring) Gain/Loss* as the recurring gains/losses

Applicable Not applicable

### 2. ROE and earnings per share

Profits during report period	Weighted average ROE	Earnings per share	
		Basic earnings per share (RMB/Share)	Diluted earnings per share (RMB/Share)
Net profits belong to common stock stockholders of the Company	5.39%	1.10	1.10
Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses	3.37%	0.69	0.69

**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

Wuxi Weifu High-Technology Group Co., Ltd.

15 April 2026

Legal representative:  
Yin Zhenyuan

Accounting director:  
Feng Zhiming

Accounting firm director:  
Li Yanqing