

Stock Code: 688006

Company Abbreviation: Hangke Technology

Zhejiang Hangke Technology Incorporated Company 2022 Annual Report

Important Notes

I. The Board of Directors, Supervisory Board and the directors, supervisors, senior managers ensure the authenticity, accuracy and completeness of the contents of the annual report and that there are no false records, misleading statements or major omissions, and assume individual and joint legal responsibilities.

II. The company is not profitable at the time of listing and has not yet achieved profitability.

☐Yes ☒No

III. Material Risk Warning

The company has detailed in this report the various risks and response measures that may be faced in the course of its operations, please refer to Section III “Management’s Discussion and Analysis” of this report for details.

IV. All directors of the Company attended the board meeting.

V. Pan-China Certified Public Accountants has issued a standard unqualified audit report on the Company

VI. Yu Pingguang, the person in charge of the company, Fu Fenghua, the person in charge of accounting work, and Yang Zhaodi, head of the accounting institution (accounting officer in charge), declare that the financial report in the annual report is true, accurate and complete.

VII. Resolution of the Board of Directors on the proposed distribution of profits or the proposed conversion to share capitals with provident funds for the current reporting period

The Company’s 2022 profit distribution plan is as follows: the Company intends to distribute a cash dividend of RMB3.5 (including tax) for every 10 shares to all shareholders based on the total share capital on the date of registration of the dividend distribution for 2022, which is expected to amount to RMB150,918,037.90, accounting for 30.76% of the net profit attributable to shareholders of the listed company in the consolidated statement for 2022; at the same time, the Company will convert 4 shares for every 10 shares to all shareholders from the capital provident funds. The total number of shares to be converted is 172,477,758, and the total share capital of the Company after conversion will be 603,672,152 shares. There will be no issuance of additional shares as dividends for this year. The amount of cash dividends in the above 2022 profit distribution plan is calculated based on the current total share capital of 431,194,394 shares, and the actual total amount of cash dividends will be calculated based on the total share capital on the registration date of the 2022 dividend distribution. The Company’s 2022 profit distribution proposal and conversion to share capitals with provident funds is subject to the consideration and approval of the shareholders’ meeting of the Company.

VIII. Whether there are important matters such as special arrangements for corporate governance

☐Applicable ☒Not Applicable

IX. Risk Statements for Forward-looking Statements

☒Applicable ☐Not Applicable

The forward-looking statements on the Company's future plans and development strategies covered in this report do not constitute material commitments by the Company to investors and investors are advised to be aware of the investment risks.

X. Whether there is non-operating appropriation of funds by controlling shareholders and other related parties

No

XI. Whether there is a violation of the required decision-making procedures to provide external guarantees

No

XII. Whether there is a situation where more than half of the directors cannot ensure the authenticity, accuracy and completeness of the annual report disclosed by the Company

No

XIII. Others

☐Applicable ☒Not Applicable

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List of Documents for Review	Financial report containing the signatures and seals of the legal representative, the person in charge of accounting work and the head of the accounting institution of the company
	The original audit report containing the seal of the accounting firm and the signature and seal of the certified public accountant
	The text of all company documents publicly disclosed on the website designated by the CSRC and the originals of the announcements during the reporting period

Section I. Definition

I. Definition

In this report, unless the context otherwise requires, the following words have the following meanings:

Commonly used words		
Company, the Company, the Incorporated Company, Hangke Technology, Issuer	means	Zhejiang Hangke Technology Incorporated Company
CHR Japan Company Limited	means	CHR Japan Corporation - a wholly owned subsidiary of the Company, formerly known as HONRECK Electronics Trading Japan Co.
Hangke Korea	means	Hangke Electronics Corporation (Korea) - a wholly owned subsidiary of the Company and a wholly owned subsidiary of CHR Japan Co.
Hangke Hongkong	means	Hangke Electronics Trading Hong Kong Limited - a wholly owned subsidiary of the Company
HONRECK (Malaysia)	means	HONRECK EQUIPMENT TECHNOLOGY SUPPORT COMPANY SDN.BHD (Malaysia)- a wholly-owned sub-subsidiary of the Company and a subsidiary of the Company's wholly-owned subsidiary, CHR Japan Co.
HONRECK (Poland)	means	HONRECKE ELECTRONICS TRADING SPÓŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA(Poland) - a wholly-owned sub-subsidiary of the Company and a subsidiary of the Company's wholly-owned subsidiary, Hangke Hong Kong
Hangke Group	means	Hangzhou Hangke Intelligent Equipment Group Co., Ltd. (formerly known as Hangzhou Hangke Investment Co., Ltd., "Hangke Investment" for short) - Shareholders of the Company
Hangzhou Reliability Instrument	means	Hangzhou Reliability Instrument Factory – an affiliated party of the Company
Hangzhou General Electric Measurement	means	Hangzhou General Electric Measurement Co. Ltd. – an affiliated party of the Company
Nanping Precision	means	Hangzhou Nanping Precision Instrument Co., Ltd. - an affiliated party of the Company
Tongce Communication	means	Hangzhou Tongce Communication Electronics Co., Ltd. - an affiliated party of the Company
Tongce Microelectronics	means	Hangzhou Tongce Microelectronics Co., Ltd. - an affiliated party of the

		Company
Lithium-ion	means	The substance that generates electric current in lithium-ion batteries. When charging, the active material from the positive lithium is released into the negative electrode, and when discharging, it is precipitated from the negative electrode and recombined with the compound at the positive electrode, and the movement of lithium ions generates current
Electric Cell	means	Lithium battery consists of an electric cell and a protection circuit board, the electric cell is the storage part of the rechargeable battery
New Energy Vehicles	means	New energy vehicles refer to all other energy vehicles rather than gasoline and diesel engines, including fuel cell vehicles, hybrid vehicles, hydrogen-powered vehicles and solar vehicles, etc.
Power Battery	means	A chemical power source that provides electrical energy for devices such as power tools, electric bicycles and electric vehicles. Commonly used power batteries include lead-acid batteries, nickel-hydrogen batteries, lithium batteries, etc.
Lithium battery back-end equipment, lithium battery reprocessing equipment	means	Equipment used in the production process of lithium batteries for cell activation and formation, capacity classification and testing, and assembly into battery packs
LG	means	LG Energy Solution. Ltd.
SK	means	SK innovation Co. Ltd.
CATL	means	CATL New Energy Technology Co., Ltd.
Ningde New Energy	means	Ningde New Energy Technology Co., Ltd.
EVE Energy	means	Huizhou EVE Energy Co., Ltd.
Gotion High-tech	means	Hefei Gotion High-tech Power Energy Co., Ltd.
BAK Battery	means	Shenzhen BAK Battery Co., Ltd.
Tianjin Lishen	means	Tianjin Lishen Battery Co., Ltd.
Murata Japan	means	Tohoku Murata Manufacturing Co. and its subsidiaries
<i>Company Law</i>	means	The current Company Law of the People's Republic of China
<i>Securities Law</i>	means	The current Securities Law of the People's Republic of China
China Securities Regulatory Commission (CSRC)	means	China Securities Regulatory Commission
Shanghai Stock Exchange (SSE)	means	Shanghai Stock Exchange

Guosen Securities, Sponsor Institution	means	Guosen Securities Co., Ltd.
Current Reporting Period, Current Period	means	January 1, 2022 to December 31, 2022

Section II. Company Profile and Key Financial Indicators

I. Basic Information of the company

Company Name in Chinese	浙江杭可科技股份有限公司
Abbreviation of Company Name	Zhejiang Hangke
Company Name in English	Zhejiang Hangke Technology Incorporated Company
Abbreviation of Company Name in English	Hangke Technology
Legal Representative of the Company	Yu Pingguang
Registered Address of the Company	No. 77, Gaoxin 11 Road, Qiaonan Block, Xiaoshan Economic and Technology Development Zone, Hangzhou, Zhejiang Province
Office Address of the Company	No.77 Gaoxin 11 Road, Qiaonan Block, Xiaoshan Economic and Technological Development Zone, Hangzhou, Zhejiang Province / No.298 Gaoxin 6 Road, Xiaoshan Economic Development Zone, Hangzhou, Zhejiang Province
Postal Code of the Company's Office Address	311231
Company Website	http://www.chr-group.net
Email	hq@chr-group.net

II. Contact Person and Contact Information

	Secretary of the Board of Directors (Domestic Representative of information disclosure)	Securities Representative
Name	Fu Fenghua	Wu Cun
Address	No.298 Gaoxin 6 Road, Xiaoshan Economic Development Zone, Hangzhou, Zhejiang Province	No.298 Gaoxin 6 Road, Xiaoshan Economic Development Zone, Hangzhou, Zhejiang Province
Tel	0571-82210886	0571-82210886
Fax	Not Applicable	Not Applicable
Email	hq@chr-group.net	hq@chr-group.net

III. Place of Information Disclosure and Filing

Name and website of the media in which the company discloses its annual report	Shanghai Securities News, Securities Daily
Website of the stock exchange where the company discloses its annual report	www.sse.com.cn
The place where the company's annual report is filed	Corporate Securities Department

IV. Brief Description of the Company's Shares/Depository Receipts

(I) Brief description of the company's stock

☒Applicable ☐Not Applicable

Company Stock Overview				
Stock Classes	Stock Exchange and Board	Stock Abbreviation	Stock Code	Stock Abbreviation before Change
A-share	Shanghai Stock Exchange Science and Technology Board	Hangke Technology	688006	Not Applicable

(II) Brief description of the company's Depository Receipts

☐Applicable ☒Not Applicable

V. Other Relevant Information

Accounting firm engaged by the Company (domestic)	Name	Pan-China Certified Public Accountants
	Office Address	Block B, China Resources Building, No. 1366 Qianjiang Road, Jianggan District, Hangzhou, Zhejiang Province
	Name of Signing Accountant	Zhao Li, Gong Jing
Sponsors who performed continuous supervision duties during the reporting period	Name	Guosen Securities Co., Ltd.
	Office Address	5/F, CATHAYA Building, No.105 Tiyuchang Road, Hangzhou, Zhejiang, China
	Name of sponsor representative who signed	Fu Yiqing, Wang Donghui
	Period of Continuous Supervision	July 22, 2019 to December 31, 2022

VI. Main accounting data and financial indicators for the last three years

(I) Main accounting data

Unit: Yuan Currency: RMB

Main accounting data	Year 2022	Year 2021	Increase or decrease in the current period compared with the same period of the previous year (%)	Year 2020
Proceeds of business	3,454,133,088.43	2,483,313,053.45	39.09	1,492,867,989.37
Net profit attributable to shareholders of the listed company	490,594,411.85	235,117,881.75	108.66	371,938,769.07
Net profit after extraordinary gain or loss attributable to shareholders of the listed company	473,014,461.86	165,667,066.05	185.52	318,204,382.97
Net cash flows from operating activities	695,722,817.92	481,661,447.27	44.44	292,316,221.48

	End of Year 2022	End of Year 2021	Increase or decrease at the end of the current period compared with the end of the same period of the previous year (%)	End of Year 2020
Net assets attributable to shareholders of the listed company	3,347,538,154.36	2,824,618,471.14	18.51	2,567,271,445.47
Total assets	7,966,087,105.80	5,766,406,983.91	38.15	3,875,799,623.73

(II) Main financial indicators

Main Financial Indicators	Year 2022	Year 2021	Increase or decrease in the current period compared with the same period of the previous year (%)	Year 2020
Basic earnings per share (Yuan/share)	1.21	0.58	108.62	0.93
Diluted earnings per share (Yuan/share)	1.21	0.58	108.62	0.92
Basic earnings per share after non-recurring gains and losses (Yuan/share)	1.17	0.41	185.37	0.79
Weighted average return on net assets(%)	15.90%	8.80%	Increase by 7.10%	15.56%
Weighted average return on net assets after non-recurring gains and losses(%)	15.33%	6.20%	Increase by 9.13%	13.31%
Ratio of R&D investment to operating revenue(%)	6.00%	5.29%	Increase by 0.71%	6.94%

Description of the main accounting data and financial indicators of the Company for the previous three years at the end of the reporting period

☐Applicable ☒Not Applicable

VII. Differences in accounting data under domestic and foreign accounting standards**(I) Differences in net profit and net assets attributable to shareholders of the listed Company in the financial report disclosed simultaneously in accordance with International Accounting Standards and in accordance with PRC GAAP**

□Applicable √Not Applicable

(II) Differences in net profit and net assets attributable to shareholders of the listed company in financial reports disclosed simultaneously in accordance with overseas accounting standards and in accordance with PRC GAAP

□Applicable √Not Applicable

(III) Explanation of differences between domestic and foreign accounting standards

□Applicable √Not Applicable

VIII. 2022 Quarterly Key Financial Data

	Unit: Yuan		Currency: RMB	
	Q1 (Jan. – Mar.)	Q2 (Apr. – Jun.)	Q3 (Jul. – Sept.)	Q4 (Oct. – Dec.)
Proceeds of Business	796,751,277.26	1,158,472,085.54	813,127,746.54	685,781,979.09
Net profit attributable to shareholders of the listed company	93,669,001.30	147,606,488.38	138,455,980.73	110,862,941.44
Net profit attributable to shareholders of the listed company after non-recurring gains and losses	86,261,137.03	137,472,902.01	135,815,658.36	113,464,764.46
Net cash flows from operating activities	178,579,666.31	150,630,863.73	378,967,367.35	-12,455,079.47

Explanation of differences between quarterly data and disclosed periodic report data

□Applicable √Applicable

IX. Non-recurring gain or loss items and amounts

√Applicable □Not Applicable

	Unit: Yuan		Currency: RMB	
Non-recurring gain or loss items	Amount in 2022	Notes (If Applicable)	Amount in 2021	Amount in 2020
Gain or loss on disposal of non-current assets	-344,350.15		-785,947.96	-275,739.74
Ultra vires approval, or no official approval documents, or occasional tax rebates or exemptions				
Government grants that are recognized in current profit or loss, except those that are closely related to the Company's normal business operations, are in accordance with national policies, and are continuously entitled in accordance with certain standards or quotas	17,513,581.56		15,879,488.66	50,175,542.62
Fees charged to non-financial enterprises for fund occupancy included in current profit or loss				
Earnings incurred because the cost of investments in subsidiaries,				

affiliates and joint ventures acquired by an enterprise is less than the fair value of the identifiable net assets of the investee at the time the investment is acquired				
Gain or loss on exchange of non-monetary assets				
Gains or losses from entrusting others to invest or manage assets				
Provision for impairment of various assets due to force majeure factors, such as natural disasters				
Gain or loss on debt restructuring	-3,330,905.47			
Business restructuring costs, such as expenses for relocating employees, integration costs, etc.				
Gains or losses in excess of fair value arising from transactions where the transaction price is apparently not fair				
Net profit or loss for the period from the beginning of the period to the date of consolidation of a subsidiary resulting from a business combination under common control				
Gains or losses arising from contingencies not related to the Company's normal operating business				
Gains or losses from changes in fair value of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities held, and investment income from the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investments, except for effective hedging operations related to the Company's normal business operations	5,558,219.26		8,162,597.69	8,261,562.39
Reversal of provision for impairment of receivables and contract assets individually tested for impairment	8,098,790.60		54,774,787.28	5,070,098.22
Gains or losses on external entrusted loans				
Gains or losses arising from changes in fair value of investment properties subsequently measured using the fair value model				
Effect of one-time adjustments to current profit or loss in accordance with tax, accounting and other laws				

and regulations on current profit or loss				
Custodian fee income earned from trustee operations				
Non-operating income and expenses other than those mentioned above	-6,843,421.61		3,642,390.28	35,736.77
Other profit and loss items that meet the definition of non-recurring profit or loss				
Less: Amount of income tax impact	-3,071,964.20		12,222,500.25	9,532,814.16
Amount of minority interest impact (after tax)				
Total	17,579,949.99		69,450,815.70	53,734,386.10

The company shall explain the reasons for defining non-recurring items of profit or loss as defined in *Explanatory Announcement No. 1 on Disclosure of Information by Companies Issuing Public Securities - Non-recurring Profit or Loss* and for defining non-recurring items of profit or loss listed in *Explanatory Announcement No. 1 on Disclosure of Information by Companies Issuing Public Securities - Non-recurring Profit or Loss* as recurring items of profit or loss.

☐Applicable ☒Not Applicable

X. Items measured using fair value

☒Applicable ☐Not Applicable

Unit: Yuan Currency: RMB

Item Name	Initial Balance	Ending Balance	Current period change	Amount of impact on current period profit
Trading financial assets		8,470,694.76	8,470,694.76	596,527.80
Total		8,470,694.76	8,470,694.76	596,527.80

XI. Description of Non-Corporate Accounting Standards Performance Indicators

☐Applicable ☒Not Applicable

XII. Description of information withheld or exempted for reasons of state secrets, commercial secrets, etc.

☐Applicable ☒Not Applicable

Section III. Management Discussion and Analysis

I. Discussion and Analysis of Business Conditions

Hangke Technology is a world-class system integrator of sales, R&D, manufacturing and service of complete sets of production equipment for new energy lithium-ion batteries. The company's main products include all kinds of battery charging and discharging equipment, testing equipment, logistics equipment and corresponding supporting software systems. The Company supplies all kinds of lithium-ion battery production line post-processing system equipment for well-known lithium-ion battery manufacturers at home and abroad, such as SK (Korea), Samsung (Korea), LG (Korea), Sony (now Murata Japan), EVE Battery, BYD, Gotion High-Tech, SUNWODR, Envision AESC, Tianjin Lishen, CATL, etc. The Company is one of the very few post-processing equipment manufacturers in China who can export complete sets of equipment and work closely with major lithium-ion battery manufacturers in Japan and Korea.

Looking to the future, Hangke Technology takes "Made in China 2025" as the stage goal, Industry 4.0 as the strategic opportunity, focuses on promoting intelligent manufacturing, improving the "customer-oriented + talent training + intelligent innovation" functional structure system, building the lithium intelligent equipment industry Top 1 brand, aiming to become "the world's first-class lithium smart factory overall solutions provider".

1. Financial Performance

In 2022, the Company achieved operation revenue of RMB3,454,133,088.43 Yuan, an increase of 39.09% over the previous year, and net profit attributable to owners of the parent company of RMB490,594,411.85 Yuan, an increase of 108.66% over the previous year. During the reporting period, the new energy industry developed rapidly and the market demand was strong. As the leading back-end equipment for lithium batteries, the Company actively explored the domestic and international markets, actively promoted the development of new products and experienced rapid growth in orders. As the Company has a 9-month to 12-month cycle for revenue recognition, most of the orders for revenue recognition in 2022 were signed in 2021, and the quality of orders has improved compared to 2020, so the gross profit margin of the Company in 2022 has improved compared to that in 2021.

2. Technology R&D

The Company always takes technological innovation as the driving force for development and continuously strengthens investment in research and development. The Company established a technology center to engage in the research and development of basic technology and the construction of underlying architecture, and a product center to conduct targeted research and development by product for specific customer needs. During the reporting period, the number of R&D personnel increased by 94 to 975, accounting for 22.56% of the total number of employees of the Company. The R&D expenses of RMB207,303,600 Yuan increased by 57.92% over the previous year. In 2022, the Company achieved 2 invention patents, 77 utility model patents, 1 design patent and 2 software copyrights. The Company has always been oriented to prioritizing the value of customer achievement, solving customer needs, keeping up with front-line customers and meeting their demands for product and technology upgrades in a timely manner.

3. Market Expansion

In 2022, the Company continued to implement the "two-legged approach" strategy in accordance with the economic situation and market conditions, with equal emphasis on domestic and overseas markets. In the overseas market, orders from overseas customers increased compared to that in 2021. The Company continued to consolidate the advantageous position as a strategic supplier of Korean customers, and made a major breakthrough in SK - the charge/discharge machine entered SK for the first time, and successfully obtained orders for projects in Hungary and Yancheng, and supplied lithium battery post-processing system equipment globally with the global layout and establishment of factories of Korean major customers; the Company also continued to actively carry out cooperation with Japanese customers, and cooperated with Panasonic, Toyota, etc. in Japan, and made more efforts to explore European and other emerging markets. In the domestic market, the Company continued to strengthen cooperation with the first and second-tier domestic battery enterprises, such as EVE Battery, BYD, Gotion High-Tech, SUNWODR, etc. With the accentuation of the demand for energy storage batteries, in addition to the demand for equipment for traditional consumer batteries and power batteries, the domestic demand for energy storage battery equipment has also increased, and the Company is actively exploring relevant energy storage customers.

4. Productivity Construction

In the face of the strong market demand and changes in the situation, the Company continued to promote the construction of domestic and international production capacity. In China, we have invested in the construction of the fifth and sixth factories, of which the "construction project of intelligent manufacturing of lithium-ion battery charging and discharging equipment" of the fifth factory has been partially put into use in July this year, and the production capacity has been gradually released, while the sixth factory is in the construction stage. Overseas, the Company invested in Japan and South Korea to build local factories respectively; the Japanese factory is located in Osaka, mainly for responding to the small-scale demand of customers; the Korean factory is located in Buyeo-gun, mainly to face the expansion demand of Korean customers in the U.S. market. By building factories in Japan and Korea, we can not only increase the scale of production capacity, but also get closer to customers' needs, maintain closer communication with them, and consolidate and enhance the Company's advantageous position with major customers.

II. Description of the main business, business model, industry situation and research and development engaged in by the Company during the reporting period

(I) Main businesses, main products or services

1. Main businesses

Since its establishment, the Company has been committed to the design, development, production and sales of post-processing systems for all kinds of rechargeable batteries, especially lithium-ion batteries. At present, it has core technologies and capabilities in the development and production of core equipment for post-processing systems, such as charge/discharge machines and internal resistance testers, and can provide overall solutions for post-processing systems for lithium-ion battery production lines. The post-processing process is a necessary process for the production of lithium-ion batteries. After post-processing, lithium-ion batteries can reach a usable state and play a vital role in manufacturing lithium-ion cells and battery packs with high consistency, good stability and excellent performance. Relying on professional technology, fine management and personal service, the Company has been supplying all kinds of post-processing system equipment for lithium-ion battery production line for famous lithium-ion battery manufacturers at home and abroad, such as Samsung (Korea), LG (Korea), SK (Korea), Sony (now Murata Japan), CATL, Ningde New Energy (ATL), BYD, EVE Battery, Gotion High-Tech, SUNWODR, Envision AESC, and Tianjin Lishen.

2. Main Products

The Company's main products are charging and discharging equipment and other equipment such as internal resistance testers, of which charging and discharging equipment is divided into cylindrical battery charging and discharging equipment, soft pack/polymer battery charging and discharging equipment (including conventional soft pack/polymer battery charging and discharging equipment and high temperature pressurized charging and discharging equipment), and square battery charging and discharging equipment.

The Company's main products are shown in the table below:

Product Category	Main Product Name		Representative Product Example
Charging and discharging equipment	Cylindrical battery charging and discharging equipment		
	Soft pack/polymer battery charging and discharging equipment	Conventional soft pack/polymer battery charging and discharging equipment	
		High temperature pressurized charging and discharging equipment	

	Square battery charging and discharging equipment	
Other equipment	Automatic internal resistance and voltage testing equipment	
	Staging machine	
	Automatic loading and unloading machine	

(II) Main business models

1. R&D Model

The Company's product development mainly focuses on order product design and development and new product development.

(1) Order product design and development starts with technical requirements from customers, and then the Company arranges technical personnel to communicate with customers to understand their production process and equipment requirements, and the Company's management evaluates the feasibility of R&D projects, and the Company signs technical agreements with customers for projects that pass the evaluation, and carries out product design in accordance with customer requirements.

The development link is a key link in the Company's business process because: ① The product delivery time determines the competitiveness of the product to a certain extent. Since the industry is all non-standardized production, higher R&D efficiency can enhance product competitiveness; ② Good design solutions can enhance product reliability and maintain a low failure rate, which are often decisive factors in the customer's purchase decision-making process.

(2) New product development includes new product development for sales contracts with customers and the development of strategic R&D products of the Company. New product development is carried out by the research institute and the sales department according to the annual strategic objectives or customer contract demand; they jointly analyze the direction of product development, identify new model research and development product requirements, and the research institute will set up a special

project team. The R&D feasibility, research and development cycle and cost of the new project will be submitted to the relevant R & D institutions in charge in the form of project analysis report, and the general manager shall review and approve the R&D projects. The approved R&D projects are then developed as new products, in which the project team is composed of R&D, sales, production and financial personnel, etc., who work in parallel to effectively improve the success rate of R&D, shorten the development cycle, and reduce development costs.

For new product development, the overall scheme design and review is adopted and then divided into R&D project teams for structure design and review, with corresponding personnel approval in key links of the process, and the rationalization of the implementation process to ensure that the R&D results meet the Company's technical requirements. Finally, the various departments such as R&D, production and sales discuss to determine the correctness of the specific mechanism design and arrange the production schedule, so as to ensure the success rate of product development and improve work effectiveness and production efficiency.

2. Sales Model

The Company generally signs sales contracts directly with customers, develops and designs, procures raw materials and produces products according to the requirements of the contracts, produces the products within the contracted period and sends them to customers and sends personnel to install, debug and guarantee customers' trial operation. Customers shall accept the products at the end of the trial operation period.

3. Procurement Model

The Company strictly follows the procurement process in raw material procurement, considers the quality, supply ability, service ability and price of suppliers, and signs supply contracts with qualified suppliers after small-scale trial purchase.

The raw materials procured by the Company are mainly divided into standard parts and non-standard parts. Standard parts are mainly electronic components, electromechanical products, pneumatic components and mechanical parts, which the Company purchases directly from manufacturers or from qualified agents and traders. For some imported standard parts, the Company mainly signs purchase contracts with the first-class agents of foreign original manufacturers in China to ensure reliable quality and lower prices. The non-standard parts are mainly PCB boards, transformers, inductors and other non-standard products as well as steel, aluminum and other materials.

(III) Industry Situation

1. The development stage, basic characteristics and main technical threshold of the industry

Lithium battery production post-processing system development stage in 2022: Due to the increasing demand for lithium-ion batteries in various fields such as electric vehicles, consumer electronics, renewable energy storage, the lithium battery production chemical formation, capacity classification testing equipment industry has grown rapidly in recent years. The industry is currently in a mature development stage, with many participants and fierce competition. The lithium battery production, formation and capacity classification testing equipment industry is characterized by high-tech equipment and machinery used in the lithium-ion battery manufacturing process. The equipment is designed to ensure the quality and performance of the battery from the initial stages of production to the final testing and capacity classification. The industry is also characterized by the need for continuous technological innovation to improve the efficiency and cost effectiveness of the manufacturing process.

The basic characteristics of the industry of lithium battery production chemical formation, capacity classification testing equipment include:

Highly precise and accurate: Lithium-ion batteries require tight control of the manufacturing process to ensure their performance and reliability. Therefore, the equipment used to produce and test these cells needs to be highly precise and accurate.

Automatic and intelligent: To improve efficiency and reduce human error, much of the equipment used in the lithium battery production process is highly automated and intelligent, capable of performing complex tasks and analyzing data in real time.

Versatile and flexible: The lithium battery production process involves many different steps and requires different types of equipment. Therefore, the equipment used in the industry needs to be versatile and flexible, capable of handling different cell sizes, chemical component and yields.

Highly efficient and energy-saving: The lithium battery formation and capacity classification process requires a large amount of electricity for production operations. Therefore, energy recycling in the production process and improving the efficiency of electricity use are quite important.

The main technological thresholds in the industry of lithium battery production and capacity classification testing equipment include:

Development of high-precision equipment for battery production and testing: The manufacture of lithium-ion batteries requires high-precision equipment and machinery for precise and efficient production, formation and capacity classification. The development of high precision advanced equipment is critical to improving the quality and performance of lithium-ion batteries.

Battery cell chemistry process improvement: The chemistry process is critical to the performance and safety of lithium-ion batteries. The development of advanced chemistry processes to improve the consistency and stability of battery performance is critical to the growth of the industry.

Advances in battery capacity classification technology: The capacity classification process is critical to ensuring the quality and consistency of lithium-ion batteries. The development of advanced capacity classification technologies that can accurately assess battery performance and safety is a critical technology threshold for the industry.

Innovations in battery management systems: The management of lithium-ion batteries is becoming increasingly complex due to the growing demand for high performance and high capacity batteries. The development of advanced battery management systems that can monitor and control battery performance and safety is critical to the growth of the industry.

2. Analysis of the position of the Company in the industry and changes

Hangke Technology is a global supplier of lithium battery post-processing system equipment and solutions. The Company's products are mainly for lithium battery post-processing system, battery cycle test system and battery PACK test system. It is one of the few suppliers in the industry that can provide complete system solutions for post-processing process of charging and discharging equipment, logistics system and software system for cylindrical, soft pack and square lithium batteries at the same time. At present, the industry has been widely used in digital 3C, automotive power, battery factories and automotive factories in the energy storage field. Now the Company has completed the delivery of equipment in many countries and regions around the world.

The lithium-ion battery industry is experiencing rapid growth in 2022 driven by the growing demand for electric vehicles, energy storage systems, and portable electronics. Demand for chemical formation and capacity classification testing equipment is also expected to grow, as these are essential components of the lithium-ion battery manufacturing process.

Hangke Technology has established partnerships with many major battery manufacturers at home and abroad, such as SK, LG, Samsung, Panasonic, Sony (Murata), CATL, BYD, Gotion, EVE, SUNWODR, Envision AESC, and Farasis Energy, and holds a place in the global capacity classification testing equipment market. The Company has also been working hard to expand its global reach, with a focus on Southeast Asia, Europe and North America.

In summary, Hangke Technology is a globalized company specializing in the production of equipment for chemical formation and capacity classification testing of lithium-ion batteries. Due to the increasing demand for lithium-ion batteries, the demand for such equipment is growing rapidly and the company occupies a strong position in the Chinese market.

3. The development of new technologies, new industries, new business models and new modes during the reporting period and future development trends

Major battery manufacturers are actively expanding their battery capacity in 2022, and the lithium battery capacity is expected to steadily increase worldwide in the future. According to SNE Research's forecast, from 2021 to 2030, global lithium battery capacity may grow from 994GWh to 8247GWh, with a compound annual growth rate of 27%. Among them, the global production capacity is expected to be 1273GWh at the end of 2022, with a year-on-year growth rate of 28%; the production capacity of 4055GWh is expected to be achieved at the end of 2025, and the global lithium battery production capacity is expected to be released continuously in the future.

As of December 2022, the lithium battery production equipment industry is experiencing rapid growth and innovation, driven by the growing demand for lithium-ion batteries in electric vehicles,

energy storage systems, and portable electronics. Some of the key new technologies, industries and models emerging in the industry at that time and likely to continue to evolve through 2023 and beyond include:

Automation and smart manufacturing: The increasing demand for high-quality, high-efficiency battery production is driving the development of more advanced automation and smart manufacturing systems for lithium battery production. These systems can increase production efficiency, reduce labor costs and improve quality control, which is especially important as lithium-ion battery production continues to grow.

Solid-state batteries: Solid-state battery is a promising new technology that have the potential to provide higher energy density, faster charging and greater safety than traditional lithium-ion batteries. The production of solid-state batteries requires specialized equipment and processes that are still being developed and optimized.

Recycling and Reuse: Growing awareness of the environmental impact of lithium-ion batteries has led to the development of new recycling and reuse technologies and business models.

Battery leasing and swapping: As demand for electric vehicles continues to grow, new business models are emerging for battery production facilities, including battery leasing and swapping. These models involve the use of specialized equipment and processes that can efficiently remove, replace and recycle batteries as needed, thereby reducing the upfront cost of battery production and improving the overall sustainability of the industry.

Overall, the lithium battery production equipment industry is likely to continue to grow and evolve through 2023 and beyond, driven by the demand for high-quality, efficient and sustainable battery production. The development of new technologies, industries and models will be critical to meeting these demands and sustaining the industry's growth and competitiveness.

The main businesses of the Company are the full set of R&D, design, production and service of all kinds of rechargeable battery post-processing systems. At present, the Company has core technical capabilities and global service team in the R&D, production and delivery of core equipment for post-processing systems such as vacuum series chemical formation equipment, integrated charging and discharging machine, BOX type jig chemical formation capacity classification system, DC/AC voltage internal resistance tester, high temperature pressurized chemical formation equipment, battery cycle testing equipment, battery pack testing system, etc., together with the Company's self-developed MES system, logistics scheduling system, intelligent warehouse management system, chemical formation capacity classification management system, 3D digital management system, machine vision and AI deep learning technology, making it a comprehensive solution provider of lithium-ion battery production line post-processing system. It is also one of the very few leading enterprises in serving global lithium-ion battery manufacturers, whose equipment is continuously exported to the global markets such as the USA, Japan, Korea, Malaysia, Singapore, Poland and Hungary.

The Company continues to maintain a leading position in the market for lithium battery production post-processing equipment. The Company's technology, R&D and products have always been at the forefront of the industry. The post-processing equipment is a large integrated system with multidisciplinary intersection, and the Company has outstanding core technologies in this field. Lithium-ion battery production line post-processing system involves mechanical design, hardware circuit, automation application, software development, big data application, AI application and so on, which requires comprehensive integration of multi-disciplinary knowledge. The Company's core technologies include digital power supply technology, high-frequency PWM variable current technology, fully automatic calibration technology, high-temperature pressurized charging and discharging technology, high-precision linear charging and discharging technology, high-frequency SPWM/SVPWM variable current technology and energy recovery technology, as well as energy storage DC system, and heat pump management system integrated application and management.

(IV) Core Technologies and R&D Progress

1. Core technologies and their advancement and changes during the reporting period

The Company upholds the concept of technological innovation as the core competitiveness. Since its establishment, it has been committed to the accumulation and development of technologies related to lithium-ion battery post-processing. In 2022, the Company conducted technology preparation and expansion of applications for the entire post-section system. At present, the Company's main core technologies are as follows:

Category	Name of Technology	Technical Level of the Issuer	Core Technology Sources	Innovative Approach
4680 Cylindrical Battery Water-cooled Integrated Charging and Discharging	① Cylindrical battery integrated charging and discharging technology;	Voltage accuracy $\pm 2\text{mV}$ Current accuracy $\pm 0.05\%\text{FS}$ Max. current 40A Max. number of channels: 256CH Power utilization efficiency: improve by 20% Space consumption: reduce by 35%	Independent R&D	Original Innovation
	② High precision cylindrical battery temperature control technology;	Battery temperature uniformity $\leq \pm 2^\circ\text{C}$	Independent R&D	Original Innovation
Square Power Battery Capacity Divider	① Square battery integrated charging and discharging technology	Voltage accuracy $\pm 1\text{mV}$ Current accuracy $\pm 0.02\%\text{FS}$ Max. current 300A Comprehensive cost: reduce by 20% Space consumption: reduce by 35%	Independent R&D	Original Innovation
	② Active heat management technologies;	Fully enclosed heat management, without affecting the ambient temperature of the plant; Battery temperature uniformity $\leq \pm 2^\circ\text{C}$;	Independent R&D	Original Innovation
BOX Type Air Pressure Jig Machine	BOX Type Air Pressure Technology	Voltage accuracy $\pm 2\text{mV}$ Current accuracy $\pm 0.05\%\text{FS}$ Comprehensive cost: reduce by 15% Space consumption: reduce by 25%	Independent R&D	Original Innovation
Digital Power Technology	Digital Power Technology	Channel independent control, channel parallel connection, constant current, constant voltage, constant power, constant resistance, function generator and other functions. Performance: voltage and current accuracy 0.02%, rising edge 10mS, parallel output	Independent R&D	Original Innovation

		Technical parameters: voltage range: 0V ~ 500V; charge and discharge current 100mA-500A (1000A for parallel connection)		
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National Science and Technology Awards

☐Applicable ☒Not Applicable

National recognition of special "small giant" enterprise, manufacturing "single champion"

☐Applicable ☒Not Applicable

2. R&D results obtained during the reporting period

The R&D results obtained in 2022 are mainly reflected in the renewal of chemical formation and capacity classification equipment, the successful development of equipment products such as 4680 large cylindrical battery water-cooled integrated machine and square lithium battery capacity classification integrated machine, BOX type air pressure jig machine.

1) 4680 large cylindrical battery water-cooled integrated machine

The Company has developed a prototype of Gen-1 4680 cylindrical equipment, which is divided into 64, 144, 196, 256 channels and so on from the channel. There are also air-cooled and water-cooled models. According to customers' final choice, the 196-channel water-cooled integrated machine, which was approved by the industry's head customer, has achieved mass production. This is not only the first batch production of 4680 cells in the new energy industry, but also the water-cooled integrated machine equipment of 4680 large cylinders, which will become the benchmark of the back-end equipment industry as a high-performance and high-standard equipment. Our equipment index parameters, performance stability, precision, temperature uniformity, etc., may become the reference benchmark for 4680 cylindrical battery enterprises, and will also bring Hangke a large number of 4680 cylindrical production line contracts and obtain obvious economic benefits.

The following core indicators are achieved through innovation:

i) Temperature uniformity:

Achieve less than $\pm 2^{\circ}\text{C}$ of the polar difference value for a whole battery at the same time

ii) Temperature rise control:

Achieve a maximum temperature rise of less than $\pm 4^{\circ}\text{C}$ throughout the whole process

iii) Water-cooling method:

Water cooling to ensure that the ambient temperature is less than $\pm 3^{\circ}\text{C}$

iv) Equipment standardization

Standardize the 196-channel water-cooled integrated machine and promote the batch application

2) Square lithium battery capacity classification integrated machine

Square batteries generally have large battery capacity, large charging and discharging currents, and high usage rate of large square wires, etc. To reduce equipment manufacturing costs and production energy consumption, we propose a capacity classification integrated machine.

As a capacity classification integrated high-current energy-saving recovery system, it has the following main advantages:

i) Reducing equipment rack size and improving plant utilization.

ii) Eliminating material cost of large square wire

iii) Reducing the wear and tear caused by long-term use by customers and improving equipment efficiency.

iv) Power supply and institutional department introduced water cooling system and water circulation in the warehouse to enhance the temperature uniformity, reduce the expenditure of air conditioning in the plant, and ensure that the temperature between each warehouse does not interfere with each other.

v) The power supply adopts the module method, so that the channels do not interfere with each other.

Through technological innovation, the following technical indicators are achieved:

i) The power supply adopts modular design and aluminum substrate construction, with small size, high efficiency, fast heat dissipation and easy maintenance. The charging and discharging circuit topology adopts staggered parallel connection to improve charging and discharging efficiency.

ii) The circuit control part adopts digital control, internal integration of DSP and AD, high-speed control and sampling, with single-point speed of 10mS.

iii) The highly integrated power supply and probe, with all connection parts using a butt plug quick connect solution, significantly reduce length of charge and discharge current lines, with a cost reduction of 10%, and the efficiency of the whole equipment is increased by 5%.

iv) The introduction of water cooling system makes the whole machine form a wind circulation inside the equipment, and the temperature uniformity is controlled within 4 degrees. There is no temperature difference between the storage positions.

v) The shelf type charging and discharging system with highly integrated charging and discharging BOX ensures that when the BOX is loaded, it just needs to be placed in the shelf and it's available for use.

vi) Probe insertion and removal tooling: with the split probe, the design of special tooling achieves the automatic replacement of all probes in the warehouse.

3) BOX type air pressure jig machine development

The main purpose is to meet the air pressure function of the current power battery fixture (change the contact plate component mode), which can eliminate the step of replenishing dummy batteries in the case of insufficient batteries in the tray, reduce the function of the equipment and reduce the complexity of the program. Meanwhile, it is designed into BOX type structure (similar to cylindrical and square charging and discharging machine), which allows the use of stacker to place batteries into the fixture, eliminating the loading and unloading mechanism, reducing the cost of the whole equipment and coping with the shortage of electronic control parts.

4) Digital Power Technology

The chemical formation and capacity classification of the batteries must be done in a uniform charge/discharge process with high precision to achieve consistent capacity/charge/discharge characteristics as much as possible. The increase in battery capacity means that capacity classification equipment of higher current is required, because it is very difficult to increase the power of a single power supply, and it is necessary to connect power supplies in parallel and batteries in series to achieve better power performance.

Through innovation, we will form a series of power battery pack chemical formation and capacity classification equipment covering various specifications of voltage 0-500V and current 20A~200A to meet the needs of the industry.

Digital parallel power bank:

- i) Meet the basic monomer constant voltage charging and discharging function;
- ii) Support channel parallel function, only by software configuration, which can realize high current output and meet 0.05% current and voltage accuracy;
- iii) Standardized design of power bank: standardized structure, standardized hardware, standardized software;

Digital tandem drive box:

- i) Meet the demand of battery series chemical formation function, and launch module stable switching;
- ii) Adopt digital control module and silicon carbide MOS to improve power density and more efficient conversion efficiency;
- iii) Standardized design of power bank: standardized structure, standardized hardware, standardized software

List of intellectual property rights acquired during the reporting period

	Increment of this year		Cumulative quantity	
	Application Number (Unity)	Granted Number (Unity)	Application Number (Unity)	Granted Number (Unity)
Patent for invention	21	2	114	23
Utility model patent	35	77	282	233
Design patent	0	1	5	4
Software copyright	2	2	18	18
Others	0	0	0	0
Total	58	82	419	278

3. Table of R&D Investment

Unit: Yuan

	Current Year	Last Year	Amplitude of Variation (%)
Expensed R&D investment	207,303,580.94	131,272,111.35	57.92
Capitalized R&D investment	0.00	0	
Total R&D investment	207,303,580.94	131,272,111.35	57.92
Total R&D investment as a percentage of operating revenue (%)	6.00	5.29	13.42
Share of capitalized R&D investments (%)	0	0	

Reasons for significant change in total R&D investment from the previous year

☐Applicable ☒Not Applicable

Reasons for the significant change in the proportion of capitalized R&D investment and its reasonableness

☐Applicable ☒Not Applicable

4. Research projects in progress

√Applicable □Not Applicable

Unit: Yuan

No.	Name of Item	Estimated total investment scale	Current investment amount	Cumulative investment amount	Progress milestones or	Objectives to be achieved	Technical level	Specific application prospects
1	Vertical blade series charger and discharger	18,000,000	17,324,979.69	17,324,979.69	Complete the prototype production and commissioning, which has been shipped to the customer's factory for testing	Reduce the number of process fluid injections	The first chemical formation equipment for vertical blade cells in home and abroad	All chemical formation equipment for blade cells
2	4680 cylindrical charging and discharging equipment water-cooled integrated machine	18,000,000	19,313,656.18	19,313,656.18	1. 4680 prototype machine completed, and is now in mass production; batch orders are expected to be shipped in the second half of the year; 2. The development of 4680 large cylindrical project second generation machine equipment is 80% complete.	1. The temperature uniformity meets $\pm 2^{\circ}\text{C}$. 2. The technical state of water-cooled integrated machine meets customer requirements.	The 4680 large cylindrical machine has entered the mass production stage and reached the industry leading level.	4680 is a new type of cylindrical product proposed by Tesla, which is widely used, develop and promoted in the current market. With broad market prospects, it is the subsequent mainstream product direction.
3	Lithium battery equipment logistics control	15,000,000.00	14,595,279.79	14,595,279.79	Research and development is based on SOA	The technology has now been developed to	Complete control of the back-end	It can be applied to many domestic

	system				(Service-Oriented Architecture) architecture system, where the whole system is designed and implemented as a set of services that interact with each other. Services communicate with each other through simple, precisely defined interfaces. Different services maintain a loosely coupled relationship with each other to ensure good simplicity and flexibility in terms of maintenance, update and expansion of functions.	achieve decentralized control over the functions of logistics lines and three-dimensional warehouses. It also centralizes the decentralized information through high-speed data channels to achieve complex control and management.	production line, support for multi-product mixed-line production, support for process editing, taking a leading role in the industry.	projects.
4	BOX type air pressure jig machine	25,000,000	22,176,195.97	22,176,195.97	BOX type PPC equipment has passed the customer's full range of tests (life test, contact resistance test, OCV	1. The BOX type prototype is changed according to the contract to meet the customer's	We have completed the mass production of BOX type PPC equipment and	We have already completed batch deliveries for many projects at home and abroad, and there

					test, full process aging process test), as well as MSC docking with logistics manufacturers, etc.	demand of air pressure and docking with the stacker; 2. Meet the requirement of air pressure and being able to reduce the need to put dummy batteries into the fixture; use the stacker to move the batteries, improve the PPM value and productivity of the equipment.	customer FAT acceptance. Only very few companies in the industry can reach this level.	are many new demands for production line settings in Europe, America, Japan and Korea, many of which are already in the bidding process.
5	Digital thermoregulation fixture	16,000,000	16,943,775.11	16,943,775.11	1. Prototype installation testing and verification has been completed, temperature, water pressure control, water leakage detection, etc. have met the design requirements. 2. Batch equipment has been delivered to customers for use.	1. Meet the requirement that the temperature change does not exceed 3 degrees when the battery is discharging; 2. Ensure that the aluminum plate internal, joints and pipelines are not blocked and leaky	We have completed the mass production of equipment and customer FAT acceptance, and are now at the leading level in the industry.	We are already in contact with many domestic consumer battery manufacturers and promoting to them.

						during long time operation; 3. Reduce cost and energy consumption		
6	Bagless type soft pack digital battery chemical formation and capacity classification integrated machine	15,000,000	15,318,534.33	15,318,534.33	1. Complete the installation testing and verification of 64-channel bagless soft pack digital battery chemical formation and capacity classification fixture; 1. Complete the test of jacking heterogeneous and domestic honeycomb paper supported battery components; 2. Complete the temperature pressure charging and discharging test.	1. Meet the normal jacking movement of bagless type soft pack digital battery and support the hot pressing chemical formation of the battery; 2. Domestic honeycomb paper supported battery components meet the life test requirements; 3. Reduce the cost of honeycomb paper supported battery components.	Testing of all performance parameters has been completed.	New technology reserve in the field of solid state bagless soft pack batteries
7	Integrated high-current energy-saving recyclable type charging and discharging equipment	16,000,000	15,984,663.07	15,984,663.07	1. Integrated high-current energy-saving recyclable type charging and discharging equipment has entered the batch supply period.	1. Integrated high-current energy-saving recyclable type charging and discharging equipment becomes the mainstream	Integrated high-current energy-saving recyclable type charging and discharging equipment, the industry's first, can	Integrated high-current energy-saving recyclable type charging and discharging equipment; it is the best quality charging and

					2. Multiple mass production projects continue to be landed. A total of 200,000 channel orders have been received.	product in the market; 2.Integrated high-current energy-saving recyclable type charging and discharging equipment reduces the occupied ground, reduces site setup time, improves charging and discharging efficiency, and reduces manufacturing cycle and manufacturing cost	significantly reduce battery manufacturers' initial cost investment and long-term use costs; save long-term use of electricity; save plant investment; save material costs; save manufacturing cycle	discharging system in the market, and has gradually become the mainstream product in the market. Solve the problems of high energy consumption, long debugging cycle, high wire costs, etc. in the market.
8	High-current automatic type-switching and capacity classification jig machine	10,000,000	12,090,399.57	12,090,399.57	1. High-current automatic type-switching and capacity classification jig machine has entered the batch supply period. 2. The cumulative orders received from overseas customers have exceeded 1 billion yuan.	1. Complete the order delivery of key units of high-current automatic type-switching and capacity classification jig machine; 2. High-current automatic type-switching and capacity classification jig machine becomes a	1. High-current automatic type-switching and capacity classification jig machine has a variety of technical advantages: > higher current and voltage accuracy, automatic type-switching function, miswiring	The high-current automatic type-switching and capacity classification jig machine is the most advanced soft pack battery charging and discharging equipment in the world. It is widely used in the production process of chemical

						benchmark to provide complete solutions for domestic enterprises.	detection, high efficiency, high temperature uniformity	formation and capacity classification of soft pack power and energy storage batteries.
9	Integrated intelligent management platform for post-processing system	22,000,000	20,603,653.60	20,603,653.60	The project is a set of post-processing platform specially designed to serve battery production integrating process management, production management, equipment control, equipment management and data analysis. At present, the interface protocols involving interaction at various levels basically completed design and the modules have been basically verified. For example, electrical and WCS, WCS and WMS, ECS and MES, MES and WMS\WCS, WCS\WMS\MES sub-modules have basically been designed and the user	At present, the overall project development is completed, and according to the actual project, the requirement verification and business analysis are completed. As some of the projects are considered to be integrated without MES on line, it is only necessary to uninstall the MES module from the integrated platform, which does not require much work for development and operation and maintenance, which is also the advantage and innovation of integration. At the same time, there	The development of interaction protocol standards for each layer, innovation in technology and actual implementation processes also require innovation. Key technologies are mainly reflected in the following: the use of hybrid technology stack, making full use of the characteristics of less operation and maintenance, fast development, good stability of each	It can be used in a wide range of charge/discharge post-processing systems.

					interaction platform of the integrated platform is about 60% complete. For users, the integrated platform user operation center is users' only interaction window.	are also many projects that have all the functions online, but the amount of data has not yet reached the need to build a data center, so it is only necessary to uninstall the big data center in the integration, because only the mysql pre-built data warehouse is enough.	technology stack, and the unified and integrated four-bit integrated window management of equipment control (ECS), logistics scheduling (WCS), warehouse management (WMS), manufacturing execution (MES). The embedded simple BI system, while enhancing the user, equipment enablement, business function forensic processing, ensures functional business and personnel decentralized processing. Currently it is	
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							the leading in the industry.	
10	Integrated charger and discharger modeled after VW batteries	15,000,000	15,405,788.15	15,405,788.15	1、1. Complete the design, installation, testing and verification of the 32-channel vertical capacity classification integrated machine and deliver it to the customer for use; 2. Complete the design and assembly verification of the collection cup integrated mode fixed pressure detention tray, and propose the upgrade mode one-way valve suction nozzle sealed fixed pressure detention tray. 3. Complete the design and assembly verification of fixed pressure water circulation tray. 4. Complete the design, assembly and debugging and verification of multi-storey integrated temperature control mode shelf	1. The 48-channel chemical formation and capacity classification integrated machine warehouse independent temperature control can achieve temperature control accuracy of $\pm 2^{\circ}\text{C}$, achieve constant temperature control in the warehouse, not affected by the plant temperature; 2. The fixed pressure detention tray is integrated with nozzle sealing components. The needle plate inside the warehouse is servo controlled, and the vacuum and collection cup inside the warehouse are	1. Chemical formation high temperature storage, capacity classification constant temperature storage independent control and one-way valve suction nozzle integrated in the restraint tray mode, is the industry's leading solution mode, which optimizes environmental control cost, and achieve low-carbon operation; 2. Water circulation restraint tray temperature control mode is the industry's leading temperature control mode,	VW is a top-ranking automotive OEM in the industry, and its modular car production line is recognized as the benchmark production line in the industry. Now it applies the advanced low-carbon concept to the battery production line, which is in line with the current low-carbon production concept, and the subsequent mass production and energy efficiency of the model will lead other advanced battery manufacturers to apply the model, with a broad market prospect.

					stereoscopic warehouse.	interfaced in a sealed way, realizing a chemical formation environment without cleanliness control; 3. The water circulation tray: the circulating water inside the tray has temperature control; the direct cooling mode has good temperature control effect and low energy consumption; 4. Independent temperature control of multiple storage shelves, temperature control costs are reduced compared with the single storage mode, and the assembly mode is conducive to improving the efficiency of site setup.	is so far the most efficient and accurate temperature control program. 3. Multi-storey static storage solution, the industry's leading level, multi-storey temperature control mode is conducive to reducing energy consumption and speeding up site setup.	
11	High voltage high current	12,000,000	12,772,709.65	12,772,709.65	1.The first prototype completed testing;	1. Change from analog control to	Meet customer needs, save	Tandem systems have been

	digital series connection system				batch equipment has been used by clients; 2. Prototype with more power (48KW) completed testing	digital control; 2. Short-circuit and circuit-break protection; 3. Exit board application of low-voltage MOS, saving costs.	power, save costs	accepted in the market by many domestic battery manufacturers, where certain customers have switched to tandem systems for most of their product requirements. Some of the advantages of the system in terms of energy saving and cost have some equipment companies actively investing in research and development.
12	Research and Application of Heat Dissipation Simulation for Integrated Equipment	15,000,000	15,346,661.46	15,346,661.46	(1) The overall feasibility analysis of the integrated machine is completed; (2) The design of the internal circulation duct scheme of the integrated machine is completed; (3) The design of the external circulation duct of the integrated	1) 196CH to meet customer technical requirements, 5V/30A full load operation, battery temperature uniformity $\leq \pm 2^{\circ}\text{C}$, battery temperature rise $\leq 8^{\circ}\text{C}$ in the whole process; 2) Improve theoretical	196CH meets the technical requirements of customers and reaches the industry leading level. 1) 5V/30A full load operation, battery temperature uniformity $\leq \pm 2^{\circ}\text{C}$, battery	The corresponding technical solution can be transferred to other related projects to improve the overall design and delivery capability of Hangke products.

					machine is completed; (4) The batch optimization program of the integrated machine pin board assembly is completed; (5) The design of the water-cooling system of the integrated machine is completed; (6) The design of the water-cooling system control scheme for the integrated machine is completed;	simulation credibility: theoretical simulation of product heat dissipation has the effect of guiding the actual design, theoretical simulation data and actual operation data $\leq 5\%$; 3)Improve design efficiency: those meet other technical solutions can be drawn upon, the corresponding technical solutions can be directly applied to adjacent projects;	temperature rise $\leq 4^{\circ}\text{C}$ in the whole process; . 2) Simulation accuracy is basically controlled at about 5%; 3)Improve the efficiency of theoretical design, control the design time of brand new scheme in 2 weeks, control the transformation scheme in 1 week;	1) Domestic 4680 large cylindrical (196CH) project; 2) Subsequently expected to be used on overseas 256CH and 144CH prototypes;
13	Capacity Forecasting System	5,000,000	4,833,461.52	4,833,461.52	1. Complete the program framework construction, TensorFlow. Net framework access, CUDA hardware access and other training prerequisites. 2. A large amount of field data has been collected. 3. The training set	1. Operation-friendly graphical interface, asynchronous multi-thread-based high-performance main program logic, optional data division, learning, and evaluation	1. Using advanced software technology platform, the program operation efficiency and security reach the leading level of similar software. 2.	Capacity forecasting using data from the chemical formation process can directly remove the cell capacity classification splitting process, which can greatly shorten

					and check set have been divided, and the data are being trained and compared with the check set to find the optimal hyperparameters.	algorithms, configurable hyperparameters. 2. Forecasting recall rate of more than 90%, forecasting precision rate of more than 95%, and forecasting accuracy rate of more than 85%.	Configurable algorithm and preset hyperparameter options provide external programming interface to maximize program expansion capability.	the cell production cycle and improve the competitiveness of the equipment if the accuracy rate is up to standard.
14	Equipment Troubleshooting System	5,000,000.00	4,593,822.85	4,593,822.85	1. The fault diagnosis protocol has been perfected, and the diagnosis status monitoring function is completed; 2. The board test system is being perfected, the test tooling has been designed and obtained in kind, the default process design of LCM board is completed, and the test process of the remaining boards is being designed gradually; 3. The remaining functions are being developed gradually.	1. Diagnostic status visualization; 2. The board test system for Ex factory single board can ensure that all hardware functions are normal; abnormal parts will be marked, all records are retained and traceable; 3. The Ex factory whole system will undergo automatic detection of most of the production debugging failure, improving the efficiency of the whole machine	Using the latest software technology platform programming, the program operation efficiency and security reach the leading level of similar software. All fault-related data, including real-time operational data and fault records, are queried in a one-stop manner, reducing the time required for fault	The fault diagnosis system is designed to reduce equipment maintenance labor costs and reduce the incidence of faults. The implementation of the main functions can significantly reduce the fault location time; the diagnostic status monitoring makes the slave computer status visualized; the board test can ensure that the

						debugging	location and costs of maintenance labor; fault prediction reduces the incidence of faults during operation and improves product safety and stability	Ex factory board can perform all functions normally.
Total	/	207,000,000.00	207,303,580.94	207,303,580.94	/	/	/	/

Fact Sheet

None

5. R&D Staff Profile

Unit: 10 thousand Yuan Currency: RMB

Basic Information		
	Number of the current period	Number of the previous period
Number of the Company's R&D staff (person)	975	881
Number of R&D staff as a percentage of total company headcount(%)	22.56	25.73
Total remuneration of R&D staff	13,128.94	9,496.79
Average salary of R&D staff	13.47	10.78

Educational Structure of R&D Staff	
Education Type	Number
PhD	0
Master's degree	28
Bachelor's degree	525
Junior College Education	351
High School or below	71
Age Structure of R&D Staff	
Age Range	Number
Under 30 years old (not including 30 years old)	698
30-40 years old (including 30 years old, not including 40 years old)	232
40-50 years old (including 40 years old, not including 50 years old)	38
50-60 years old (including 50 years old, not including 60 years old)	6
60 years old or above	1

Reasons for the significant changes in the composition of R&D staff and the impact on the future development of the company

☐Applicable ☒Not Applicable

6. Other Statement

☐Applicable ☒Not Applicable

III. Analysis of core competitiveness during the reporting period**(I) Analysis of core competitiveness**

☒Applicable ☐Not Applicable

1. Core technology advantages

The Company takes technology and R&D as its core competitiveness, and has been committed to the accumulation and development of technologies related to lithium-ion battery post-processing since its establishment. The company is preparing and expanding the application of technologies in the entire post-processing system in 2022. At present, the Company's main core technologies are as follows:

Category	Name of Technology	Technical Level of the Issuer	Core Technology	Innovative Approach
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			Sources	
4680 Cylindrical Battery Water-cooled Integrated Charging and Discharging	Cylindrical battery integrated charging and discharging technology;	Voltage accuracy $\pm 2\text{mV}$ Current accuracy $\pm 0.05\%\text{FS}$ Max. current 40A Max. number of channels: 256CH Power utilization efficiency: improve by 20% Space consumption: reduce by 35%	Independent R&D	Original Innovation
	High precision cylindrical battery temperature control technology;	Battery temperature uniformity $\leq \pm 2^\circ\text{C}$	Independent R&D	Original Innovation
Square Power Battery Capacity Divider	Square battery integrated charging and discharging technology	Voltage accuracy $\pm 1\text{mV}$ Current accuracy $\pm 0.02\%\text{FS}$ Max. current 300A Comprehensive cost: reduce by 20% Space consumption: reduce by 35%	Independent R&D	Original Innovation
	Active heat management technologies;	Fully enclosed heat management, without affecting the ambient temperature of the plant; Battery temperature uniformity $\leq \pm 2^\circ\text{C}$;	Independent R&D	Original Innovation
BOX Type Air Pressure Jig Machine	BOX Type Air Pressure Technology	Voltage accuracy $\pm 2\text{mV}$ Current accuracy $\pm 0.05\%\text{FS}$ Comprehensive cost: reduce by 15% Space consumption: reduce by 25%	Independent R&D	Original Innovation
Digital Power Technology	Digital Power Technology	Channel independent control, channel parallel connection, constant current, constant voltage, constant power, constant resistance, function generator and other functions. Performance: voltage and current accuracy 0.02%, rising edge 10mS, parallel output Technical parameters: voltage range: 0V ~ 500V; charge and discharge current 100mA-500A	Independent R&D	Original Innovation

(1000A for parallel connection)

2. Advantages of R&D mechanism and technological innovation mechanism

The Company's existing R&D system has the capability of continuous innovation and a mechanism for continuous technological innovation. In order to guarantee and enhance the core competitiveness of the Company and continuously improve the Company's technical level and R&D strength, the Company has introduced the following main measures: adopting the *Design and Development Control Procedures* of the ISO9001 quality system as the working standards of the R&D department; signing the *Departmental Annual Contract* between the company and each research institute, which specifies in detail the basic annual targets and reward targets; signing the *Confidentiality Agreement* with all technical staff to prevent the leakage of the company's technical secrets.

① Precise grasp of market demand - product development on demand

Since lithium-ion battery reprocessing systems are basically customized systems, differences in battery type, cathode and anode material systems, plant conditions, automation, investment budget scale and end-use applications of lithium-ion batteries will affect the design details of the post-processing system. The R&D focus of each institute has a specific product direction and customer groups to face, so the institute starts to intervene in the negotiations at the early stage of project contact to directly understand the customer needs and vision to accurately grasp the specific project segmentation characteristics and needs, and make the best solution based on meeting the customer needs and combining the characteristics of the Company's product line. The institutes' responsibilities cover the entire process of initial technical communication, development of technical solutions, determination of technical agreements, design, product manufacturing, on-site installation and acceptance of the project. Through product development on demand, the development of projects is made targeted to demands. At the same time, direct technical involvement throughout the process minimizes project risks and shortens the project execution cycle to maximize execution efficiency.

② Leading the market trend - standardized and universal design

By summarizing, organizing and analyzing the situation of each project, the R&D department obtains information with many common characteristics and the future direction of technology development, then combines the feedback of product usage information, as well as long-term technical accumulation and judgment of demand in the future intervals, to continuously standardize and generalize the design of products, and finally form a design system containing a large number of standard components and flexible customization, which not only meets the requirements of mass production and manufacturing, but also realizes cost control and shortens delivery cycle.

③ Key account first strategy – Stand at the forefront of technological development

The Company has been pursuing the strategy of giving priority to key customers, and has established close cooperation with the first-class battery manufacturers at home and abroad (LG of Korea, SK of Korea, Samsung of Korea, Panasonic of Japan, EVE Battery, BYD, etc.). These global first-class battery manufacturers lead the highest level of lithium-ion battery production technology. To carry out equipment support for these companies, despite the challenges of high requirements and difficulties, the Company has been greatly boosted in the concept and awareness of design, manufacturing, service and other aspects by virtue of such cooperation, which promotes the company's business level, so that the Company has always stood in the forefront of technological development, and also opened up the Company's global vision.

④ Internal incentives - goal management

At the beginning of each year, the Company and each research institute set performance goals and sign a *Contract Agreement*, in which bottom-line targets and reward targets are set for product sales performance, technological progress, and team building. Each institute conducts independent performance accounting, which serves as an effective incentive for the institute's enthusiasm for innovation.

3. Market advantages

The Company has gradually gained recognition from customers by virtue of its product design, advanced technology, stable and reliable product quality, and excellent after-sales service to meet customer needs. In the field of consumer electronics, we have high-quality customer resources including Samsung from Korea, LG from Korea, Murata from Japan, EVE Battery and SUNWODR, etc. In the field of power batteries, we have high-quality customer resources including LG from Korea, SK from Korea, BYD and Gotion High-Tech, etc. With the continuous development of the global lithium-ion battery industry, international first-tier lithium-ion battery manufacturers have put forward their

expansion plans. As a supplier of lithium battery post-processing system with leading technology and mass production and manufacturing capability, and global configuration capability, the Company is expected to gain further development in the future.

4.Team management advantages

Since its establishment, the Company has been focusing on the reserve of talents and the innovation of management system. The board of directors and management members of the Company generally have many years of experience in the industry or many years of financial and management experience. The Company actively promotes the "people-oriented" talent development strategy and builds a harmonious team. On the one hand, the Company adopts internal training to improve the skills of employees; on the other hand, the Company makes full use of various channels to attract high-end talents and continuously expands and cultivates the backbone team. The Company's key management personnel have rich management experience and industry experience, and are able to quickly grasp the industry development trend and formulate corresponding business strategies to enhance the Company's overall operating ability. Through years of operation, the Company has cultivated a technical research and development team with high overall level, and there was no significant change in the relevant core technical personnel during the reporting period. The Company's technical research and development work has always been in a virtuous cycle, effectively accelerating the process of converting technical achievements into productivity and expanding the Company's profit growth point.

(II) Events that occurred during the reporting period that caused the Company's core competitiveness to be seriously affected, analysis of the impact and countermeasures

☐Applicable ☒Not Applicable

IV. Risk Factors

(I) Risk of not yet being profitable

☐Applicable ☒Not Applicable

(II) Risk of significant decline or loss in earnings

☐Applicable ☒Not Applicable

(III) Core Competitiveness Risk

☒Applicable ☐Not Applicable

1. Risk of technology and product substitution

The post-processing system equipment developed and produced by the Company is based on electrochemical principles and is applied to the production of various types of NiMH, Li-ion and other rechargeable batteries. Fuel cell is a chemical device that converts the chemical energy of fuel directly into electrical energy. As another new energy battery, it is essentially a primary battery, which has its own advantages compared with lithium-ion battery, and the two sides are coexisting and complementary. In the foreseeable future, the development of rechargeable batteries will still be based on electrochemical principles and the application of new materials, new technologies and new processes to seek breakthroughs in volume, weight, electric capacity, cost, safety and so on. However, if:

- 1) A fundamental change in the operating principle of rechargeable batteries, resulting in a significant difference between, for example, a gasoline engine and an electric motor, to which the Company's reprocessing system may not be adapted;
- 2) In the post-processing system, new materials, technologies and processes are applied to produce local changes in the production of rechargeable batteries. If the Company cannot lead or keep up with the trend of technology and process development in the development and application of post-processing system, it will be in a disadvantageous position in the market competition.
- 3) Fuel cells have revolutionary breakthroughs in application technology, conversion efficiency and production cost, and have a significant substitution effect on rechargeable batteries, then the lithium-ion battery equipment manufacturing industry in which the Company is located will face a decline.

(IV) Operation Risks√Applicable ☐Not Applicable**1. Risk of uneven distribution of operating results**

The Company's products are highly customized products, which require installation, commissioning and trial production, and the revenue can be recognized only after the customer's acceptance after the customer's production needs are met in a stable manner, and the time interval from order placement to acceptance is long. Although the overall acceptance period can be estimated to be 9 months to 1 year based on past experience, the actual acceptance point of each batch of products cannot be precisely estimated due to the different products, customers and acceptance of each order, which may lead to uneven distribution of annual revenue and performance. Also, the data for the first quarter of each year is usually slightly lower than the other quarters due to factors such as the Chinese New Year holiday.

2. Risk of high customer concentration

The Company's customers are mainly lithium-ion battery manufacturers such as EVE battery, SK (Korea), BYD, Gotion High-tech, COSMX and other well-known lithium-ion battery manufacturers, and the main customers are relatively concentrated. During the reporting period, the sales revenue of the Company's top five customers accounted for more than 60% of the Company's operating revenue.

The Company's sales revenue to major customers accounts for a high proportion of its main business revenue. If the operating conditions of some customers are unfavorable or the demand for the Company's products is significantly reduced, the Company's operating results will be adversely affected.

3. Risk of unfavorable customer development for power lithium battery manufacturers

During the reporting period, the Company actively explored domestic and international mainstream power lithium battery manufacturers. However, if the company fails to further develop the uncovered domestic power lithium battery manufacturers and fails to develop overseas power lithium battery manufacturers in the future, or if the business conditions of the power lithium battery manufacturers it has cooperated with continue to deteriorate due to industry fluctuations and fierce competition, or if the Company's existing major customers are occupied by competitors on a large scale, the Company's sales revenue and market share in the field of power lithium battery post-processing equipment are likely to decline. Therefore, the Company has the risk of unfavorable customer development for power lithium battery manufacturers.

4. Risk of product quality problems

Due to the working characteristics of lithium-ion battery post-processing system, if the product quality is poor, it may affect the battery qualification rate in a minor way or lead to safety accidents in a serious way. The Company has not yet experienced any disputes with customers due to major quality issues, but we do not rule out the possibility that the Company's operation may be adversely affected due to product quality issues.

5. Risk of customer acceptance

The lithium battery post-processing equipment industry where the company is located mainly recognizes revenue by equipment acceptance, and the overall acceptance period can be estimated from 9 months to about 1 year according to past experience, but the above period may be extended to more than 1 year due to the influence of some downstream customers' equipment installation and commissioning time and their operating conditions and financial status. If the industry fluctuates drastically in the future, some downstream lithium battery manufacturers have a low start-up rate or are in a state of shutdown, and their business performance declines significantly and they are financially constrained, they may delay or refuse to accept the equipment, and some of the Company's revenue may not be recognized, which will have a material adverse impact on the Company's operating results.

6. Risk of raw material price increase

The Company signed contracts based on the cost quotation at the time, but there is still about one month from the signing of the contract to the order of raw materials, the risk of material cost fluctuations during this period is borne by the Company, if the price of raw materials fluctuates drastically in the short term, it will lead to a significant increase in the cost of some of the Company's orders.

(V) Financial Risks√Applicable ☐Not Applicable**1. Risk of decline in gross margin of main products**

The Company's main product, lithium-ion battery production line post-processing system, is the main source of the Company's operating income. Since the products are all custom-made, the Company's

products have strong core competitiveness in various aspects such as technology level and reliability, thus it has been maintaining a high gross profit margin of its main business, and the gross profit margin of orders shows the characteristics of higher gross profit margin for overseas customers than domestic customers. In the past three fiscal years, the Company's main business gross margin was 48.58%, 25.72% and 32.18% respectively. Since 2020, overseas customers' investment has slowed down and the demand for equipment purchase has temporarily decreased, leading to an increase in the proportion of domestic orders in the company's order structure, thus pulling down the sales gross margin. From the perspective of industry development, on the one hand, with the large-scale application and large-scale production of lithium-ion batteries, there is pressure to gradually reduce the selling price of lithium-ion batteries, and lithium-ion battery manufacturers, will inevitably transfer part of the pressure to reduce costs to upstream equipment suppliers; on the other hand, the large demand for lithium-ion battery production equipment brought about by the large-scale application of lithium-ion batteries has also stimulated the development of the industry, with new manufacturers entering the field of post-processing systems, resulting in increasingly fierce competition. Therefore, the Company's main products are always under pressure from market competition and customers' requests for price reduction. If the Company is unable to maintain the competitive advantages it has achieved and further improve its cost control ability, it may lead to a decrease in orders for the Company's main products or a further decrease in gross profit margin. In addition, the Company has been gradually selling fully automated post-processing system production lines to customers as an integrator since 2016, which includes outsourced or self-made automated logistics line products, which will also pull down the Company's sales gross margin.

2. Risk of larger inventories

At the end of each period of the last three fiscal years, the carrying value of the Company's inventories were RMB797,418,400, RMB1,422,865,000 and RMB2,380,677,300, accounting for 24.93%, 29.70% and 35.47% of current assets and 20.57%, 24.67% and 29.89% of total assets, respectively, which were relatively high percentages.

The Company's inventory is mainly goods shipped in transit. The large amount of goods shipped in transit is due to the fact that after the Company's products are shipped to customers, they need to be installed, commissioned and trial produced first, and after they can meet the customers' production needs stably, they can be accepted by customers before revenue can be recognized, and the time interval from order to acceptance is long, generally about 9 months to 1 year. The reason for the long acceptance time is that the post-processing system equipment, as part of the lithium-ion battery production line, needs to be tested together with the whole lithium-ion battery production line when the production line is newly built or modified, so the acceptance time is generally longer. The large amount of inventory on the one hand occupies a large amount of the Company's funds, reducing the efficiency of capital use, on the other hand, it also increases the pressure of the Company's management, cost control and other aspects, affecting the stable growth of the Company's performance.

3. Risk of exchange rate fluctuations

Part of the Company's sales revenue is export revenue, which is mainly settled in U.S. dollars and euros. Therefore, exchange rate fluctuations, especially the appreciation of RMB, will have a certain impact on the Company's financial situation.

If the RMB exchange rate continues to appreciate, on the one hand, the higher prices of export products denominated in foreign currencies will affect the market competitiveness of the Company's export products and there is a risk of losing customers or shifting orders to other countries; on the other hand, the foreign currency assets held by the Company for export will depreciate with the appreciation of the RMB, thus affecting the operating profit.

4. Risk of possible bad debts on accounts receivable

As at the end of each period of the reporting period, the carrying value of the Company's accounts receivable was RMB349,215,700, RMB988,281,900 and RMB167,316,4900, accounting for 10.92%, 20.63% and 24.93% of current assets and 9.01%, 17.14% and 21.00% of total assets, respectively, with an increase in both amount and percentage. If the financial condition of the Company's major customers deteriorates, or if there are significant adverse changes in their business conditions or commercial credit, the possibility of bad debts arising from the Company's accounts receivable will increase and the possibility of recovery of the Company's accounts receivable will decrease, which will adversely affect the Company's capital turnover and normal operation.

(VI) Industry Risks

√Applicable □Not Applicable

1. Lithium-ion battery industry volatility risk

During the reporting period, the Company's main business profit mainly comes from the lithium-ion battery production line post-processing system; the Company's customers are mainly well-known domestic and foreign lithium-ion battery manufacturers. In recent years, with the technological progress and the vigorous promotion of national policies, lithium-ion batteries in the case of consumer electronic products continue to update, new energy vehicles continue to popularize, lithium-ion battery demand has increased rapidly. In this context, lithium-ion battery manufacturers continue to expand production capacity, new or renovated lithium-ion battery production lines, which led to the rapid growth in demand for post-processing system-related equipment.

In the future, as new energy vehicles gradually replace traditional cars, demand for consumer electronics products is rising steadily, and the application of lithium-ion batteries in energy storage is also promising, so in the long run, the production capacity of lithium-ion batteries will still be further expanded, and the demand for post-processing system-related equipment will remain high. However, with the growing maturity of the market, the Chinese government has made structural adjustments to the subsidies for new energy vehicles, and the government subsidies for new energy vehicle manufacturers with low electric energy density, poor range performance and backward technology will decline significantly in the next few years. The industry concentration is increasing, and some domestic power battery manufacturers may have lower capacity utilization, excess capacity at the low end and more difficult capital turnover.

(VII) Macro Environmental Risks

√Applicable □Not Applicable

1. Macroeconomic cycle fluctuation risk

The sales of the Company's main products are affected by macroeconomic fluctuations and cyclical fluctuations in downstream industries. The Company is in the special equipment manufacturing industry, which is closely related to the market demand of downstream lithium batteries and fixed asset investment. The new energy and its equipment manufacturing industry continues to develop relatively fast with the support of national policies, but if there are adverse changes in the external economic environment or significant changes in the above-mentioned factors affecting market demand, there will be a significant impact on the lithium battery and its equipment manufacturing industry. If downstream lithium battery manufacturers reduce the scale of investment and equipment procurement, it will have an adverse impact on the Company's main business, which will have a significant adverse impact on the Company's future sales of lithium battery equipment.

2. Risk of changes in international politics and trade

During the reporting period, the Company's major foreign customers were LG of Korea, SKI of Korea, Samsung of Korea and Sony of Japan (now Murata of Japan). The above-mentioned customers accounted for a high proportion of the Company's main business revenue and had invested in or planned to set up factories in Southeast Asia, Europe and the U.S. Therefore, changes in the relationship between China and the U.S., Europe, Japan and Korea may result in the reduction or interruption of the Company's cooperation with the above-mentioned customers. This may have an adverse impact on the Company's operating results. In addition, some of the Company's electronic components are also purchased from abroad. China and the United States currently have trade disputes and have responded to each other by imposing tariffs, etc. If the trade disputes expand in the future and affect the trade policies of Japan, Korea and other countries towards China, it may likewise have an adverse effect on the Company's operating results.

(VIII) Risks related to depositary receipts

□Applicable √Not Applicable

(IX) Other significant risks

□Applicable √Not Applicable

V. Main operations during the reporting period

During the reporting period, the Company achieved operating revenue of RMB3,454,133,100 million Yuan, representing an increase of 39.09% year-on-year from 2021; net profit attributable to owners of the parent company of RMB490,594,400 Yuan, representing an increase of 108.66% year-on-year. Excluding the effect of structural deposit income and government subsidies, net profit attributable to owners of the parent company for the reporting period amounted to RMB473,014,500 Yuan, representing a year-on-year increase of 185.52%.

(I) Analysis of main business

1. Analysis of changes in the income statement and related accounts in the cash flow statement

Unit: Yuan Currency: RMB

Accounts	Amount of the current period	Amount of the same period in last year	Percentage of change (%)
Operating revenue	3,454,133,088.43	2,483,313,053.45	39.09
Operating costs	2,317,631,098.76	1,831,483,335.32	26.54
Selling expenses	91,331,383.72	48,103,862.28	89.86
Administration expenses	306,671,645.62	201,393,305.42	52.27
Financial expenses	-85,545,815.62	42,483,603.93	-301.36
R&D expenses	207,303,580.94	131,272,111.35	57.92
Net cash flows from operating activities	695,722,817.92	481,661,447.27	44.44
Net cash flows from investing activities	-409,080,790.77	-305,713,814.21	33.81
Net cash flows from financing activities	-77,895,688.31	-94,675,000.00	-17.72

Explanation of the reason for the change in operating revenue: the company's business increased, mainly due to the rapid development of the lithium industry, and the corresponding sales revenue grew steadily; Explanation of the reasons for the change in operating costs: the operating costs increased mainly due to the growth of operating revenue during the period, while due to the rapid expansion of the Company's production capacity in recent years, under the scale effect brought by the expansion of production capacity, the Company's cost control ability further improved, product gross margin gradually rebounded.

Explanation of the reasons for the change in selling expenses: mainly due to the rapid development of the lithium battery industry during the period, and the contract orders increased faster and corresponding increase in staff salaries and travel expenses, etc. In addition, with the increase in the number of projects entering the warranty period, after-sales service costs also increased.

Explanation of reasons for the change in administration expenses: mainly due to the increase in share-based payment expense recognized during the period, and the corresponding increase in salary as the number of employees increased.

Explanation of the reasons for the change in financial expenses: mainly due to the increase in exchange gain on the U.S. dollar currency during the period as a result of exchange rate fluctuations.

Explanation of the reasons for the change in research and development expenses: mainly due to the increase in employee remuneration as a result of the increase in research and development projects and personnel, and the increase in the consuming of research and development materials as a result of the increase in research and development projects.

Explanation of the reasons for the change in net cash flow from operating activities: mainly due to the increase in sales receipts from customers during the reporting period.

Explanation of the reasons for the change in net cash flow from investing activities: mainly due to the increase in investment in construction during the period.

Explanation of the reason for the change in net cash flow from financing activities: mainly due to the decrease in dividend payment in the current period compared with the same period of the previous year.

Detailed description of significant changes in the type of business, composition of profit or source of profit of the Company during the period:

☐ Applicable ☒ Not Applicable

2. Revenue and Cost Analysis

√Applicable □Not Applicable

During the reporting period, the Company achieved operating revenue of RMB3,454,133,100, representing an increase of 39.09% compared with 2021. The increase in operating revenue was mainly due to the increase in demand for power lithium batteries and the rise in demand for related chemical formation equipment as a result of the growth in production of new energy vehicles.

(1). Main business by industry, by product, by region and by sales mode

Unit: Yuan Currency: RMB

Main Business by Industry						
By Industry	Operating Revenue	Operating Costs	Gross Profit Rate (%)	Increase or decrease in operating revenue over the previous year (%)	Increase or decrease in operating costs over the previous year (%)	Increase or decrease in gross profit rate over the previous year (%)
Equipment Manufacturing	3,417,018,838.97	2,317,442,211.96	32.18	39.14	27.04	Increase by 6.46%
Main Business by Product						
By Product	Operating Revenue	Operating Costs	Gross Profit Rate(%)	Increase or decrease in operating revenue over the previous year(%)	Increase or decrease in operating costs over the previous year(%)	Increase or decrease in gross profit rate over the previous year(%)
Charging and Discharging Equipment	3,033,267,120.36	2,104,516,717.77	30.62	67.01	57.86	Increase by 4.33%
Other Equipment	356,467,748.94	203,610,761.15	42.88	-41.48	-57.31	Increase by 18.57%
Accessories	27,283,969.67	9,314,733.04	65.86	-10.43	-34.16	Increase by 12.27%
Main Business by Region						
By Region	Operating Revenue	Operating Costs	Gross Profit Rate(%)	Increase or decrease in operating revenue over the previous year(%)	Increase or decrease in operating costs over the previous year(%)	Increase or decrease in gross profit rate over the previous year(%)
Domestic	3,177,841,065.44	2,173,887,885.33	31.59	33.02	21.27	Increase by 6.62
Overseas	239,177,773.53	143,554,326.63	39.98	257.77	353.53	Decrease by

						12.67%
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Description of the main business by industry, by product, by region and by sales mode
None

(2). Production and Sales Situation Analysis Table

☐Applicable ☒Not Applicable

(3). Performance of Major Purchase Contracts, Major Sales Contracts

☐Applicable ☒Not Applicable

Performance of significant sales contracts entered into as of the current reporting period

☐Applicable ☒Not Applicable

Performance of significant purchase contracts entered into as of the current reporting period

☐Applicable ☒Not Applicable

(4). Cost Analysis Table

Unit: Yuan

Situation by Industry							
By Industry	Cost Components	Amount of the Current Period	Current Period as a Percentage of Total Costs (%)	Amount in the Same Period of Last Year	Same Period of Last Year as a Percentage of Total Costs	Percentage Change in the Current Amount over the Same Period of Last Year (%)	Situation Description
Equipment Manufacturing	Direct Materials	1,872,819,444.07	80.81	1,462,667,299.57	80.18	28.04	\
Equipment Manufacturing	Direct Labor	164,699,573.52	7.11	139,818,148.18	7.66	17.80	\
Equipment Manufacturing	Manufacturing Costs	279,923,194.37	12.08	221,765,919.73	12.16	26.22	\
Situation by Product							
By Product	Cost Components	Amount of the Current Period	Current Period as a Percentage of Total Costs (%)	Amount in the Same Period of Last Year	Same Period of Last Year as a Percentage of Total Costs (%)	Percentage Change in the Current Amount over the Same Period of Last Year (%)	Situation Description
Charging and	Direct Materials	1,693,664,223.68	73.08	1,032,231,995.53	56.58	64.08	\

Discharging Equipment							
Charging and Discharging Equipment	Direct Labor	151,199,239.17	6.52	118,932,667.17	6.52	27.13	\
Charging and Discharging Equipment	Manufacturing Costs	259,653,254.92	11.20	181,996,591.30	9.98	42.67	\
Other Equipment	Direct Materials	171,540,402.00	7.40	418,686,455.78	22.95	-59.03	\
Other Equipment	Direct Labor	12,778,585.81	0.55	19,928,299.83	1.09	-35.88	\
Other Equipment	Manufacturing Costs	19,291,773.34	0.83	38,328,244.98	2.1	-49.67	\
Accessories	Direct Materials	7,614,818.39	0.33	11,748,848.26	0.64	-35.19	\
Accessories	Direct Labor	721,748.54	0.03	957,181.18	0.05	-24.6	\
Accessories	Manufacturing Costs	978,166.11	0.04	1,441,083.45	0.08	-32.12	\

Cost Analysis Other Fact Sheets
None

(5). Changes in the scope of consolidation due to changes in the shareholdings of major subsidiaries during the reporting period

☐Applicable ☒Not Applicable

(6). Significant changes or adjustments in the Company's business, products or services during the reporting period

☐Applicable ☒Not Applicable

(7). Major sales customers and major suppliers

A. The Company's main sales customers

☒Applicable ☐Not Applicable

Sales to the top five customers amounted to RMB2333.4630 million Yuan, accounting for 67.56% of total annual sales; sales of affiliates among the sales to the top five customers were 0 Yuan, accounting for 0 % of total annual sales.

The Company's top five customers

☒Applicable ☐Not Applicable

Unit: 10 thousand Yuan Currency: RMB

No.	Customer Name	Sales Volume	Percentage of total annual sales (%)	Whether there is an affiliation with the listed Company
1	No. 1	107,318.38	31.07	No
2	No. 2	54,792.65	15.86	No
3	No. 3	28,622.57	8.29	No

4	No. 4	22,003.88	6.37	No
5	No. 5	20,608.82	5.97	No
Total	/	233,346.30	67.56	/

Sales to a single customer exceeded 50% of the total, or there were new customers among the top 5 customers, or heavy reliance on a few customers during the reporting period

√Applicable □Not Applicable

Among the top five customers in 2022, except for the fourth and fifth place, the first, second and third places are all among the top five customers in 2021. Among them, the fourth and fifth customers in the current period are the ninth and seventh customers in terms of operating revenue in 2021, respectively, maintaining a good degree of stability.

B. The Company's main suppliers

√Applicable □Not Applicable

The top five suppliers' purchases amounted to RMB527.0480 million Yuan, accounting for 17.72% of the total annual purchases; among the top five suppliers' purchases, the affiliates' purchases amounted to RMB0 Yuan, accounting for 0% of the total annual purchases.

The Company's top five suppliers

√Applicable □Not Applicable

Unit: 10 thousand Yuan Currency: RMB

No.	Name of Supplier	Purchase Amount	Percentage of total annual purchases (%)	Whether there is an affiliation with the listed Company
1	No. 1	19,016.69	6.39	No
2	No. 2	10,536.54	3.54	No
3	No. 3	8,023.59	2.70	No
4	No. 4	7,573.23	2.55	No
5	No. 5	7,554.75	2.54	No
Total	/	52,704.80	17.72	/

The proportion of purchases from a single supplier exceeds 50% of the total amount, or there are new suppliers among the top 5 suppliers or heavy reliance on a few suppliers during the reporting period

□Applicable √Not Applicable

3. Expenses

√Applicable □Not Applicable

Unit: Yuan

Accounts	Amount of the Current Period	Amount of the Same Period in Last Year	Percentage of Change(%)
Selling expenses	91,331,383.72	48,103,862.28	89.86
Administration expenses	306,671,645.62	201,393,305.42	52.27
R&D expenses	207,303,580.94	131,272,111.35	57.92
Financial expenses	-85,545,815.62	42,483,603.93	-301.36

Explanation of the reasons for the changes in selling expenses: Selling expenses increased by RMB43,227,500 Yuan, or 89.86%, compared with the same period of the previous year, mainly due to the increase in salary expenses by RMB23,493,800 Yuan as a result of the growth of personnel during

the period, and the increase in after-sales service expenses by RMB13,261,800 Yuan as a result of the rapid growth of sales scale.

Explanation of the reasons for the changes in administration expenses: The increase of RMB105,278,300 Yuan or 52.27% in administration expenses in the current period compared with the same period of the previous year is mainly due to the increase of RMB35,993,200 Yuan in share-based payment expenses corresponding to the implementation of equity incentives in the current period, and the increase of RMB16,311,300 Yuan in personnel salaries due to the rapid growth of sales business scale, as well as the year-on-year increase of RMB17,297,600 Yuan in depreciation and amortization due to the growth of the company's asset scale, and office expenses also increased by RMB15,145,700 Yuan.

Explanation of the reasons for the changes in R&D expenses: R&D expenses increased by RMB76,031,500, or 57.92%, in the current period compared with the same period of the previous year, mainly due to the increase in R&D projects and the increase in R&D personnel.

Explanation of the reasons for changes in financial costs: Financial costs for the period decreased by RMB128,029,400 Yuan, or 301.36%, compared with the same period of the previous year, mainly due to the exchange loss of RMB-122,468,200 Yuan caused by fluctuations in foreign currency exchange rates.

4. Cash Flow

☒Applicable ☐Not Applicable

Unit: Yuan

Accounts	Amount of the Current Period	Amount of the Same Period in Last Year	Percentage Change(%) of
Net cash flows from operating activities	695,722,817.92	481,661,447.27	44.44
Net cash flows from investing activities	-409,080,790.77	-305,713,814.21	33.81
Net cash flows from financing activities	-77,895,688.31	-94,675,000.00	-17.72

Explanation of the reasons for the changes in net cash flow from operating activities: Net cash flow from operating activities amounted to RMB695,722,800 Yuan, representing an increase of RMB214,061,400 Yuan compared with the same period of the previous year, mainly due to the increase in sales receipts from customers during the reporting period.

Explanation of the reasons for the changes in net cash flow from investing activities: Net cash flow from investing activities RMB-409,080,800 Yuan, a decrease of RMB103,367,000 Yuan compared with the same period of the previous year. It was mainly due to the increase of investment in construction in the current period.

Explanation of the reasons for changes in net cash flows from financing activities: Net cash flows from financing activities RMB-77,895,700 Yuan, an increase of RMB16,779,300 Yuan compared with the same period of the previous year, mainly due to the cash dividends of RMB92,712,200 Yuan paid in the current period, which was RMB19,567,800 Yuan less than the dividends paid in the previous year.

(II) Description of significant changes in profit due to non-main business

☐Applicable ☒Not Applicable

(III) Analysis of assets and liabilities

☒Applicable ☐Not Applicable

1. Assets and Liabilities

Unit: Yuan

Item Name	Ending amount for the period	Ending amount of the period as a percentage of total assets(%)	Ending amount of prior period	Ending amount of the previous period as a percentage of total	Percentage change in the amount at the end of the current period	Situation Description
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				assets(%)	compared to the end of the previous period(%)	
Notes receivable	58,049,060.67	0.73	38,313,387 .50	0.66	51.51	Mainly due to the increase in bill refunds
Accounts Receivable	1,673,164,923. 92	21	988,281,85 6.86	17.14	69.3	Mainly due to the increase in the scale of business during the year and the consequent increase in the balance of accounts receivable from customers
Receivabl es Financing	17,904,210.81	0.22	101,554,99 5.05	1.76	-82.37	Mainly due to the collection of Bank Acceptances due during the year
Prepayme nts	18,078,982.30	0.23	50,490,262 .42	0.88	-64.19	Mainly due to the decrease in prepayment for materials in the current period
Inventory	2,380,677,299. 30	29.88	1,422,686, 543.43	24.67	67.34	Mainly due to the increase in orders and raw material preparation, as well as the increase in products in process and goods shipped in transit.
Contract Assets	307,678,177.1 5	3.86	218,572,65 4.95	3.79	40.77	Mainly due to the growth of the Company's sales scale during the period and the subsequent increase in the balance of the warranty period
Other current assets	22,209,690.01	0.28	10,254,580 .74	0.18	116.58	Mainly due to the increase in input tax credits to be

						deducted at the end of the period
Fixed Assets	954,337,911.33	11.98	528,350,584.27	9.16	80.63	The changes in the current period are mainly related to the expansion project and the transformation of the No.12 Road project into fixed assets
Project in Construction	35,503,214.70	0.45	165,575,054.00	2.87	-78.56	The changes in the current period are mainly related to the expansion project and the transformation of the No.12 Road project into fixed assets
Right-of-use Asset	6,009,682.76	0.08	9,805,271.96	0.17	-38.71	Mainly due to amortization of right-of-use assets during the period
Other Non-Current Assets	39,229,381.89	0.49	59,392,199.53	1.03	-33.95	Mainly due to the decrease in the amount of prepayment for the purchase of long-term assets
Notes Payable	1,316,903,913.74	16.53	977,330,876.19	16.95	34.74	Mainly due to the rapid growth of business during the period, and the increase of the payment amount of bank acceptance bills used
Accounts Payable	1,596,641,156.33	20.04	956,227,075.33	16.58	66.97	Mainly due to the rapid growth of business and large increase in material purchases during the period
Contractual Liabilities	1,501,881,384.48	18.85	870,054,262.23	15.09	72.62	Mainly due to business expansion, the Company's

						pre-receipt of orders and the increase in payments for shipments
Employee Remuneration Payable	25,250,952.24	0.32	12,665,279.77	0.22	99.37	Mainly due to the increase in year-end bonus at the end of the current period
Taxes Payable	14,341,081.96	0.18	3,840,739.14	0.07	273.39	Mainly due to the increase in the balance of income tax payable for the period
Other current liabilities	125,660,270.00	1.58	89,798,179.18	1.56	39.94	Mainly due to the rapid growth of business during the period, which led to an increase in contractual payments received in advance and a simultaneous increase in value-added tax corresponding to the amount of output tax to be transferred
Lease Liabilities	2,028,013.79	0.03	5,923,001.31	0.1	-65.76	Mainly due to lease payments during the period
Deferred Revenue	28,438,576.97	0.36	18,523,466.09	0.32	53.53	Mainly due to the increase in government subsidies received during the period
Other consolidated income	2,419,348.00	0.03	-2,633,360.15	-0.05	-191.87	Mainly due to the increase in translation differences in foreign currency statements as a result of fluctuations in foreign currency exchange rates during the

						period
Surplus reserves	191,755,852.88	2.41	145,246,643.00	2.52	32.02	Mainly due to the provision of statutory surplus reserve at 10% of the parent company's net profit for the period
Undistributed earnings	1,346,492,128.33	16.9	995,119,114.67	17.26	35.31	Mainly due to the increase in net profit attributable to owners of the parent company for the period

Other Explanation

None

2. Foreign Assets

☒Applicable ☐Not Applicable

(1) Asset Size

Wherein: foreign assets of 311,153,929.73 (unit: Yuan currency: RMB), accounting for 3.91% of the total assets.

(2) Explanation of the high percentage of foreign assets

☐Applicable ☒Not Applicable

3. Restrictions on major assets as of the end of the reporting period

☒Applicable ☐Not Applicable

Unit: Yuan

Item	Carrying Value at the End of the Period	Reasons for Restriction
Monetary Funds	212,516,546.90	Margin, deposit pledge
Total	212,516,546.90	

4. Other Explanation

☐Applicable ☒Not Applicable

(IV) Analysis of industry operational information

☒Applicable ☐Not Applicable

For details of the analysis of the industry operational information during the reporting period, please refer to "Section III Management's Discussion and Analysis", "Description of the main business, business model, industry situation and research and development engaged in by the Company during the reporting period".

(V) Investment Situation Analysis

Overall Analysis of Foreign Equity Investment

☐Applicable ☒Not Applicable

1. Significant equity investment
☐Applicable ☒Not Applicable
2. Significant non-equity investment
☐Applicable ☒Not Applicable
3. Financial assets measured at fair value
☒Applicable ☐Not Applicable

Unit: Yuan

Currency: RMB

Asset Class	Opening balance	Profit and loss from changes in fair value in the current period	Cumulative fair value changes included in equity	Impairment provision for this period	Current purchase amount	Sale/redemption amount in current period	other changes	Closing balance
stock		596,527.80			7,874,166.96			8,470,694.76
Total		596,527.80			7,874,166.96			8,470,694.76

Securities Investment
☒Applicable ☐Not Applicable

Unit: Yuan

Currency: RMB

Securities	Securities code	Securities Abbreviation	Initial investment cost	Sources of funds	Beginning book value	Profit and loss from changes in fair value in the current period	Cumulative fair value changes included in equity	Current purchase amount	Sales amount in this period	Disposal profit and loss	Ending book value	Accounting subjects
Domestic and foreign stocks	000980	Zotye Automobile	7,874,166.96	Debt restructuring		596,527.80		7,874,166.96			8,470,694.76	Trading financial assets
Total	/	/	7,874,166.96	/		596,527.80		7,874,166.96			8,470,694.76	/

Investment status of private equity funds
☐Applicable ☒Not Applicable
Derivatives Investment Situation
☐Applicable ☒Not Applicable
4. The specific progress of major asset reorganization and integration during the reporting period
☐Applicable ☒Not Applicable
(VI) Major asset and stake sales
☐Applicable ☒Not Applicable
(VII) Analysis of major holding companies
☒Applicable ☐Not Applicable

Unit: Yuan

Company Name	Main business	Registered capital	Shareholding ratio	Total assets	Net assets	Operating income	Net profit
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CHR Japan Co., Ltd.	1. Production, sales and procurement of battery-related equipment and battery-related products; 2. Maintenance, management and care of battery-related equipment and products; 3. Development and transfer of battery production technology; 4. Development, sales, import and export of various products, software and technology; 5. All businesses incidental to and related to the above items.	5 million Yen	100%	49,284,964.30	47,715,742.81	858,573.17	-3,461,866.89
Hangke Electronic Trading Hong Kong Co., Ltd.	Manufacture and sales of battery-related equipment and products, and development and sales as well as import and export business of various product application software and technologies.	\$5 million	100%	201,045,596.18	405,072.01		-206,307.51
Hangke Electronic Co., Ltd. (Korea)	Battery-related equipment industry, battery-related product manufacturing, sales and procurement business, battery-related product wholesale, retail and import and export business, battery-related maintenance and management industry, battery-related production technology development and transfer, battery-related products and software technology development and sales trade industry	100 million won	CHR Japan Co., Ltd. invested 100 million won, accounting for 100% of the capital	4,703,179.89	-1,236,871.08	1,636,853.11	-812,845.38
HK POWER Co., Ltd	Manufacturing, wholesale, retail, import and export of primary batteries and secondary batteries; manufacturing, wholesale, retail, import and export of storage batteries and chargers; manufacturing and trading of battery equipment; battery related equipment; manufacturing, sales and purchase of battery related	3 billion won	Hong Kong Hangke holds 100% of the shares and has not yet contributed	17,298,900.22	272,754.47		272,754.46

	products; wholesale, retail and import and export of battery-related products; battery-related equipment, maintenance, repair, and management; development and transfer of battery-related production facilities; development, sales and trading of various battery-related products and software technologies; manufacturing, processing, wholesale and retail, import and export of fire lithium batteries, testing equipment and charging and discharging equipment; manufacturing, processing, wholesale and retail, import and export of lithium battery pack protection boards; Manufacturing, processing, wholesale and retail, import and export business of lithium battery automated production line; lithium battery production technology development, import and export business; lithium battery related goods and technology import and export business; import and export and service industry of various battery related equipment; installation, repair, manufacturing, import and export of cutting-edge equipment; installation, maintenance and manufacturing of lithium battery related equipment; installation and maintenance of ionic battery related equipment; real estate leasing and trading; incidental businesses involved in the above items.					
HONRECK EQUIPMENT TECHNOLOGY SUPPORT	Manufacturing of battery-related equipment and products;	2 ringgit	CHR Japan Co., Ltd. subscribed RM2,		-3,830.62	-204.54

COMPANY SDN. BHD. (Malaysia)	maintenance, management, and repair of battery-related equipment and products; development of battery-related production technologies; development of various products, software, and technologies; all businesses incidental to the above.		accounting for 100% of the registered capital				
HONRECK ELECTRONICS TRADING SPÓŁKA OGRANICZONA ODPOWIEDZIALNOSCIA (Poland)	Production of batteries and storage batteries; repair and maintenance of electrical appliances; production of other spare parts for motor vehicles (except motorcycles); electrical installation; wholesale of spare parts for motor vehicles (except motorcycles); retail sale of spare parts for motor vehicles (except motorcycles); Sales, maintenance and repair of motorcycles and related spare parts; exclusive agency of other specific products; wholesale of household appliances; wholesale of electronic equipment and communication equipment and related accessories; wholesale of other machinery and equipment; retail of new products in specialized stores; Retail sales through mail-order stores or the Internet; road transport of goods; warehousing and storage of other goods; other financial services, except insurance and pension funds not elsewhere classified; buying and selling own real estate; leasing and operating own or leased real estate; engineering activities and related technical consulting; other technical testing and analysis; other	5,000 PLN	Hong Kong Hangke invested PLN 5,000, accounting for 100% of the registered capital	47,795,823.64	-17,643,948.70		-8,259,835.35

	research and experimental development in natural sciences and engineering; advertising agency activities.						
Zhejiang Hangke Technology Incorporated Company	The purpose of the corporation is to engage in any lawful act or activity, incorporated under the California General Corporations Act, except for banking, trust Company business, or professional practice permitted to be formed under the California Corporations Act	\$ 10 million	Hong Kong Hangke holds 100% of the shares and has not yet contributed	73,458,700.07	69,306,026.19	9,004,770.00	-257,036.42
Hangke Technology Germany GmbH	The Company's business objects are lithium battery formation, testing equipment and charging and discharging equipment; lithium battery protection boards; sales, technology development, installation, commissioning and after-sales service, technology import and export of lithium battery automatic production line; entitled to engage in other businesses that directly or indirectly serve the purpose of the Company; it is also possible to establish or acquire other companies and establish branches or subsidiaries in Germany and abroad.	2.5 million euros	Hong Kong Hangke holds 100% of the shares and has not yet contributed	8,002,153.28	7,965,038.93		-1,296,338.66

(VIII) Structured entities controlled by the Company
☐ Applicable ☒ Not Applicable
VI. The Company's discussion and analysis on the Company's future development**(I) Industry Landscape and Trends**
☒ Applicable ☐ Not Applicable

For detailed analysis of industry operational analysis information during the reporting period, please refer to the relevant statements of (III) Industry Situation under II. Main Business, Business Model, Industry Situation and Research and Development Situation of the Company during the Reporting Period under Discussion and Analysis by Management in Section III.

(II) Company Development Strategy√Applicable ☐ Not Applicable

The Company's development strategy is: conform to the development direction of the global new energy industry and lithium battery equipment industry, closely follow the relevant national policy guidance, deepen cooperation with leading customers, increase R&D investment and technological innovation, improve the lithium battery back-end product line, and promote the continuous iteration and upgrading of existing products to achieve cost reduction and efficiency increase, integrate upstream and downstream resources in the industrial chain, and provide customers with overall solutions for lithium battery intelligent manufacturing. At the same time, conduct technology reserve and pre-research for solid-state batteries, etc., so as to achieve continued healthy growth of company performance and employee income, build the No.1 brand of lithium intelligent equipment industry, and become the world's first-class overall solution provider for lithium smart factories.

(III) Business Plan√Applicable ☐ Not Applicable

Facing the rapid development and changes of the industry, the Company will continue to strengthen R&D investment and technological innovation, continuously improve the R&D, production, sales and service system, improve the lithium battery back-end product line, promote product iteration and upgrades, achieve cost reduction and efficiency increase, and integrate the upstream and downstream resources of the industrial chain provide customers with an overall solution for intelligent manufacturing of lithium batteries, make the Company competitive with strength, and achieve the Company's strategic goals.

The Company will adopt the following specific plans and measures:

1. Innovation and R&D plan

The Company will continue to keep up with market demand, continue to increase investment in research and development, and accelerate the improvement of the layout of the back-end product line. In order to meet the urgent needs of customers to reduce costs and increase efficiency, the lithium battery post-processing system will continue to develop along the three main lines of improving cost performance, improving safety and reducing costs, so as to better meet the needs of lithium battery manufacturers to improve the three core competitiveness of energy density of lithium batteries, safety and manufacturing cost. In many aspects such as high-precision charge and discharge control and detection, green energy saving, temperature/pressure control post-processing system during charge and discharge process, and system automation/intelligence level, we have continuously innovated, developed and accumulated core technologies. In both basic technology research and development and new product development aspects, we will continue to maintain our leading position in the industry, continue to promote the reserve and establishment of new technologies and R&D projects, and carry out technical reserves and pre-research on next-generation battery technologies, such as solid-state batteries and fuel cells.

2. Market development plan

In terms of market layout, the Company has formed long-term and stable cooperative relations with many customers at home and abroad. On one hand, the Company will continue to keep up with customer needs, set up subsidiaries in major global markets, etc., to provide customers with timely and rapid response, deepen relationship with customers, and develop local and adjacent markets based on this; on the other hand, the Company will base on Market demand and existing products, promote new products that meet customers' core needs and can reduce costs and increase efficiency to customers, enhance the Company's competitiveness and brand awareness, and increase market share.

3. Capacity expansion and cost reduction plans

Facing the blowout development of the industry and the full demand for equipment, the Company will continue to promote the lean, intelligent and information based manufacturing on one hand, increase the application of automation equipment, realize the substitution by machines, and strive to improve the utilization rate of production capacity; on the other hand, we will actively promote the construction progress of the production base under construction and strive to gradually put it into use in 2023. In terms of cost reduction, starting from R&D, production, sales and service, we will continue to promote universal, modular and platform design, strengthen process control, avoid repeated development and rework, and reduce unit costs through large-scale production.

4. Human resource planning

In order to realize the strategic goal of the Company's development, the Company will continue to strengthen the introduction and training of personnel. On one hand, the Company will develop targeted special training for different employees and management through platforms such as Hangke University, by hiring lecturers and organizing employees to participate in external training, so as to improve the professional skills and comprehensive quality of the existing personnel team, build a learning enterprise. On the other hand, the Company will attract excellent personnel through the establishment of the personnel reserve construction management mechanism. We will continuously introduce new blood through an effective incentive mechanism and a corresponding salary system, cultivate a personnel echelon with outstanding business capabilities and excellent professional skills, and build a professional base for long-term and sustainable development of the company.

(IV) Other

☐ Applicable ☒ Not Applicable

VII. Explanation of the circumstances and reasons why the Company did not disclose in accordance with the guidelines due to special reasons such as non-applicability of the guidelines or state secrets and commercial secrets

☐ Applicable ☒ Not Applicable

Section IV Corporate Governance

I. Explanation on Corporate Governance

☒ Applicable ☐ Not Applicable

During the reporting period, the Company strictly complied with the *Rules of Procedures for the General Meeting of Shareholders*, *Rules of Procedures for the Board of Directors and Board of Supervisors*, *Related Transaction Decision-Making System*, *Foreign Investment Management System*, *Independent Director System*, *General Manager Work Rules*, *Board Secretary Work Rules*, *External Guarantee Decision-Making System* and other related systems in accordance with the requirements of the *Company Law*, *Securities Law*, *Code of Corporate Governance for Listed Companies* and other relevant laws and regulations and normative documents. The Company's Board of Directors consists of four special committees, namely the Strategic Decision-Making Committee, the Audit Committee, the Nomination Committee, and the Remuneration and Appraisal Committee, to provide consultation and suggestions for major decisions of the Board of Directors, so as to ensure the professionalization and efficiency of the Board of Directors' affairs and decision-making. Since the establishment of the restructuring, the Company has established the operating mechanism of the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors and the management. Independent Directors and the Secretary of the Board of Directors can effectively enhance the fairness and rationality of the Board of Directors' decision-making. The corporate governance structure can operate effectively in accordance with relevant laws and regulations and the Articles of Association.

Whether there is any major difference between corporate governance and laws, administrative regulations, and the provisions of the China Securities Regulatory Commission on the governance of listed companies; if there is a major difference, the reason should be explained

☐ Applicable ☒ Not Applicable

II. Explanation by the Company on the inability to guarantee independence and to operate independently with the controlling shareholder in terms of business, personnel, assets, organization, finance, etc.

☐Applicable ☒Not Applicable

Controlling shareholders, actual controllers and other units controlled by them are engaged in the same or similar business as the Company, and the impact of horizontal competition or major changes in horizontal competition on the Company, the solutions that have been taken, the progress of solutions, and subsequent solutions plan

☐Applicable ☒Not Applicable

The controlling shareholder, actual controller and other units under their control engage in horizontal competition that has a significant adverse impact on the Company

☐Applicable ☒Not Applicable

III. Introduction to the General Meeting of Shareholders

Session	Date	Inquiry index of the designated website where the resolution is published	Disclosure date of resolution publication	Meeting resolution
The First Extraordinary General Meeting of Shareholders in 2022	April 6 , 2022	Shanghai Stock Exchange website www.sse.com.cn	April 7 , 2022	All proposals were considered and passed, and no proposals were rejected
The Second Extraordinary General Meeting of Shareholders in 2022	April 22 , 2022 _	Shanghai Stock Exchange website www.sse.com.cn	April 23, 2022	All proposals were considered and passed, and no proposals were rejected
2021 Annual General Meeting	May 20 , 2022	Shanghai Stock Exchange website www.sse.com.cn	May 21, 2022	All proposals were considered and passed, and no proposals were rejected
The Third Extraordinary General Meeting of Shareholders in 2022	September 13 , 2022 _	Shanghai Stock Exchange website www.sse.com.cn	September 14, 2022	All proposals were considered and passed, and no proposals were rejected
The Fourth Extraordinary General Meeting of Shareholders in 2022	October 14, 2022	Shanghai Stock Exchange website www.sse.com.cn	October 15, 2022	All proposals were considered and passed, and no proposals were rejected

Shareholders of preference shares whose voting rights have been restored request to convene an extraordinary general meeting

☐Applicable ☒Not Applicable

Explanation of the general meeting of shareholders

☐Applicable ☒Not Applicable

IV. The implementation and changes of differential arrangements of voting rights during the reporting period

☐Applicable ☒Not Applicable

V. Corporate Governance of Red Chip Structure

☐ Applicable ☒ Not Applicable

VI. Directors, Supervisors and Senior Management

(I) Shareholding changes and remuneration of Current and resigned Directors , supervisors, senior managers and core technical personnel during the reporting period

☐ Applicable ☒ Not Applicable

Unit: share

Name	Position (Note)	Gender	Age	Term start date	Term end date	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase or decrease of shares during the year	Reason for increase or decrease	Pre-tax remuneration received from the Company during the reporting period (10,000Yuan)	Whether to receive remuneration from related parties of the Company
Cao Ji	Chairman, General Manager (resigned)	Male	71	2021-12-30	2024-12-29	187,616,596	187,616,596	0	Not applicable	109.12	No
Sang Hongyu	Director, Deputy General Manager	Male	50	2021-12-30	2024-12-29	2,386,183	2,386,183	0	Not applicable	64.67	No
Zhao Qunwu	Director	Male	49	2021-12-30	2024-12-29	2,386,183	2,310,683	-75,500	Reduced holdings due to own capital needs	52.38	No
Yu Pingguang	Director and General Manager	Male	58	2021-12-30	2024-12-29	2,386,183	2,386,183	0	Not applicable	35.69	No
Yan Lei	Chairman	Female	41	2021-12-30	2024-12-29	0	0	0	Not applicable	45.61	No
Qian Yanmin	Independent Director	Male	60	2021-12-30	2024-12-29	0	0	0	Not applicable	8.00	No
Xu Yaming	Independent Director	Female	68	2021-12-30	2024-12-29	0	0	0	Not applicable	8.00	No
Chen Linlin	Independent Director	Male	48	2021-12-30	2024-12-29	0	0	0	Not applicable	8.00	No
Zheng Linjun	Supervisor	Male	57	2021-12-30	2024-12-29	1,410,018	1,410,018	0	Not applicable	25.91	No
Zhang Yingying	Supervisor	Female	57	2021-12-30	2024-12-29	1,410,018	1,410,018	0	Not applicable	29.42	No
Hu Zhenhua	Employee Representative Supervisor	Male	39	2021-12-30	2024-12-29	0	0	0	Not applicable	71.92	No
Fu Fenghua	Deputy General Manager, Secretary of the Board of Directors, Chief Financial Officer	Male	36	2021-12-30	2024-12-29	50,000	100,000	50,000	Increase due to vesting of restricted stock	57.44	No
Liu Wei	Core technical staff	male	38	2016-01		6,500	20,500	14,000	Increase due to vesting of restricted stocks and decrease	43.46	No

									due to own capital needs		
Total	/	/	/	/	/	197,651,681	197,640,181	-11,500	/	559.62	/

Note: The Company's controlling shareholders, actual controllers, Directors, supervisors and senior managers indirectly hold the Company's shares indirectly through the following shareholding platforms:

Shareholding platform name	Shareholding platform abbreviation	Nature of shareholding platform	Number of shares held by shareholding platform (shares)
Hangzhou Hangke Intelligent Equipment Group Co., Ltd.	Hangke Group	Employee stock ownership platform	96,411,406

The indirect shareholdings of the Company's controlling shareholders, actual controllers, Directors, supervisors and senior executives are as follows:

Name	Company position	Shareholding platform	Proportion of contribution in the shareholding platform (%)
Cao Ji	Director of Operation and Management Office (controlling shareholder, actual controller)	Hangke Group	89.848
Cao Zheng	The actual controller	Hangke Group	1.00
Sang Hongyu	Director, Deputy General Manager	Hangke Group	2.00
Zhao Qunwu	Director	Hangke Group	2.00
Zheng Linjun	Supervisor	Hangke Group	1.00
Yu Pingguang	Director, General Manager	Hangke Group	1.00
Zhang Yingying	Supervisor	Hangke Group	1.00

Note: In addition to directly or indirectly holding the above-mentioned shares of the Company, None of the Company's controlling shareholders, actual controllers, Directors, supervisors and senior executives directly or indirectly hold the Company's shares in other ways. None of the shares held by the Company's controlling shareholders, actual controllers, Directors, supervisors and senior executives are pledged or frozen.

Name	Main working experience
Cao Ji	From April 1984 to January 1999, he was the Director of Hangke Instrument; from January 1999 to March 2017, he was the Chairman and General Manager of Hangke Instrument; from November 2011 to November 2015, he was the Executive Director and General Manager of Hangke Instrument Co., Ltd. ; From November 2015 to September 2022, he served as the Chairman and General Manager of Hangke Technology ; from September 2022 to now, he serves as the Director of the Operation and Management Office of Hangke Technology .
Sang Hongyu	From July 1996 to August 1999, he served as a technician in the Technology Development Department of Hangzhou Machinery Design Institute of China Light Industry Federation; from September 1999 to May 2015, he served as the designer, assistant to the General Manager, and Deputy General Manager of Hangke Instrument; From January 2011 to November 2015, he served as the Deputy General Manager of Hangke Co., Ltd.; since November 2015, he has served as the Director and Deputy General Manager of Hangke Technology.
Zhao Qunwu	From July 1996 to May 2015, he successively served as a technician, Director of the Research Office, Deputy Director of the Research Institute, assistant to the General

	Manager, and Deputy General Manager of Hangke Instrument; from November 2011 to November 2015, he served as the Deputy General Manager and the Director of the Research Institute of Hangke; from November 2015 to February 2017, he served as the Director, Deputy General Manager and Director of the Research Institute of Hangke Technology; since February 2017, he has served as the Director and Director of the Research Institute of Hangke Technology.
Yu Pingguang	From July 1987 to June 2015, he successively served as the Technician, Project Manager, and Director of the Research Institute of Hangke Instrument; since July 2015, he has served as the Director of the Research Institute of Hangke Technology ; from November 2015 to December 2021, he has served as the Supervisor of Hangke Technology ; From December 2021 to September 2022 , he has served as the Director of Hangke Technology ; from September 2022 to now, he has been the Director and General Manager of Hangke Technology .
Yan Lei	From August 2008 to July 2012, he served as the accountant of Hangke Instrument; from August 2012 to November 2015, he successively served as the Chief Accountant, Chief Financial Officer, and Deputy General Manager of Hangke; from November 2015 to February 2017, he served as the Chief Financial Officer and Deputy General Manager of Technology; From February 2017 to September 2022 , he served as the Deputy General Manager of Hangke Technology ; from September 2022 to now, he serves as the Chairman and Deputy General Manager of Hangke Technology .
Qian Yanmin	From August 1988 to September 1995, he served as a lecturer at the School of Economics and Trade, Huajiachi Campus, Zhejiang University; from December 1995 to December 1998, he served as an Associate Professor and Dean of the School of Economics and Trade, Huajiachi Campus, Zhejiang University; From September 1996 to July 1998, he served as a researcher at the Department of Economics of the University of Western Ontario, Canada, and a visiting scholar of the Canada-China Scholars Exchange Program; from September 2001 to August 2012, he worked as a risk analyst at Scotia Bank in Canada; from September 2004 to the present, he is a research fellow of School of Finance, Zhejiang University and an associate professor of School of Economics, Zhejiang University. Since December 2021, he has served as an independent Director of Hangke Technology.
Xu Yaming	From 1975 to September 1978, he worked as the General Ledger Accountant of Finance Section of Jinma Mining Machinery Factory in Kunming, Yunnan; from July 1982 to August 1987, he worked in the Financial Accounting Office of Sichuan Textile Industry Department (undertaking the province's textile industry cost analysis and textile briefing); since August 1987, he has been an associate professor of the School of Accounting, Zhejiang University of Finance and Economics; among them: from 1991 to 2005, he served as the Head of the Accounting Theory Teaching and Research Office, Financial Accounting Teaching and Research Office, and Financial Accounting Department. Since December 2021, he has served as an independent Director of Hangke Technology.
Chen Linlin	From 2004 to 2008 , he served as a teacher of Zhejiang University of Finance and Economics; from 2008 to 2017, he served as a professor/doctoral supervisor of Guanghua Law School, Zhejiang University ; from 2017 to 2020 , he served as the Dean of the Law School of Zhejiang Gongshang University and he also served as a Director of the China Law Society, the Chairman of the Jurisprudence and History Research Association of the Zhejiang Law Society, a researcher at the National Judicial Civilization Collaborative Innovation Center, and a member of the Expert Advisory Committee of the Zhejiang Provincial People's Procuratorate. Since 2020 , he has been a professor at Zhongnan University of Economics and Law. Since December 2021, he has served as an independent Director of Hangke Technology.
Zheng Linjun	From August 1989 to May 2015, he successively served as a Technician and Director of the Planning Department of Hangke Instrument; from November 2011 to November 2015, he served as assistant to the General Manager of Hangke, Director of the Information Planning Department, and Supervisor; since November 2015, he has served as a Chairman of the Board of Supervisors, Director of the Information Planning Department, and Assistant to the General Manager of Hangke Technology.
Zhang	From July 1984 to June 2015, he served successively as an employee, workshop Director,

Yingying	head of the Manufacturing Department, assistant to the General Manager, and Deputy General Manager of Hangke Instrument; from November 2011 to November 2015, he served as assistant to the General Manager and Deputy General Manager and the Director of Manufacturing of Hangke; from November 2015 to February 2017, he served as the Director and Deputy General Manager of Hangke Technology; from February 2017 to December 2021, he served as the Deputy General Manager of Hangke Technology; since December 2021, he has been the Supervisor of Hangke Technology.
Hu Zhenhua	From April 2004 to October 2004, he served as the Nanping Precision Commissioning Engineer; from October 2004 to June 2015, he served as a salesperson of Hangke Instrument; from July 2015 to November 2016, he served as a salesperson of Hangke Technology; from November 2015 to now, he served as the Supervisor of Hangke Technology; Since December 2016, he has served as the Regional Manager of the Sales Department of Hangke Technology.
Fu Fenghua	From September 2010 to May 2018, he served as the Auditor, Project Manager, and Senior Project Manager of Pan-China Certified Public Accountants (Special General Partnership); from June 2018 to April 2020, he served as the Financial Manager and Deputy Financial Director of Hangke Technology; from April 2020 to December 2021, he served as the Company's Chief Financial Officer and Secretary of the Board of Directors. Since December 2021, he has served as the Deputy General Manager, Chief Financial Officer and Secretary of the Board of Directors of Hangke Technology.
Liu Wei	From July 2005 to July 2007, he served as a technician of Hongzhun Precision Mold (Kunshan) Co., Ltd.; from July 2007 to February 2008, he served as a teaching assistant in Liu'an Senior Technical School; from February 2012 to March 2013, he served as a new Mechanical Engineer of SINTEC Automation (Hangzhou) Co., Ltd.; from May 2013-March 2014, he served as the Mechanical Design Engineer of Hangzhou Puwell Optoelectronics Technology Co., Ltd.; from March 2014 to December 2015, he served as the Mechanical Design Engineer and the Director of Mechanical Design Group; since January 2016, he has been the Director and assistant to the General Manager of Hangke Technology Automation Research Institute.

Other information

√Applicable ☐ Not Applicable

Mr. Fu Fenghua, Deputy General Manager, Secretary of the Board of Directors, and Chief Financial Officer of the Company, was awarded 100,000 shares of the second class of restricted stock due to the year 2020 restricted stock incentive plan. The second vesting period met the vesting conditions and 50,000 shares were vested on June 2, 2022; Mr. Liu Wei, a core technician, was awarded 60,000 shares of the second-class restricted stock due to the year 2020 restricted stock incentive plan. The second vesting period met the vesting conditions and 30,000 shares were vested on June 2, 2022. After being vested and circulated, he sold its own shares. As of the end of this year, there were 14,000 shares remaining.

(II) Positions of current and resigned Directors, supervisors and senior executives during the reporting period**1. Employment status in shareholder units**√ **Applicable** ☐ **Not Applicable**

Staff name	Shareholder unit name	Positions held in shareholder units	Term start date	Term end date
Cao Ji	Hangke Group	executive Director		
Explanation of the position in the shareholder unit	None			

2. Employment in other units√ **Applicable** ☐ **Not Applicable**

Staff name	Other unit names	Positions held in other units	Term start date	Term end date
Cao Ji	Hangzhou Reliability Instrument Factory	Chairman		
Cao Ji	Hangzhou Bolin Equity Investment Co., Ltd.	Supervisor		
Cao Ji	Huzhou Ruilin Equity Investment Co., Ltd.	Supervisor		
Cao Ji	Zhejiang Hangke Instrument Co., Ltd.	Chairman		
Cao Ji	Hangzhou Tongce Communication Electronics Co., Ltd.	Chairman		
Cao Ji	Hangzhou Xiaorui Communication Equipment Co., Ltd.	Executive Director		
Cao Ji	Hangzhou Xiaoyu Control Equipment Co., Ltd.	Executive Director and General Manager		
Zhao Qunwu	Hangzhou Reliability Instrument Factory	Director		
Yu Pingguang	Hangzhou Reliability Instrument Factory	Director		
Yan Lei	Pallas Intelligent System (Hangzhou) Co., Ltd.	Supervisor		
Zhang Yingying	Hangzhou Reliability Instrument Factory	Director		
Xu Yaming	Focused Photonics (Hangzhou) Incorporation	Independent Director	May 23 , 2019	April 28 , 2022
Xu Yaming	Zanyu Technology Group Co., Ltd.	Independent Director	August 19 , 2019	August 25 , 2022
Xu Yaming	Hangzhou Zhengqiang Transmission Co., Ltd.	Independent Director	June 22 , 2022	
Xu Yaming	Hangzhou Broadlink Intelligent Technology Co., Ltd.	Independent Director		
Xu Yaming	Hangzhou Tengli Transmission Technology Co., Ltd.	Independent Director		
Chen Linlin	Wolong Real Estate Group Co., Ltd.	Independent Director	October 27, 2021	

Qian Yanmin	Zhejiang Shinyway Education Technology Co., Ltd.	Independent Director		
Qian Yanmin	Hangzhou Juqi Information Technology Co., Ltd.	Independent Director		
Qian Yanmin	Zhejiang Botai Furniture Co., Ltd.	Independent Director		
Description of employment in other units	None			

(III) Remuneration of Directors, Supervisors, Senior Management and Core Technicians

√Applicable ☐ Not Applicable

Unit: 10,000 Yuan Currency: Renminbi

Decision-making procedures for the remuneration of Directors, supervisors and senior executives	According to the Company's Articles of Association, the Company's Remuneration and Appraisal Committee conducts research and review of the remuneration policy and program of the senior management, which shall be implemented after approval by the Board of Directors; remuneration plans for Directors and supervisors submitted after approval by the Board of Directors shall be executed with approval by the General Meeting of Shareholders.
Basis for Determination of Remuneration of Directors, Supervisors and Senior Management	Directors and supervisors who hold specific positions will be paid according to their specific positions in the Company without remuneration for Directors and supervisors; Independent Directors shall be entitled to a fixed amount of Director's allowance, which shall be paid along with the company's salary. Other Directors and supervisors shall not be entitled to any allowance. Senior management personnel remuneration shall be determined by referring to industrial and regional levels, combined with the Company's actual operating conditions,
Actual Payment of Remuneration to Directors, Supervisors and Senior Management	During the reporting period, the actual payment of remuneration to the Company's Directors, supervisors and senior management is consistent with the situation disclosed by the Company.
Total remuneration actually received by all Directors, supervisors and senior management at the end of the reporting period	516.17
Total remuneration actually received by core technicians at the end of the reporting period	240.65

Note: Cao Ji (resigned Chairman, Director and General Manager during the reporting period), Zhao Qunwu and Yu Pingguang are not only Directors, supervisors and senior management personnel, but also core technical personnel.

(IV) Changes in Directors, Supervisors, Senior Management and Core Technical Personnel of the Company

√Applicable ☐ Not Applicable

Name	Position held	Changes	Reason for change
Cao Ji	Director, Chairman,	Resigned	Resigned

	General Manager		
Yan Lei	Chairman, Deputy General Manager	elected	new
Yu Pingguang	Managing Director	appointed	Newly appointed

(V) Explanation of punishments received by securities regulatory agencies in the past three years

☒ Applicable ☐ Not Applicable

Mr. Cao Ji, the actual controller and then Chairman of the Board of Directors, received the *Decision on Measures to Issue a Warning Letter to Cao Ji* from the Zhejiang Regulatory Bureau of the China Securities Regulatory Commission on October 19, 2021 due to the short-swing trading of his spouse Kong Haiping. For details, see *Notice on the Chairman of the Company receiving the Warning Letter from Zhejiang Securities Regulatory Bureau* (Notice No.: 2021-045) disclosed by the Company on October 20, 2021. On October 28, 2021, the Shanghai Stock Exchange issued the *Decision on Supervision and Warning of Cao Ji, Actual Controller and then-Chairman of Zhejiang Hangke Technology Incorporated Company* Cao Ji received the *Notice of Case Filing* issued by the China Securities Regulatory Commission on February 16, 2022. For details, see the *Notice on the Actual Controller and Chairman of the Company Receiving the Notice of Filing a Case from China Securities Regulatory Commission* disclosed by the Company on February 17, 2022 (Notice No.: 2022-004) ; On March 9, 2022, Cao Ji received the Decision on Administrative Punishment from Zhejiang Securities Regulatory Bureau, which gave Cao Ji a warning and imposed a fine of 200,000 Yuan. For details, please refer to the *Notice on the Actual Controller and Chairman of the Company Receiving the Decision on Administrative Punishment* (Notice No.: 2022-006).

(VI) Other

☐ Applicable ☒ Not Applicable

VII. Relevant information on board meetings held during the reporting period

Session	Date	Meeting Resolution
The second meeting of the third Board of Directors	2022/3/18	All proposals were considered and passed, and no resolution was rejected.
The third meeting of the third Board of Directors	2022/4/6	All proposals were considered and passed, and no resolution was rejected.
The Fourth Meeting of the Third Board of Directors	2022/4/29	All proposals were considered and passed, and no resolution was rejected.
The Fifth Meeting of the Third Board of Directors	2022/5/23	All proposals were considered and passed, and no resolution was rejected.
The sixth meeting of the third Board of Directors	2022/8/26	All proposals were considered and passed, and no resolution was rejected.
The seventh meeting of the third Board of Directors	2022/8/29	All proposals were considered and passed, and no resolution was rejected.
The Eighth Meeting of the Third Board of Directors	2022/9/13	All proposals were considered and passed, and no resolution was rejected.

The Ninth Meeting of the Third Board of Directors	2022/9/19	All proposals were considered and passed, and no resolution was rejected.
The Tenth Meeting of the Third Board of Directors	2022/9/28	All proposals were considered and passed, and no resolution was rejected.
The Eleventh Meeting of the Third Board of Directors	2022/10/27	All proposals were considered and passed, and no resolution was rejected.

VIII. Performance of duties by Directors

(I) Participation of Directors in the Board of Directors and General Meetings of Shareholders

Director Name	Independent Director or not	Participation in the Board of Directors						Participation in the general meeting of shareholders
		Number of board meetings to be attended during the year	Number of attendance in person	Number of participation by means of communication	Number of commissioned attendance	Number of absences	Whether to fail to attend meetings in person twice in a row	Number of general meetings attended
Cao Ji	No	6	6	0		0	No	5
Sang Hongyu	No	10	10	0	0	0	No	5
Zhao Qunwu	No	10	10	0	0	0	No	5
Yu Pingguang	No	10	10	0	0	0	No	5
Yan Lei	No	4	4	0	0	0	No	1
Chen Linlin	Yes	10	10	10	0	0	No	0
Xu Yaming	Yes	10	10	10	0	0	No	0
Qian Yanmin	Yes	10	10	10	0	0	No	0

Explanation for failing to attend two board meetings in person in a row

☐ Applicable ☒ Not Applicable

Number of board meetings held during the year	10
where: Number of on-site meetings	0
Number of meetings held by means of communication	0
Number of meetings held on site combined with	10

communication

(II) Situation where Directors raise objections to relevant matters of the Company
☐ Applicable ☒ Not Applicable
(III) Other
☐ Applicable ☒ Not Applicable
IX. Special committees under the Board of Directors
☒ Applicable ☐ Not Applicable
(1). Membership of special committees under the Board of Directors

Special Committee Category	Member name
The Audit Committee	Xu Yaming, Chen Linlin, Zhao Qunwu
The Nomination Committee	Chen Linlin, Xu Yaming, Yan Lei
Remuneration and Appraisal Committee	Chen Linlin, Sang Hongyu, Xu Yaming
Strategic Committee	Yan Lei, Sang Hongyu, Zhao Qunwu, Yu Pingguang, Qian Yanmin

(2). The Audit Committee held 5 meetings during the reporting period

Date	Conference content	Important Comments and Suggestions	Other performance of duties
April 6, 2022	<i>The Proposal on the Closing of Some Investment Projects with Raised Funds and the Permanent Supplement to the Working Capital with the Balance of Raised Funds</i> <i>Proposal on the Use of Part of the Over-raised Funds to Permanently Replenish the Working Capital</i>	The Audit Committee carried out its work in strict accordance with the <i>Company Law</i> , the regulatory rules of the China Securities Regulatory Commission, the <i>Articles of Association</i> and the <i>Rules of Procedures of the Board of Directors</i> . After full communication and discussion, it passed all proposals unanimously.	None
April 29, 2022	<i>Proposal on Reviewing the 2021 Duty Performance Report of the Audit Committee of the Board of Directors</i> <i>Proposal on Reviewing the 2021 Financial Final Statements</i> <i>Proposal on the Reviewing the 2022 Financial Budget Report</i> <i>Proposal on Reviewing the Profit Distribution Plan for 2021</i> <i>Proposal on Reviewing the Special Report on the</i>	The Audit Committee carried out its work in strict accordance with the <i>Company Law</i> , the regulatory rules of the China Securities Regulatory Commission, the <i>Articles of</i>	None

	<i>Deposit and Use of Raised Funds in 2021</i> <i>Proposal on Reviewing the 2021 Internal Control Self-Assessment Report</i> <i>Proposal on Consideration of <2021 Annual Report> and Its Abstract</i> <i>Proposal on Consideration of <2022 First Quarterly Report></i> <i>Proposal on Leasing Real Estate to Affiliated Parties and Related Party Transactions</i> <i>Proposal on Renewal of Employment of the Company's 2022 Auditor</i> <i>Proposal on Launching Foreign Exchange Hedging Business</i>	<i>Association and the Rules of Procedures of the Board of Directors. After full communication and discussion, it passed all proposals unanimously .</i>	
August 29, 2022	<i>Semi-annual Report and Abstract of Zhejiang Hangke Technology Incorporated Company In 2022 and Its Summary and Special Report on the Deposit and Use of Funds Raised in the Half Year of 2022</i>	The Audit Committee carried out its work in strict accordance with the <i>Company Law</i> , the regulatory rules of the China Securities Regulatory Commission, the <i>Articles of Association</i> and the <i>Rules of Procedures of the Board of Directors</i> . After full communication and discussion, it passed all proposals unanimously .	None
September 28 , 2022	<i>Proposal on the Report on the Use of Funds Raised by the Company in the Previous Period</i>	The Audit Committee carried out its work in strict accordance with the <i>Company Law</i> , the regulatory rules of the China Securities Regulatory Commission, the <i>Articles of Association</i> and the <i>Rules of Procedures of the Board of Directors</i> . After full communication and discussion, it passed all proposals unanimously .	None
October 27 , 2022	<i>Proposal on the Company's 2022 Third Quarter Report</i>	The Audit Committee carried out its work in strict accordance with the <i>Company Law</i> , the regulatory rules of the China Securities Regulatory	None

		Commission, the Articles of Association and the Rules of Procedures of the Board of Directors. After full communication and discussion, it passed all proposals unanimously.	
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(3). The nomination committee held 2 meetings during the reporting period

Date	Conference content	Important Comments and Suggestions	Other performance of duties
August 26, 2022	<i>Proposal on the Review of Non-Independent Director Candidates for the Third Board of Directors</i>	The Nomination Committee carried out its work in strict accordance with the <i>Company Law</i> , the regulatory rules of the China Securities Regulatory Commission, the <i>Articles of Association and the Rules of Procedures of the Board of Directors</i> . After full communication and discussion, it passed all proposals unanimously.	None
September 13, 2022	<i>Proposal on Nominating Yu Pingguang as the General Manager of the Company</i>	The Nomination Committee carried out its work in strict accordance with the <i>Company Law</i> , the regulatory rules of the China Securities Regulatory Commission, the <i>Articles of Association and the Rules of Procedures of the Board of Directors</i> . After full communication and discussion, it passed all proposals unanimously.	None

(4). The Remuneration and Appraisal Committee held 2 meetings during the reporting period

Date	Conference content	Important Comments and Suggestions	Other performance of duties
March 18, 2022	<i>Proposal on the Company's <2022 Restricted Stock Incentive Plan (Draft)> and its summary</i> <i>Proposal on the Company's Assessment and Management Measures for the Implementation of the Restricted Stock Incentive Plan in 2022</i>	The Remuneration and Appraisal Committee carried out its work in strict accordance with the <i>Company Law</i> , the regulatory rules of the China Securities Regulatory Commission, the <i>Articles of Association and the Rules of Procedures of the Board of Directors</i> . After full communication and discussion, it passed all proposals unanimously.	None
April 29, 2022	<i>Proposal on Reviewing the 2022 Remuneration Standards for Directors and Supervisors of the Company</i> <i>Proposal on the Reviewing the 2022 Annual Remuneration Plan for the Company's Senior Management</i>	The Remuneration and Appraisal Committee carried out its work in strict accordance with the <i>Company Law</i> , the regulatory rules of the China Securities Regulatory Commission, the <i>Articles of Association and the Rules of Procedures of the Board of</i>	None

		Directors. After full communication and discussion, it passed all proposals unanimously.	
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(5). The Strategic Committee held 2 meetings during the reporting period

Date	Conference content	Important Comments and Suggestions	Other performance of duties
September 19, 2022	<i>Proposal on Terminating the Issue of A Shares to Specific Objects in 2021</i> <i>Proposal on Suspension of the Board of Directors' Issuance of Stocks to Specific Objects through Simple Procedures</i> <i>Proposal on Planning for Overseas Issuance of Global Depositary Receipts and Listing Them on the Swiss Stock Exchange</i>	The Strategic Decision-Making Committee carries out its work in strict accordance with the <i>Company Law</i> , the regulatory rules of the China Securities Regulatory Commission, the <i>Articles of Association</i> and the <i>Rules of Procedures of the Board of Directors</i> . After full communication and discussion, it passed all proposals unanimously.	None
September 28, 2022	<i>Proposal on the Company's Issuance of GDR, Listing on the Swiss Stock Exchange and Transferring to an Overseas Stock Exchange Co., Ltd.</i> <i>Proposal on the Company's Issuance of GDR and Listing on the Swiss Stock Exchange</i> <i>Proposal on the Company's Plan for the Use of Funds Raised by Issuing GDR</i> <i>Proposal on the Validity Period of the Resolution on the Company's Issuance of GDR and Listing on the Swiss Stock Exchange</i> <i>Proposal on the Distribution Scheme of Profits Accrued before the Company's issuance of GDR and listing on the Swiss Stock Exchange</i>	The Strategic Decision-Making Committee carries out its work in strict accordance with the <i>Company Law</i> , the regulatory rules of the China Securities Regulatory Commission, the <i>Articles of Association</i> and the <i>Rules of Procedures of the Board of Directors</i> . After full communication and discussion, it passed all proposals unanimously.	None

(6). The specific circumstances of the objection

☐Applicable ☒Not Applicable

X. Explanation of the Board of Supervisors finding that the Company is at risk

☐Applicable ☒Not Applicable

The Board of Supervisors had no objection to the supervisory matters during the reporting period.

XI. Employees of the parent Company and major subsidiaries at the end of the reporting period

(I) Staff situation

The number of employees employed by the parent Company	4,317
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Number of employees on active duty in major subsidiaries	5
Total number of employees on active duty	4,322
The number of retired employees whose parent Company and major subsidiaries need to bear the expenses	1 10
Specialty composition	
Specialty Category	Number of composition
Production staff	2,894
Salesperson	182
Technician	975
Financial officer	18
Administration staff	253
Total	4,322
Education level	
Education level category	Number (person)
Postgraduate	36
Undergraduate	679
Junior college and below	872
High school	2,735
Total	4,322

(II) Remuneration policy

☒ Applicable ☐ Not Applicable

In accordance with the relevant national labor laws and regulations, the Company signs labor contracts with employees, pays medical insurance, pension insurance and housing provident funds for employees, and has established a scientific performance management system and formulated a flexible salary system linked to performance by combining the industry and the actual business situation of the company, which scientifically and reasonably protects the vital interests of employees. The Company actively organizes various activities to enrich the cultural life of employees and enhance employees' sense of belonging and satisfaction.

(III) Training program

☒ Applicable ☐ Not Applicable

The Company has established a special training system to train employees in echelons and continue to improve them. The Company's training is divided into two forms: internal training and external training. In terms of internal training, the Company has established a team of internal lecturers, set up internal public courses, and used internal resources of the Company to provide pre-job training, skill training for various departments and management ability training for employees, so as to continuously stimulate the potential of employees and help them grow and improve; In terms of external training, the Company formulates targeted special training for different employees and management by hiring external lecturers and organizing employees to participate in external training, so as to broaden the thinking concept of employees and improve their professional skills and comprehensive quality. Through the combination of external training and internal training, the Company formulates corresponding training plans according to job requirements, builds a good career development channel for employees, and reserves human resources for the Company's stable development.

(IV) Labor outsourcing

☐ Applicable ☒ Not Applicable

XII. Profit distribution or capital reserve conversion plan**(I) Formulation, implementation or adjustment of cash dividend policy**

☒ Applicable ☐ Not Applicable

The Company's 2022 profit distribution plan and proposed conversion to share capitals with provident funds is as follows: the Company intends to distribute a cash dividend of RMB3.5 (including tax) for every 10 shares to all shareholders based on the total share capital on the date of registration of the dividend distribution for 2022, which is expected to amount to RMB150,918,037.90, accounting for 30.76% of the net profit attributable to shareholders of the listed company in the consolidated statement for 2022; at the same time, the Company will convert 4 shares for every 10 shares to all shareholders from the capital provident funds. The total number of shares to be converted is 172,477,758, and the total share capital of the Company after conversion will be 603,672,152 shares.

There will be no issuance of additional shares as dividends for this year. The amount of cash dividends in the above 2022 profit distribution plan is calculated based on the current total share capital of 431,194,394 shares, and the actual total amount of cash dividends will be calculated based on the total share capital on the registration date of the 2022 dividend distribution.

The Company's 2022 profit distribution proposal and conversion to share capitals with provident funds has been reviewed and approved at the 14th meeting of the third Board of Directors of the company, and needs to be reviewed and approved by the general meeting of shareholders of the company.

(II) Special Notes on Cash Dividend Policy

☒ Applicable ☐ Not Applicable

Whether it complies with the provisions of the Company's articles of association or the requirements of the resolutions of the General Meeting of Shareholders	☒ Yes ☐ No
Whether the dividend standard and proportion are clear and specific	☒ Yes ☐ No
Whether relevant decision-making procedures and mechanisms are complete	☒ Yes ☐ No
Whether the independent directors performed their duties and played their due role	☒ Yes ☐ No
Whether small and medium shareholders have the opportunity to fully express their opinions and appeals, and whether their legitimate rights and interests have been fully protected	☒ Yes ☐ No

(III) If the Company is profitable during the reporting period and the parent Company's profits available for distribution to shareholders are positive, but has not proposed a cash profit distribution plan, the Company shall disclose the reasons in detail and the purpose and use plan of the undistributed profits

☐ Applicable ☒ Not Applicable

(IV) Profit distribution and conversion of capital reserves into share capital during the reporting period

☐ Applicable ☐ Not Applicable

	Unit: Yuan	Currency: RMB
Bonus shares for every 10 shares (shares)		0
Dividend per 10 shares (Yuan) (tax included)		3.5
Increase per 10 shares (shares) by transfer		4
Cash dividend amount (tax included)		150,918,037.90
Net profit attributable to ordinary shareholders of		490,594,411.85

listed companies in the annual consolidated statement of dividends	
Ratio of net profit attributable to ordinary shareholders of listed companies in the consolidated statements (%)	30.76
The amount of shares repurchased in cash to be included in the cash dividend	0
Total amount of dividends (tax inclusive)	150,918,037.90
The ratio of the total dividend amount to the net profit attributable to ordinary shareholders of the listed Company in the consolidated statement (%)	30.76

XIII. The status and impact of the Company's equity incentive plan, employee stock ownership plan or other employee incentives

(I) Overall situation of equity incentives

√Applicable ☐ Not Applicable

1. Equity incentive plan during the reporting period

Unit: Yuan Currency: RMB

Plan name	Incentives	Number of underlying stocks	Proportion of the number of underlying stocks (%)	Number of incentive objects	Proportion of incentive objects (%)	Granted target stock price
2020 Restricted Stock Incentive Plan	Class II restricted stock	4,210,000	1.04	154	3.56	9.5
2021 Restricted Stock Incentive Plan	Class II restricted stock	3,000,000	0.74	465	10.76	28
2022 Restricted Stock Incentive Plan	Class II restricted stock	4,000,000	0.99	245	5.67	28

Note: The above number of underlying stocks does not exclude the part of stocks that expired and became invalid due to resignation, failure to meet the assessment standards, waiver and other reasons by the end of the reporting period; The target stock price granted under the 2020 restricted Stock Incentive Plan is the price adjusted for equity allocation; the denominator of the calculation of the proportion of the target stock is the Company's Total share capital of 405,133,000 shares on December 31, 2022; the calculation denominator of the proportion of the number of incentive objects is the headcount of 4322 of the Company on December 31, 2022.

2. Implementation progress of equity incentives during the reporting period

√Applicable ☐ Not Applicable

Unit: Shares

Plan name	Number of equity incentives granted	Number of newly granted equity incentives	Attributable /executable/unlocked equity during the reporting period	Number of vested/exercised/unlocked during the reporting period	Grant price /exercise price (Yuan)	Number of equity incentives granted	Vested /exercised/unlocked shares at the end of the period
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	at the beginning of the year	ves during the reporting period			)	at the end of the period	
2020 Restricted Stock Incentive Plan	2,095,000	0	2,043,000	2,043,000	9.5	0	0
2021 Restricted Stock Incentive Plan	3,000,000	0	1,000,000	0	28	3,000,000	0
2022 Restricted Stock Incentive Plan	0	3,200,000	0	0	28	3,200,000	0

3.Completion of equity incentive assessment indicators and confirmed share-based payment expenses during the reporting period

√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Plan name	Completion of company-level assessment indicators during the reporting period	Share-based payment expenses confirmed during the reporting period
2020 Restricted Stock Incentive Plan	Target value has been achieved	16,160,159.97
2021 Restricted Stock Incentive Plan	Target value has been achieved	92,353,723.98
2022 Restricted Stock Incentive Plan	Not achieved	18,388,564.67
Total	/	126,902,448.62

(II) Relevant incentives have been disclosed in temporary announcements and there is no progress or change in subsequent implementation

√Applicable ☐ Not Applicable

Matters overview	Query index
The Company held the second meeting of the third Board of Directors and the second meeting of the third Board of Supervisors on March 18, 2022, and reviewed and approved the <i>Proposal on the Company's 2022 Restricted Stock Incentive Plan (Draft) and its Summary</i> , it is planned to grant 3.2 million restricted shares to 245 incentive objects for the first time, accounting for 0.79% of the Company's Total share capital when the draft incentive plan is announced, and reserve 800,000 shares, accounting for 0.20 % of the Company's Total share capital when the draft incentive plan is announced.	For details, please refer to the Zhejiang Hangke Technology Incorporated Company 2022 <i>Restricted Stock Incentive Plan (Draft) Summary Announcement</i> published on the website of the Shanghai Stock Exchange (www.sse.com.cn) on March 19, 2022 (Announcement No. 2022-009) and incentive plan (draft) and other related documents.

The third meeting of the third Board of Directors and the third meeting of the third Board of Supervisors held by the Company on April 6, 2022 reviewed and approved the <i>Proposal on Granting Restricted Stocks to Incentive Objects</i> for the First Time, and determined that the April 6, 2022 was the first grant day, and 3.2 million restricted shares were granted to 245 incentive objects at a grant price of 28 Yuan per share .	For details, please refer to <i>the Announcement of Zhejiang Hangke Technology Incorporated Company on the First Grant of Restricted Stocks to Incentive Objects</i> published on the website of the Shanghai Stock Exchange (www.sse.com.cn) on April 7, 2022 (Announcement No. 2022-018).
The Company held the fifth meeting of the third Board of Directors and the fifth meeting of the third Board of Supervisors on May 23, 2022, and reviewed and approved the <i>Proposal on Meeting the Vesting Conditions for the Second Vesting Period of the First Grant Part of the Company's 2020 Restricted Stock Incentive Plan</i> . On June 2, 2022, the Company's 2020 restricted stock incentive plan for the first time granted a total of 95 incentive objects to complete the attribution registration, and a total of 1.643 million shares were listed for circulation on June 9, 2022.	For details, please refer to the <i>Announcement on the Vesting Result of the Second Vesting Period of the First Grant part of 2020 Restricted Stock Incentive Plan and Stock Listing of Zhejiang Hangke Technology Incorporated Company</i> published on the website of the Shanghai Stock Exchange (www.sse.com.cn) on June 7, 2022. (Announcement No. 2022-041).
The seventh meeting of the third Board of Directors and the sixth meeting of the third Board of Supervisors on August 29, 2022, and reviewed and approved the <i>Proposal on Meeting the Vesting Conditions for the Second Vesting Period of the Reserved Vesting Part of the Company's 2020 Restricted Stock Incentive Plan</i> . On September 8, 2022, a total of 53 incentive objects reserved for granting part of the Company 's 2020 restricted stock incentive plan completed the vesting registration, and a total of 400,000 shares were listed for circulation on September 15, 2022.	to the second attribution of the reserved part of the 2020 restricted stock incentive plan of Zhejiang Hangke Technology Incorporated Company published on the website of the Shanghai Stock Exchange (www.sse.com.cn) on September 10, 2022. Announcement on the results of the vesting period and the listing of shares (Announcement No. 2022-055). For details, please refer to the <i>Announcement on the Vesting Result of the Second Vesting Period of the Reserved Vesting Part of 2020 Restricted Stock Incentive Plan and Stock Listing of Zhejiang Hangke Technology Incorporated Company</i> published on the website of the Shanghai Stock Exchange (www.sse.com.cn) on September 10, 2022. (Announcement No. 2022-055).

Other Instructions

☐Applicable ☒Not Applicable

Employee Stock Ownership Plan Status

☐Applicable ☒Not Applicable

other incentives

☐Applicable ☒Not Applicable
(III) Share incentives awarded to Directors, Senior Managers and Core Technicians during the reporting period**1.Stock Options**
☐Applicable ☒Not Applicable
2.Class I restricted stock
☐Applicable ☒Not Applicable
3.Class II restricted stock
☒Applicable ☐Not Applicable

Unit: Ten thousand shares

Name	Position	Number of restricted stocks granted at the beginning of the year	Number of newly granted restricted stocks during the reporting period	Grant price of restricted stock (Yuan)	Attributable quantity during the reporting period	The vested quantity in the reporting period	Number of restricted stocks granted at the end of the period	Market price at the end of the reporting period (Yuan)
Fu Fenghua	Deputy General Manager, Secretary of the Board of Directors, Chief Financial Officer	6.8	0	28	5	5	1.8	43.77
Liu Wei	Core technical staff	3	4	28	3	3	4	43.77
Total	/	9.8	4	/	8	8	5.8	/

Note: Fu Fenghua's restricted stock grant price in the 2020 restricted stock incentive plan is 9.5 Yuan/share. The 100,000 restricted stock plans granted in the 2020 restricted stock incentive plan have all been vested.

Liu Wei's restricted stock grant price in the 2020 restricted stock incentive plan is 9.5 Yuan per share, and the restricted stock grant price in the 2022 restricted stock incentive plan is 28 Yuan per share. The 60,000 restricted stock plans granted in the 2020 restricted stock incentive plan have all been vested.

(IV) Senior management personnel and the incentive mechanism during the reporting period

√Applicable ☐ Not Applicable

The Company has established a selection, evaluation, incentive and restraint mechanism for senior management personnel. All senior managers of the Company are appointed by the Board of Directors, are responsible to the Board of Directors, and implement the resolutions of the Board of Directors. The Board of Directors of the Company has a remuneration and appraisal committee, which is responsible for the year-end assessment of the senior management's working ability, performance of duties, and completion of responsibility goals, formulating a remuneration plan and submitting it to the Board of Directors for review and approval.

During the reporting period, the senior executives of the Company were able to perform their duties in strict accordance with the *Company Law*, *Articles of Association* and relevant national laws and regulations, and actively implemented the relevant resolutions of the Company's General Meeting of Shareholders and the Board of Directors, continuously optimize the daily management and production business system within the decision-making framework of the Board of Directors, continue to strengthen internal management, and actively complete various tasks assigned by the Board of Directors during the reporting period.

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

√Applicable ☐ Not Applicable

For details, please refer to the Internal Control Evaluation Report of Zhejiang Hangke Technology Incorporated Company disclosed by the Company on the website of the Shanghai Stock Exchange on April 27, 2022.

Explanation on major deficiencies in internal control during the reporting period

☐ Applicable ☒ Not Applicable

XV. Management and control over subsidiaries during the reporting period√Applicable ☐ Not Applicable

For details, please refer to Part XIV *Internal Control Construction and Implementation During the Reporting Period* of this section.

XVI. Relevant statement on internal control audit report√Applicable ☐ Not Applicable

For details, please refer to the *Internal Control Verification Report of Zhejiang Hangke Technology Incorporated Company* disclosed by the Company on the website of the Shanghai Stock Exchange on April 27, 2022.

Whether to disclose the internal control audit report: Yes

Types of internal control audit report opinions: Standard unreserved opinion

XVII. The rectification of problems in the self-examination of the special action of corporate governance of listed companies

Not applicable

XVIII. Other

☐Applicable √Not Applicable

Section V Environment, Social Responsibility and Other Corporate Governance

I. Statement from the Board of Directors on ESG Situation

The Company is committed to establishing and improving the ESG working mechanism, striving to integrate harmoniously with the society and the environment, and creating long-term stable society, environment and corporate value. The Company's Board of Directors is the highest responsible and decision-making body for ESG matters, and assumes full responsibility for the Company's ESG strategy and reporting. In order to effectively fulfill the management and supervision responsibilities of the Board of Directors on environmental, social and governance affairs, the Company's Strategic Decision-making Committee is specifically responsible for and implements ESG resolutions of the Board of Directors, reviews ESG risks, is responsible for the implementation and promotion of specific ESG matters of the Company, and regularly reports to the Board of Directors to communicate and report work progress. The Company attaches great importance to the work related to ESG information disclosure. The Board of Directors supervises the ESG report preparation process and reviews the annual ESG report to ensure the authenticity and effectiveness of information disclosure. For specific information, please refer to the *2021 Annual Social Responsibility Report* disclosed by the Company on the same day.

II. Environmental information

Whether to establish relevant mechanisms for environmental protection	Yes
Investment in environmental protection during the reporting period (Unit: 10,000 Yuan)	Not applicable

(I) Whether it is a key pollutant discharge unit announced by the environmental protection department

√Yes ☐ No

1. Sewage Information

☐Applicable √Not Applicable

2. Pollution prevention and control facilities
☐Applicable ☒Not Applicable
3. Environmental impact assessment of construction projects and other environmental protection administrative permits
☐Applicable ☒Not Applicable
4. Emergency plan for environmental emergencies
☐Applicable ☒Not Applicable
5. Environmental Self-Monitoring Program
☐Applicable ☒Not Applicable
6. Other environmental information that should be disclosed
☐Applicable ☒Not Applicable
(II) Administrative penalties due to environmental issues during the reporting period

None

(III) Resource energy consumption and emissions information
☐Applicable ☒Not Applicable
1. Greenhouse gas emissions
☐Applicable ☒Not Applicable
2. Consumption of energy resources
☐Applicable ☒Not Applicable
3. Discharge of waste and pollutants
☐Applicable ☒Not Applicable
The Company's environmental protection management system, etc.
☐Applicable ☒Not Applicable

The Company strictly abides by the *Environmental Protection Law of the People's Republic of China*, *Energy Conservation Law of the People's Republic of China*, *Solid Waste Pollution Prevention and Control Law of the People's Republic of China* and other laws and regulations, and actively advocates the practice of green and low-carbon office.

(IV) Measures and effects taken to reduce its carbon emissions during the reporting period

Whether to take carbon reduction measures	Yes
Reduction of carbon dioxide equivalent emissions (unit: tons)	Not applicable
Carbon reduction measures (such as using clean energy to generate electricity, using carbon reduction technologies in the production process, developing and producing new products that help reduce carbon emissions, etc.)	The Company adheres to the concept of green operation, and continuously improves the efficiency of resource use through awareness promotion, management optimization, equipment upgrading and process improvement, so as to reduce the consumption of water resources, electricity, natural gas and other resources in the process of business operation.

Specific instructions

☐Applicable ☒Not Applicable

(V) New technologies, new products and new services in terms of carbon emission reduction

☐Applicable ☒Not Applicable

(VI) Relevant information that is conducive to protecting the ecology, preventing pollution, and fulfilling environmental responsibilities

☒Applicable ☐Not Applicable

The Company adheres to the concept of harmonious coexistence between man and nature, and has been committed to promoting green environmental protection and practicing sustainable development. In the process of operation, the Company pays attention to energy saving, emission reduction and green ecological construction to reduce the negative impact on the natural environment. At the same time, the Company also actively carries out green activities to promote the popularization and promotion of environmental protection awareness. For details, please refer to the *2022 Social Responsibility Report* disclosed by the Company.

III. Social Responsibility Work Situation

(I) Main business social contribution and industry key indicators

For details, see the 2022 Corporate Social Responsibility Report disclosed by the company on the same day.

(II) Types of charitable activities and contributions

1. Engaging in public welfare and charitable activities

☐Applicable ☒Not Applicable

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

☐Applicable ☒Not Applicable

(III) Protection of the rights and interests of shareholders and creditors

In strict accordance with the *Company Law*, *Securities Law* and other laws and regulations, departmental rules, normative documents and the *Articles of Association*, the Company holds shareholders' meetings according to law, and actively adopts online voting to increase the proportion of shareholders participating in shareholders' meetings. During the reporting period, the Company has continued to improve the Company's corporate governance structure, focused on the Company's standardized operations, and established and improved various internal management systems. During the reporting period, the Company has continued to improve the corporate governance structure to protect shareholders' right to know and ensure shareholders' return on investment; continuously improved the internal control system and governance structure, strictly performed information disclosure obligations, and disclosed information to all shareholders in a true, accurate, complete, timely and fair manner; it has communicated with investors by receiving investors on-site surveys and other ways to establish a good interaction. At the same time, the Company's financial policy is stable, assets and funds are safe, and the interests of creditors are taken into account while safeguarding the interests of shareholders. During the reporting period, the Company had no major shareholders and related parties occupying the Company's funds, and there were no situations in which funds were directly or indirectly provided to major shareholders and related parties for use.

(IV) Protection of Employees' Rights and Interests

The Company abides by the requirements of laws, regulations and normative documents such as the *Labor Law* and the *Labor Contract Law*, constantly improves the human resource management system, improves the salary and incentive mechanism, and provides employees with labor contracts and social insurance coverage. The rights and interests of employees such as wages, benefits, working hours, vacations, and labor protection have been systematically regulated and effectively protected. The Company adheres to people-oriented, respects a free, open, cooperative and innovative working atmosphere, provides employees with a safe and comfortable working environment, and pays attention

to their physical and mental health. In addition, the Company provides employees with diversified training and dual-channel career development paths of management and technology to help employees grow.

Employee shareholding

Employee shareholding number (person)	864
The number of employees holding shares to the total number of employees in the Company (%)	19.99%
Number of shares held by employees (10,000 shares)	1,041
The ratio of the number of employee shares to the total share capital (%)	2.57

Note: (1) In the 2020 restricted stock incentive plan, the Company granted 3.41 million restricted shares to 101 subjects for the first time and 800,000 reserved restricted shares to 53 subjects for the first time; (2) The Company's 2021 restricted stock incentive plan grants 3 million restricted stock units to 465 incentive subjects, which are the same as the 2020 restricted stock incentive plan; (3) The Company's 2022 restricted stock incentive plan, which grants 3.2 million restricted stock units to 245 incentive subjects, which are overlapping with the 2020 and 2021 restricted stock incentive subjects; (4) The calculation denominator of "ratio of employee shareholding to the total number of employees of the Company" is the total number of employees of the Company on December 31, 2022, namely 4,322; the calculation denominator of "ratio of employee shareholding to the total share capital" is the total share capital of the Company on December 31, 2022, namely 405,133,000 shares; (5) As for the number of employee stock ownership, because the incentive plan has not been implemented, there is still the possibility that the actual number of employees will continue to decrease in the remaining vesting period due to the reasons such as employee dimission and failing to meet the assessment standards.

(V) Protection of Suppliers, Customers and Consumers

The Company has established and implemented a complete and standardized procurement internal control management system, which clearly stipulates the procurement process, inventory management, supplier selection and other matters. The relevant departments of the Company interact with each other and regularly formulate procurement plans based on order forecasts and inventory conditions provided by customers to ensure timely product delivery, controllable product quality, and reasonable inventory levels. Through comprehensive evaluation of potential suppliers' production capacity, production process, delivery cycle, product quality control and other indicators, the Company selects suppliers that meet the requirements for cooperation, and establishes a long-term and stable cooperative relationship. Quality control, technical confidentiality and other aspects have formed contractual, standardized, and normalized constraints, which have been highly guaranteed and can fully protect the legitimate rights and interests of suppliers, customers, and consumers.

(VI) Product Safety Guarantee

The Company has always insisted on providing customers with high-quality products and services, strictly controlled product quality, paid attention to product safety, and attached great importance to the quality management of product design, sales and outsourced production links. It has established a complete and systematic quality control system and passed the ISO9001 Quality Management System Certification to ensure the process quality control of each process.

(VII) Other Situations in Assuming Social Responsibility

☒ Applicable ☐ Not Applicable

The Company takes the initiative to undertake and practice social responsibility, focusing on the research and development of green technologies with low energy consumption, hoping to save energy through technological innovation and help users reduce energy consumption and material waste. Through integrated design and energy feedback technology, we minimize the footprint of the product and control the energy consumption of the ambient temperature. At the same time, we use energy feedback technology to feed back more than 80% of the electric energy during the battery discharge process to the grid for reuse, which has greatly reduced customer energy consumption.

We are people-oriented, respect united, rigorous, discreet, and lively working atmosphere, provide employees with a safe and comfortable working environment, organize training activities for engineers and front-line employees from time to time, share knowledge, strengthen cross-departmental communication, and regularly carry out department-level development activities and improve employee cohesion; pay attention to the physical and mental health of employees, organize regular collective health checks, carry out sympathy activities for employees with difficult conditions and sick employees, warm the hearts of employees, and expand the scale of recruitment.

IV. Other Corporate Governance

(I) Party building

☐ Applicable ☒ Not Applicable

(II) Investor Relations and Protection

Type	Frequency	Related situation
Holding performance briefing	2	During the reporting period, the Company held Hangke Technology's 2021 annual and 2022 first quarter performance presentations, Hangke Technology's 2022 semi - annual and third quarter performance presentations on the Shanghai Stock Exchange Roadshow Center platform
Carry out investor relations management activities with the help of new media	2	Same as above
Official website set up investor relations column	☒ Yes ☐ No	For details, please refer to the Company website www.chr-group.net

Carrying out investor relations management and protection

☒ Applicable ☐ Not Applicable

The Company attaches great importance to the management of investor relations. The designated website for the Company's information disclosure is the website of the Shanghai Stock Exchange www.sse.com.cn, and the designated newspapers for the Company's information disclosure are Shanghai Securities News and Securities Daily, ensuring that all shareholders of the Company have fair access to Company information. At the same time, the Company communicates with investors through various forms such as investor contact mailboxes, dedicated consultation telephones, and reception of investor on-site surveys, actively maintains a good relationship between the Company and investors, improves the transparency of corporate information, and protects legal rights of all shareholders, especially small and medium shareholders.

The Company earnestly abides by the requirements of the *Articles of Association* and relevant policy documents, strictly implements the cumulative voting system, separate vote counting of small and medium-sized investors for major events, and effectively strengthens the protection of the rights and interests of small and medium-sized investors.

Other ways to communicate with investors

☐ Applicable ☒ Not Applicable

(III) Information Disclosure Transparency

☒ Applicable ☐ Not Applicable

In accordance with relevant laws, regulations and the relevant provisions of the *Articles of Association*, the Company discloses major information of the Company in a true, accurate, complete and

timely manner, avoids the occurrence of selective information disclosure, and protects the interests of small and medium investors.

(IV) Intellectual property and information security protection

☒ Applicable ☐ Not Applicable

Intellectual property protection. (1) The management attaches great importance to intellectual property rights work, which will be placed in the same important position as the market, product quality, and cost, and will be fully guaranteed in terms of manpower, material resources, and financial resources. (2) Strengthening the application of intellectual property rights and fixing technical achievements in the form of patents is the foundation of intellectual property protection. During the reporting period, the Company has newly applied for a total of 56 domestic invention patents and utility model patents, including 21 invention patents and 35 utility model patents; accumulatively obtained 2 invention patent authorizations and 77 utility model patent authorizations, fundamentally consolidating knowledge protection of property rights. When conducting new product development and new technology research, the Company first conduct a patent search, and use the technologies and methods provided by patent documents to learn about the latest scientific and technological achievements and research trends at home and abroad in this technical field, so as to avoid repeated research and waste of investment; we have set up property rights ledger to dynamically manage the intellectual property rights owned by the Company, and actively and timely apply for new intellectual property rights; dynamically monitor the Company's intellectual property rights from infringement, and report in time when infringements are found.

Information security protection. The basic content of information security includes: equipment security, operation security, information asset security and personnel security. (1) Equipment security level: firewalls, network equipment, servers and other equipment are stored in professional IT computer rooms; IT computer rooms are equipped with dynamic monitoring equipment to monitor air conditioners, UPS, temperature/humidity, water leakage, etc., to ensure that the warnings are exceeded when on duty, the IT staff will be notified by SMS and WeChat; the IT computer room is equipped with 24-hour surveillance cameras, and the IT personnel will conduct daily inspections of the equipment in the computer room. (2) Operational security level: the information security management system are established and improved, and professional IT information security management personnel are equipped; the Company's IT computer room is installed with a Huawei firewall to improve its own protection capabilities and effectively prevent attacks from hackers and computer viruses; online UniNXG security system ensures that information security incidents are subject to pre-examination and early warning, in-process inspection and reporting, and post-event investigation and accountability. (3) Information asset security level: it manages the Company's information assets at different levels, and clarifies the Company's information protection level and protection requirements; encrypts and manages the Company's information files to effectively protect the Company's information security. (4) Personnel security level: it conducts induction and irregular information security training for all employees of the Company to enhance the information security awareness of all employees; provides professional information security training for employees of the Company's IT department to improve the professional ability of the Company's IT department for information security protection.

(V) Participation of institutional investors in corporate governance

☐ Applicable ☒ Not Applicable

(VI) Other Corporate Governance

☐ Applicable ☒ Not Applicable

Section VI Important Matters

I. Fulfillment of Commitments

(I) Commitments made by the Company's actual controller, shareholders, related parties, acquirers and the Company and other relevant parties during the reporting period or continuing to the reporting period

☒ Applicable ☐ Not Applicable

Commitment background	Promise type	Promising party	Promise content	Commitment time and deadline	Is there a performance deadline	Whether performed timely and strictly	If it is not fulfilled in time, specific reasons for the incomplete performance should be explained	If it is not fulfilled in time, the next step plan should be explained
Commitments Related to Initial Public Offerings	Restricted shares	Cao Ji, Cao Zheng, Hangke Group, Cao Guanqun, Yan Lei	Within 36 months from the date of listing of the Company's shares and within six months after I leave the Company, I will not transfer or entrust others to manage the Company's shares I already hold, nor will I propose that the Company repurchase these shares, nor will I transfer or entrust Others manage shares in a company that they own, directly or indirectly.	Within 36 months from the date of stock listing	Yes	Yes	Not applicable	Not applicable
	Restricted shares	Cao Ji, Cao Zheng, Hangke Group, Cao Guanqun, Yan Lei	If the shares held are sold down within 2 years after the expiration of the lock-up period, the price of the shares sold down shall not be lower than the issue price of the	Within 6 months after the Company's listing; two years after the lock-up period	Yes	Yes	Not applicable	Not applicable

			Company's initial public offering; If the issue price, or the closing price at the end of 6 months after listing is lower than the issue price, the lock-up period of the Company's shares held by me (the Company) will be automatically extended for 6 months.	expires				
	restricted shares	Cao Ji, Cao Zheng, Hang Ke Group, Yan Lei, Zhao Qunwu, Yu Pingguang, Sang Hongyu, Zhang Yingying, Zheng Linjun, Xu Peng	After the expiration of the share lock-up period, during my tenure as a Director/Supervisor/senior manager of the Company, on the premise of meeting the share lock-up commitment, the Company's shares I directly or indirectly transfer each year shall not exceed the Company's shares I directly or indirectly hold 25% of the total; if I resign for any reason, within half a year after resignation, I will not transfer or entrust others to manage the Company's shares I hold directly or indirectly.	During the tenure and within half a year after resignation	Yes	Yes	Not applicable	Not applicable
	Restricted shares	Hu Zhenhua	During my tenure as a Director/supervisor/senior manager of the Company, I will report to the Company the Company shares I hold and their changes. Hold	Term of office; within 12 months from the date of listing of the Company	Yes	Yes	Not applicable	Not applicable

			25% of the Company's Total shares; within 12 months from the date of listing of the Company's stock, do not transfer or entrust others to manage the Company's shares held by him, and do not propose that the Company repurchase this part of the shares; within half a year after leaving office, do not transfer the Company shares held by me.	y's stock				
	Restricted shares	Liu Wei	During my time as the Company's core technical personnel, I will report to the Company the Company's shares I hold and their changes. Within 4 years from the date of expiration of the limited sale period of the shares held, the shares transferred each year shall not exceed 25% of the total number of shares held by the Company, and the shareholding reduction ratio can be used cumulatively. Within 12 months from the date of listing of the Company's stock and within 6 months after resignation, do not transfer or entrust others to manage the	During the tenure; within 4 years from the date of expiry of the sales restriction period; within 12 months from the date of listing of the Company's stock; within 6 months after resignation	Yes	Yes	Not applicable	Not applicable

			Company's shares directly or indirectly held by you, nor propose that the Company repurchase these shares.					
	Restricted shares	Cao Ji, Hangke Group, Shenzhen Leading	For details about the shareholding intention and reduction intention of the shareholders who hold more than 5% of the shares before the issuance of the Company, please refer to 2. Shareholding intention and reduction intention of shareholders holding more	April 10, 2019 and within 24 months after the lock-up period expires	Yes	Yes	Not applicable	Not applicable
	Other	Hang Ke Technology, Cao Ji, Cao Zheng	For the specific content of the share repurchase commitment to fraudulent issuance and listing, please refer to the relevant contents of "(3) Commitment to Repurchase Fraudulent Shares" of VI. Important Commitments in "Section 10 Investor Protection " of the prospectus disclosed by the Company on the website of the Shanghai Stock Exchange.	Long term	No	Yes	Not applicable	Not applicable
	Other	Hangke Technology, Cao Ji, Cao Zheng, Compan	For the relevant commitments on repurchasing new shares, repurchasing shares, and compensating for	Long term	No	Yes	Not applicable	Not applicable

		y Director s, supervis ors, senior manage ment	losses due to major violations of information disclosure, please refer to "(VI) Commitment to undertake compensation or liability according to law" of VI. Important Commitments in "Section 10 Investor Protection" of the prospectus disclosed by the Company on the website of the Shanghai Stock Exchange.					
	Other	Hangke Technol ogy, Cao Ji, Cao Zheng, Compan y Director s, supervis ors, senior manage ment	For details on the restrictive measures for unfulfilled commitments, please refer to "(VII) Binding Measures on non-performance of commitments" of IV. Important Commitments in "Section 10 Investor Protection" of the prospectus disclosed by the Company on the website of the Shanghai Stock Exchange.	Long term	No	Yes	Not applicab le	Not applic able
	Other	Hangke Technol ogy, Cao Ji, Cao Zheng, Director s and senior manage ment of the Compan y	For details on the measures and commitments to fill the diluted immediate returns, please refer to "(IV) Measures and commitments to fill the diluted spot return of VI. Important Commitments in "Section 10	Long term	No	Yes	Not applicab le	Not applic able

			Investor Protection" of the prospectus disclosed by the Company on the website of the Shanghai Stock Exchange.					
	Dividends	Hangke Technology	For the specific content of the commitment to the profit distribution policy, please refer to "Related contents of "III. Dividend Distribution Policy after listing" of Important Commitments in the prospectus disclosed by the Company on the website of the Shanghai Stock Exchange.	Long term	No	Yes	Not applicable	Not applicable
	Other	Hangke Technology, Hangke Technology, Cao Ji, Cao Zheng, Company Directors, supervisors, senior management	For the specific content of the commitment to undertake compensation or compensation liability according to law, please refer to "(V) Commitment to undertake compensation or liability according to law of VI. Important Commitments in "Section 10 Investor Protection" of the prospectus disclosed by the Company on the website of the Shanghai Stock Exchange.	Long term	No	Yes	Not applicable	Not applicable
	Solve competition in	Cao Ji, Cao Zheng	For the specific content of the commitment to	Long term	No	Yes	Not applicable	Not applicable

	the same industry		avoid horizontal competition, please refer to the relevant contents of "XIII. Agreements and important commitments between the Issuer and its directors, supervisors, senior managers and core technical personnel" and "(II) Undertakings to avoid competition among Peers" of "Section V Basic Information of the Issuer".					
	Other	Cao Ji, Cao Zheng	For the specific content of the commitment to make up social insurance and housing provident funds, please refer to the relevant contents of ""3. Commitment issued by the controlling shareholder and actual controller of the Issuer" of (II) Employee social security and welfare situation of "XVII. Employee and social security situation of the Issuer" in "Section V Basic Information of the Issuer".	Long term	No	Yes	Not applicable	Not applicable
	Other	Cao Ji	During Li Zhen's indirect holding of Hangke Technology equity as the actual controller	During the period when Li Zhen indirectl	No	Yes	Not applicable	Not applicable

			of Gotion High-tech Co., Ltd. (hereinafter referred to as "Gotion high-tech"), if bad debt losses occur from the accounts receivable of Gotion high-tech and its subsidiaries to Hangke Technology, he will fully compensate Hangke Technology to ensure that Hangke technology will not suffer any losses.	y held the equity of Hangke Technology as the actual controller of Gotion Hi-Tech Co., Ltd.				
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(II) There are profit forecasts for the Company's assets or projects, and the reporting period is still in the period of profit forecasts.

Explain whether the original profit forecast has been achieved and why

☐ Achieved ☐ Not Achieved ☒ Not Applicable

(III) Fulfillment of Performance Commitment and Its Impact on Goodwill Impairment Test

☐ Applicable ☒ Not Applicable

II. Non-operating funds occupied by controlling shareholders and other related parties during the reporting period

☐ Applicable ☒ Not Applicable

III. Illegal guarantee

☐ Applicable ☒ Not Applicable

IV. Explanation of the Company's Board of Directors to the accounting firm's non-standard opinion audit report

☐ Applicable ☒ Not Applicable

V. The Company's analysis and explanation on the reasons and effects of changes in accounting policies, accounting estimates, or corrections of major accounting errors

(I) The Company's analysis and explanation of the reasons and impact of changes in accounting policies and accounting estimates

☐ Applicable ☒ Not Applicable

(II) Analysis and explanation of the reasons and effects of the correction of major accounting errors

☐ Applicable ☒ Not Applicable

(III) Communication with the former accounting firm

☐ Applicable ☒ Not Applicable

(IV) Other instructions

☐ Applicable ☒ Not Applicable

VI. Appointment and Dismissal of Accounting Firms

Unit: Ten thousand Yuan

Currency: RMB

	Currently employed
Domestic accounting firm name	Pan-China Certified Public Accountants (Special General Partnership)
Domestic accounting firm remuneration	120
Audit period for domestic accounting firm	8
The name of the certified public accountant of the domestic accounting firm	Zhao Li, Gong jing

	Name	Remuneration
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Internal control audit accounting firm	Pan-China Certified Public Accountants (Special General Partnership)	30
Sponsor	Guosen Securities Co., Ltd.	/

Explanation on the appointment and dismissal of accounting firm

☒Applicable ☐Not Applicable

The fourth meeting of the Company's third Board of Directors reviewed and approved the *Proposal on Renewing the Company's 2022 Audit Institution*, and agreed to re-appoint Pan-China Certified Public Accountants (Special General Partnership) as the Company's 2022 annual audit institution, and approved by the Company's Annual General Meeting of Shareholders in 2021

Explanation on the change of accounting firm during the audit period

☐Applicable ☒Not Applicable

VII. Situations at risk of delisting

(I) Reasons for delisting risk warning

☐Applicable ☒Not Applicable

(II) Countermeasures the Company intends to take

☐Applicable ☒Not Applicable

(III) Circumstances and reasons for facing termination of listing

☐Applicable ☒Not Applicable

VIII. Matters related to bankruptcy and reorganization

☐Applicable ☒Not Applicable

IX. Major litigation and arbitration matters

☐There are major litigation and arbitration matters in the current year ☒There are no major litigation and arbitration matters in the current year

X. Listed companies and their Directors, supervisors, senior executives, controlling shareholders, and actual controllers suspected of violating laws and regulations, punishments and rectifications

☒Applicable ☐Not Applicable

On March 9, 2022, Mr. Cao Ji, the actual controller and Chairman, received the *Administrative Punishment* ([2022] No. 5) from the Zhejiang Securities Regulatory Bureau. The reasons for the punishment are as follows: Kong Haiping, the spouse of Chairman Cao Ji, bought 11,500 shares of Hangke Technology in the securities account from January 12, 2021 to September 16, 2021, with a transaction value of 1,003,021.49 Yuan, and sold 9,700 shares of Hangke Technology accumulatively with a transaction value of 880,077.00 Yuan. There was an act of selling the shares of Hangke Technology held within six months after buying, or buying again within six months after selling. On September 27, 2021, the actual profit of 37,188.94 Yuan from related short-swing transactions has been handed over to the Company.

Cao Ji, as a Director and Senior Executive of Hangke Technology, violated the provisions of paragraphs 1 and 2 of Article 44 of the *Securities Law*, and constituted a violation of Article 189 of the *Securities Law* namely illegal short-swing trading. Zhejiang Securities Regulatory Bureau gave Cao Ji a warning and imposed a fine of 200,000 Yuan. The occurrence of the above-mentioned matters is mainly due to the insufficient study of relevant laws, regulations and normative documents such as the *Securities Law* by the parties concerned, and it is not subjective and intentional short-swing trading in violation of regulations. Cao Ji has actively cooperated with the investigation and accepted the punishment decision. This administrative punishment is against Chairman Cao Ji personally, and will not affect the Company's normal production and operation activities.

XI. Explanation on the integrity status of the Company and its controlling shareholders and actual controllers during the reporting period

☐Applicable ☒Not Applicable

XII. Major related transactions

(I) Affiliated transactions related to daily operations

1. Matters that have been disclosed in the temporary announcement and have no progress or change in subsequent implementation

☐Applicable ☒Not Applicable

2. Matters that have been disclosed in the interim announcement, but have progress or changes in subsequent implementation

☐Applicable ☒Not Applicable

3. Matters not disclosed in the interim announcement

☐Applicable ☒Not Applicable

(II) Asset or equity acquisition and sale

1. Matters that have been disclosed in the temporary announcement and have no progress or change in subsequent implementation

☐Applicable ☒Not Applicable

2. Matters that have been disclosed in the interim announcement, but have progress or changes in subsequent implementation

☐Applicable ☒Not Applicable

3. Matters not disclosed in the interim announcement

☐Applicable ☒Not Applicable

4. If performance agreement is involved, the performance realization during the reporting period shall be disclosed

☐Applicable ☒Not Applicable

(III) Significant connected transactions involving joint foreign investment

1. Matters that have been disclosed in the temporary announcement and have no progress or change in subsequent implementation

☐Applicable ☒Not Applicable

2. Matters that have been disclosed in the interim announcement, but have progress or changes in subsequent implementation

☐Applicable ☒Not Applicable

3. Matters not disclosed in the interim announcement

☐Applicable ☒Not Applicable

(IV) Related claims and debts

1. Matters that have been disclosed in the temporary announcement and have no progress or change in subsequent implementation

☐Applicable ☒Not Applicable

2. Matters that have been disclosed in the interim announcement, but have progress or changes in subsequent implementation

☐Applicable ☒Not Applicable

3. Matters not disclosed in the interim announcement

☐Applicable ☒Not Applicable

(V) The financial business between the Company and the financial Company that has a related relationship, the Company's holding financial Company and related parties

☐Applicable ☒Not Applicable

(VI) Other

☐Applicable ☒Not Applicable

XIII. Significant contracts and their performance

(I) Trusteeship, contracting and leasing

1. Trusteeship

☐Applicable ☒Not Applicable

2. Contract status

☐Applicable ☒Not Applicable

3. Leasing status

☐Applicable ☒Not Applicable

(II) Guarantee

☐Applicable ☒Not Applicable

(III) Entrusting others to manage cash assets**1. Entrusted financial management****(1) Overall situation of entrusted financial management**√Applicable ☐Not Applicable

Unit: Yuan Currency: RMB

Type	Sources of funds	Balance	Outstanding balance	Overdue uncollected amount
Bank financing	Self-owned funds	1,535,000,000.00	0	0

Other cases☐Applicable ☒Not Applicable**(2) Individual entrusted financial management**√Applicable ☐Not Applicable

Unit: Yuan Currency: RMB

Trustee	Entrusted financial management type	Entrusted financial management amount	start date of entrusted financial management	End date of entrusted financial management	Funds source	Investment direction	Way of remuneration determination	Annualized rate of return	Expected return (if any)	Actual gain or loss	Actual recovery	Whether it has gone through legal procedures	Is there any entrusted financial plan in the future?	Amount of provision for impairment (if any)
Bank of China Xiaoshan Branch	Structured deposits	120,000,000.00	2022.01.06	2022.04.06	Self-owned funds	Bank	Contract agreement	3.62%		1,094,926	Recovered	Yes	No	
Bank of China Xiaoshan Branch	Structured deposits	50,000,000.00	2022.01.24	2022.04.27	Self-owned funds	Bank	Contract agreement	3.60%		458,630.14	Recovered	Yes	No	
Shanghai	Structured	100,000,	2022.0	2022.0	Self-o	Bank	Contra	3.10%		258,3	Reco	Yes	No	

ai Pudong Develo pment Bank Hangz hou Xiaosh an Branch	red deposit s	000.00	1.07	2.07	wned funds		ct agreem ent			33.33	vered			
Shangh ai Pudong Develo pment Bank Hangz hou Xiaosh an Branch	Structu red deposit s	100,000, 000.00	2022.0 1.19	2022.0 2.18	Self-o wned funds	Bank	Contra ct agreem ent	3.10%		258,3 33.33	Reco vered	Yes	No	
Shangh ai Pudong Develo pment Bank Hangz hou Xiaosh an Branch	Structu red deposit s	50,000,0 00.00	2022.0 2.16	2022.0 3.16	Self-o wned funds	Bank	Contra ct agreem ent	3.20%		133,3 33.33	Reco vered	Yes	No	
Shangh ai Pudong Develo pment Bank Hangz hou Xiaosh an Branch	Structu red deposit s	50,000,0 00.00	2022.0 2.23	2022.0 3.23	Self-o wned funds	Bank	Contra ct agreem ent	3.00%		125,0 00	Reco vered	Yes	No	
Bank	Structu	70,000,0	2022.2	2022.0	Self-o	Bank	Contra	2.75%		477,3	Reco	Yes	No	

of Ningbo Hangz hou Xiaosh an Branch	red deposit s	00.00	.22	5.23	wned funds		ct agreem ent			75.88	vered			
Shangh ai Pudong Develo pment Bank Hangz hou Xiaosh an Branch	Structu red deposit s	30,000,0 00.00	2022.0 3.14	2022.0 4.14	Self-o wned funds	Bank	Contra ct agreem ent	3.25%		81,25 0	Reco vered	Yes	No	
Shangh ai Pudong Develo pment Bank Hangz hou Xiaosh an Branch	Structu red deposit s	30,000,0 00.00	2022.0 3.25	2022.0 4.25	Self-o wned funds	Bank	Contra ct agreem ent	3.15%		78,75 0	Reco vered	Yes	No	
Shangh ai Pudong Develo pment Bank Hangz hou Xiaosh an Branch	Structu red deposit s	30,000,0 00.00	2022.0 3.31	2022.0 6.27	Self-o wned funds	Bank	Contra ct agreem ent	3.20%		232,0 00	Reco vered	Yes	No	
Bank of China Xiaosh	Structu red deposit s	120,000, 000.00	2022.0 4.08	2022.0 7.11	Self-o wned funds	Bank	Contra ct agreem ent	3.55%		1,097, 095.9	Reco vered	Yes	No	

an Branch														
Shanghai Pudong Development Bank Hangzhou Xiaoshan Branch	Structured deposit s	80,000,000.00	2022.05.18	2022.06.17	Self-owned funds	Bank	Contract agreement	3.00%		200,000	Reviewed	Yes	No	
Shanghai Pudong Development Bank Hangzhou Xiaoshan Branch	Structured deposit s	50,000,000.00	2022.07.06	2022.08.05	Self-owned funds	Bank	Contract agreement	3.00%		125,000	Reviewed	Yes	No	
Bank of China Xiaoshan Branch	Structured deposit s	120,000,000.00	2022.07.13	2022.10.13	Self-owned funds	Bank	Contract agreement	3.38%		1,055,671.2	Reviewed	Yes	No	
Shanghai Pudong Development Bank Hangzhou Xiaoshan Branch	Structured deposit s	50,000,000.00	2022.08.08	2022.09.08	Self-owned funds	Bank	Contract agreement	3.00%		125,000	Reviewed	Yes	No	
Shanghai Pudong	Structured deposit	50,000,000.00	2022.08.10	2022.09.09	Self-owned funds	Bank	Contract agreement	2.95%		122,916.67	Reviewed	Yes	No	

Development Bank Hangzhou Xiaoshan Branch	s						ent							
Bank of China Xiaoshan Branch	Structured deposits	50,000,000.00	2022.08.05	2022.11.09	Self-owned funds	Bank	Contract agreement	3.42%		449,753.42	Recovered	Yes	No	
Bank of Ningbo Hangzhou Xiaoshan Branch	Structured deposits	35,000,000.00	2022.08.26	2022.11.23	Self-owned funds	Bank	Contract agreement	3.40%		290,164.38	Recovered	Yes	No	
Shanghai Pudong Development Bank Hangzhou Xiaoshan Branch	Structured deposits	30,000,000.00	2022.8.29	2022.09.29	Self-owned funds	Bank	Contract agreement	2.95%		73,750	Recovered	Yes	No	
Shanghai Pudong Development Bank Hangzhou Xiaoshan Branch	Structured deposits	50,000,000.00	2022.09.13	2022.10.13	Self-owned funds	Bank	Contract agreement	2.95%		122,916.67	Recovered	Yes	No	

Bank of China Xiaoshan Branch	Structured deposits	50,000,000.00	2022.09.05	2022.12.29	Self-owned funds	Bank	Contract agreement	3.42%		538,767.12	Reviewed	Yes	No	
Shanghai Pudong Development Bank Hangzhou Xiaoshan Branch	Structured deposits	50,000,000.00	2022.10.17	2022.12.17	Self-owned funds	Bank	Contract agreement	3.10%		129,166.67	Reviewed	Yes	No	
Bank of China Xiaoshan Branch	Structured deposits	120,000,000.00	2022.10.18	2022.12.19	Self-owned funds	Bank	Contract agreement	1.40%		276,164.38	Reviewed	Yes	No	
Bank of China Xiaoshan Branch	Structured deposits	50,000,000.00	2022.11.11	2022.12.30	Self-owned funds	Bank	Contract agreement	3.26%		218,821.92	Reviewed	Yes	No	

Other cases
☐ Applicable ☒ Not Applicable
(3) Provision for impairment of entrusted financial management
☐ Applicable ☒ Not Applicable
2. Entrusted loan situation**(1) General situation of entrusted loans**
☐ Applicable ☒ Not Applicable
Other cases
☐ Applicable ☒ Not Applicable

(2) Individual entrusted loans
☐Applicable ☒Not Applicable
Other cases
☐Applicable ☒Not Applicable
(3) Provision for impairment of entrusted loans
☐Applicable ☒Not Applicable
3. Other situations
☐Applicable ☒Not Applicable
(IV) Other major contracts
☐Applicable ☒Not Applicable
XIV. Explanation on the use of raised funds
☒Applicable ☐Not Applicable
(I) Overall use of raised funds
☒Applicable ☐Not Applicable

Unit: Yuan

Source of funds raised	Total funds raised	Net proceeds raised after deducting issuance expenses	Total investment commitment of raised funds	Total committed investment of raised funds after adjustment (1)	As of the end of the reporting period, the total amount of funds invested and raised (2)	Cumulative investment progress as of the end of the reporting period (%) (3) = (2)/(1)	Amount invested this year (4)	Proportion of investment amount in this year (%) (5)=(4)/(1)
Initial	1,124,630,000.00	1,019,924,245.28	546,860,000.00	546,860,000.00	482,076,563.20	88.15	441,000	0.08

(II) Fundraising project details
☒Applicable ☐Not Applicable

Unit: Yuan

Project name	Does it involve a fund	Source of investment	The Total investment	Adjusted Total investment of	Total amount of funds invested	Cumulative investment	Item reaches the intended	Whether the input program	Is the reason why	Specific results of this project	Whether there is a surplus	The amount of the
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	change of investment direction	disbursement of project raised funds	commitment of project raised funds	raised funds(1)	and raised of the end of the reporting period (2)	progress of the end of the reporting period (%) (3)=(2)/(1)	usable status date	has been closed	ress in line with the plan	the investment progress did not meet the plan		major change in the feasibility of the project, if Yes, please explain the specific situation	and the reason for it
Manufacturing expansion project of lithium-ion battery intelligent production line	Not Applicable	Initial	426,460,000.00	426,460,000.00	376,181,335.51	88.21	2020/12/31	Yes	Yes	Not Applicable	232,840,527.11	No	1. By optimizing the construction process, optimizing the procurement process,
Construction project of R&D Center	Not Applicable	Initial	120,400,000.00	120,400,000.00	105,895,227.69	87.95	2021/12/31	Yes	Yes	Not Applicable	Not Applicable	No	and rationally allocating resources, the procurement price of some works and equipment

												nt has been reduced. 2. We shall strengthen en the cost manage ment of each link of project construc tion and reasona bly reduce the total project expendit ure.3. Interest income is realized during the retentio n period of raised funds.
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(III) Changes in fundraising during the reporting period

☐Applicable ☒Not Applicable

(IV) Other use of raised funds during the reporting period

1. The initial investment and replacement of investment projects with raised funds

☐Applicable ☒Not Applicable

2. Temporarily supplement working capital situation with idle raised funds

☐Applicable ☒Not Applicable

3. Cash management of idle raised funds and investment in related products

☐Applicable ☒Not Applicable

4. Permanent supplement of working capital with super-raised funds or repayment of bank loans

☒Applicable ☐Not Applicable

On October 28, 2019, the Company held the ninth meeting of the second session of the Board of Directors and the seventh meeting of the second session of the Board of Supervisors, reviewed and approved the *Proposal on Using Over-raised Funds to Permanently Supplement Working Capital*, and approved the use of part of the over-raised funds by the Company. A total of RMB 140,000,000 will be used to permanently supplement working capital. The use of over-raised funds to permanently supplement working capital will not affect the capital demand for the construction of investment projects with raised funds. No high-risk investment will be made and no financial assistance will be provided within twelve months after the replenishment of working capital. The Company's independent Directors have issued independent opinions that clearly agree, and the Company's sponsor Guosen Securities Co., Ltd. has issued a clear verification opinion on this matter. This matter has been reviewed and approved at the Company's third extraordinary General Meeting of Shareholders in 2019 held on November 14, 2019. For details, please refer to the Company's publication on the website of the Shanghai Stock Exchange (www.sse.com.cn) on October 29, 2019. *Announcement on Using Part of the Over-raised Funds to Permanently Supplement Working Capital by Zhejiang Hangke Technology Incorporated Company* (Announcement No.: 2019-003).

On January 18, 2021, the Company held the fifteenth meeting of the second session of the Board of Directors and the twelfth meeting of the second session of the Board of Supervisors, deliberated and approved the *Proposal on Permanently Supplementing Working Capital with Over-raised Funds*, and agreed that the Company would use some of the over-raised funds. A total of RMB 140,000,000 of the raised funds will be used to permanently replenish working capital. The permanent replenishment of working capital using over-raised funds this time will not affect the capital demand for the construction of investment projects with raised funds. No high-risk investment will be made and no financial assistance will be provided to others within twelve months after the replenishment of working capital. The Company's independent Directors have issued independent opinions that clearly agree, and the Company's sponsor Guosen Securities Co., Ltd. has issued a clear verification opinion on this matter. This matter has been reviewed and approved at the Company's first extraordinary General Meeting of Shareholders in 2021 held on February 3, 2021. For details, please refer to the Company's publication on the website of the Shanghai Stock Exchange (www.sse.com.cn) *Announcement on Using Part of the Over-raised Funds to Permanently Supplement Working Capital by Zhejiang Hangke Technology Incorporated Company* (Announcement No.: 2021-002).

On April 6, 2022, the Company held the third meeting of the third Board of Directors and the third meeting of the third Board of Supervisors, reviewed and approved the *Proposal on Using Over-raised Funds to Permanently Supplement Working Capital*, and approved the Company to use part of the over-raised funds. A total capital of RMB 140,000,000.00 is used to permanently replenish working capital. The use of over-raised funds to permanently replenish working capital will not affect the capital demand for the construction of investment projects with raised funds. No high-risk investment will be made and no financial assistance will be provided to others within 12

months after the replenishment of working capital. The Company's independent Directors have issued independent opinions that clearly agree, and the Company's sponsor Guosen Securities Co., Ltd. has issued a clear verification opinion on this matter. This matter has been reviewed and approved at the Company's second extraordinary General Meeting of Shareholders in 2022 held on April 22, 2022. For details, please refer to the Company's publication on the website of the Shanghai Stock Exchange (www.sse.com.cn) on April 7, 2022. *Announcement on Using Part of the Over-raised Funds to Permanently Supplement Working Capital by Zhejiang Hangke Technology Incorporated Company* (Announcement No.: 2022-020).

5. Other

☒ Applicable ☐ Not Applicable

On April 6, 2022, the Company held the third meeting of the third Board of Directors and the third meeting of the third Board of Supervisors, and reviewed and approved the *Proposal on the Closing of Some Investment Projects with Raised Funds and the Permanent Supplement to the Working Capital with the Balance of Raised Funds*, agreeing that the Company will complete the raised funds investment project R&D Center Construction Project and save the raised funds of 18.5471 million Yuan (including the estimated balance of 11.0894 million Yuan and the amount to be paid under signed contracts of 7.4577 million Yuan. The actual amount is based on the balance of the special account on the day of the transfer) to permanently supplement the working capital. The Company's Independent Directors have issued independent opinions that clearly agree, and the Company's sponsor Guosen Securities Co., Ltd. has issued a clear verification opinion on this matter. For details, please refer to the Zhejiang Hangke Technology Incorporated Company's *Announcement on the Closing of Some Investment Projects with Raised Funds and the Permanent Supplement to the Working Capital with the Balance of Raised Funds*, published by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn) on April 7, 2022. (Announcement No.: 2022-019).

XV. Explanations on other major events that have a significant impact on investors' value judgments and investment decisions

☐ Applicable ☒ Not Applicable

Section VII Changes in Shares and Shareholders

I. Changes in share capital

(I) Changes in Shares

1. Changes in Shares

Unit: Shares

	Before this change		Increase or decrease in this change (+, -)					After this change	
	Quantity	Proportion (%)	Issuance of new	Bo nus shares	Provi dent fund transf	Other	Subtotal	Quantity	Proportion (%)

			share s		er				
1. Shares subject to sales restrictions	290,776,801	72.14				-290,776,801	-290,776,801	0	0
1. State shareholding									
2. Shares held by state-owned legal persons									
3. Other domestic shares	290,776,801	72.14				-290,776,801	-290,776,801	0	0
Shares held by domestic non-state-owned legal persons	96,411,406	23.92				-96,411,406	-96,411,406	0	0
Shares held by domestic natural persons	194,365,395	48.22				-194,365,395	-194,365,395	0	0
4. Foreign shareholding									
where: foreign legal person holding shares									
Shares held by									

foreign natural persons									
2. Circulating shares not subject to sales restrictions	112,313,199	27.86	2,043,000			290,776,801.00	292,819,801.00	405,133,000	100
1. RMB ordinary shares	112,313,199	27.86	2,043,000			290,776,801.00	292,819,801.00	405,133,000	100
2. Domestic listed foreign shares									
3. Foreign shares listed overseas									
4. Others									
3. Total number of shares	403,090,000	100	2,043,000.00				2,043,000.00	405,133,000	100

2. Description of changes in shares

√Applicable ☐ Not Applicable

On June 2, 2022, the share registration procedures for the second vesting period of the first grant of the Company's 2020 restricted stock incentive plan were completed, with 1.643 million shares vested and listed for circulation on June 9, 2022. For details, please refer to the second vesting period of the first grant of the *Announcement of the Vesting Results of the Second Vesting Period and Stock Listing of the Restricted Stock Incentive Plan for 2020 of Zhejiang Hangke Technology Incorporated Company* published on the website of the Shanghai Stock Exchange (www.sse.com.cn) on June 7, 2022. (2022-041).

On July 22, 2022, the Company's initial public offering of some restricted shares expired and went public. The number of restricted shares in this part was 290,776,801 shares, accounting for 71.84% of the Company's Total share capital on that day. The lockup period shall be 36 months from the date of listing of the Company's shares. For details, please refer to the *Announcement on the Listing and Circulation of Some Restricted Shares of the Company's Initial Public Offering of*

Zhejiang Hangke Technology Incorporated Company (2022-046) published by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn) on July 16, 2021.

On September 8, 2022, the registration procedures for the second vesting period of the reserved vesting portion of the Company's 2020 restricted stock incentive plan were completed, and the number of shares vested was 400,000 shares, which were listed for circulation on September 15, 2022. For details, please refer to the *Announcement on the Vesting Result of the Second Vesting Period and Stock Listing of the Reserved Vesting Part of the Restricted Stock Incentive Plan for 2020 of Zhejiang Hangke Technology Incorporated Company* published on the website of the Shanghai Stock Exchange (www.sse.com.cn) on September 10, 2022. (2022-055).

3. Impact of shareholding changes on financial indicators such as earnings per share and net assets per share in the last year and the latest period (if any)

☒ Applicable ☐ Not Applicable

For details, please refer to Section II Major Accounting Data and Financial Indicators in the Past Three Years

4. Other content that the Company deems necessary or required by securities regulators to disclose

☐ Applicable ☒ Not Applicable

(II) Changes in restricted shares

☒ Applicable ☐ Not Applicable

Unit: Shares

Shareholder name	Number of restricted shares at the beginning of the year	Number of shares released from selling restrictions this year	Increased number of restricted shares this year	Restricted shares at the end of the year	Reason for restriction	Release date
Cao Ji	187,616,596	187,616,596	0	0	IPO initial stock sale restricted	July 22, 2022 _
Hangke Group	96,411,406	96,411,406	0	0	IPO initial stock sale restricted	July 22, 2022
Cao Zheng	4,242,102	4,242,102	0	0	IPO initial stock sale restricted	July 22, 2022
Cao Guanqun	2,506,697	2,506,697	0	0	IPO initial stock sale restricted	July 22, 2022
Total	290,776,801	290,776,801	0	0	/	/

II. Securities Issuance and Listing**(I) Securities issuance as of the reporting period**√Applicable ☐ Not Applicable

Unit: Share

Currency: RMB

Stocks and their derivatives Types of securities	Issue date	Issue price (or interest rate)	Issue number	Listing date	The number of transactions approved for listing	Transaction End Date
Common stock class						
Class A shares	2022-06-02	9.5	1,643,000	2022-06-09	1,643,000	/
Class A shares	2022-09-08	9.5	400,000	2022-09-15	400,000	/

As of the reporting period (for bonds with different interest rates during the duration, please explain separately):

√Applicable ☐ Not Applicable

The content is detailed in Section I. Changes in Share Capital (I) Table of Changes in Share Capital 2 Description of Changes in Share Capital

(II) Changes in the total number of shares of the Company and the structure of shareholders, as well as changes in the structure of the Company's assets and liabilities√Applicable ☐ Not Applicable

See this section for details. 1. Share capital changes (1) Share capital changes table 2. Share capital changes description

III. Shareholders and actual controllers**(I) Total number of shareholders**

Ordinary shareholders as of the end of the reporting period (accounts)	9,368
The Total number of ordinary shareholders at the end of the previous month before the annual report disclosure date (accounts)	9,951
Total number of preferred shareholders with voting rights restored as of the end of the reporting period (accounts)	0
The Total number of preferred shareholders whose voting rights have been restored at the end of the previous month before the annual report disclosure date (accounts)	0
Total number of shareholders holding special	0

voting shares as of the end of the reporting period (accounts)	
The Total number of shareholders holding special voting shares at the end of the previous month before the annual report disclosure date (accounts)	0

Number of Depositary Receipt Holders
☐ Applicable ☒ Not Applicable
(II) Table of shareholdings of the top ten shareholders and top ten tradable shareholders (or shareholders not subject to sales restrictions) as of the end of the reporting period

Unit: Shares

Shareholdings of the top ten shareholders								
Shareholder name (full name)	Increase or decrease during the reporting period	Number of shares held at the end of the period	Proportion (%)	Restricted shares held	Number of restricted shares including shares lent for refinancing	Pledge, Mark or Freeze Situation		Shareholder nature
						Shares state	Quantity	
Cao Ji	0	187,616,596	46.31	0	0	None	0	Domestic natural person
Hangzhou Hangke Intelligent Equipment Group Co., Ltd.	0	96,411,406	23.80	0	0	None	0	Domestic non-state-owned legal person
HKSCC	4,583,399	19,639,262	4.85	0	0	None	0	Foreign legal person

Bank of Communications Co., Ltd. - HSBC Jintrust Low Carbon Pioneer Stock Securities Investment Fund	1,068,924	7,136,313	1.76	0	0	None	0	Other
China Merchants Bank Co., Ltd. - Huaxia Shanghai Science and Technology Innovation Board 50 Component Trading Open-end Index Securities Investment Fund	2,791,500	5,276,989	1.30	0	0	None	0	Other
Bank of Communications - HSBC Jintrust Dynamic Strategy Hybrid Securities Investment Fund	670,173	4376833	1.08	0	0	None	0	other
Cao Zheng	-58,500	4183602	1.03	0	0	None	0	Domestic natural person

Cao Guanqun	0	2506697	0.62	0	0	Non e	0	Domestic natural person
Sang Hongyu	0	2386183	0.59	0	0	Non e	0	Domestic natural person
Yu Pingguang	0	2386183	0.59	0	0	Non e	0	Domestic natural person
Shareholdings of the top ten shareholders not subject to sales restrictions								
Shareholder name			Number of outstanding shares with unlimited conditions	Type and number of shares				
				Type		Quantity		
Cao Ji			187,616,596		RMB ordinary shares		187,616,596	
Hangzhou Hangke Intelligent Equipment Group Co., Ltd.			96,411,406		RMB ordinary shares		96,411,406	
HKSCC			19,639,262		RMB ordinary shares		19,639,262	
Bank of Communications Co., Ltd. - HSBC Jintrust Low Carbon Pioneer Stock Securities Investment Fund			7,136,313		RMB ordinary shares		7,136,313	
China Merchants Bank Co., Ltd. - Huaxia Shanghai Science and Technology Innovation Board 50 Component Trading Open-end Index Securities Investment Fund			5,276,989		RMB ordinary shares		5,276,989	
Bank of Communications - HSBC Jintrust Dynamic Strategy Hybrid Securities Investment Fund			4,376,833		RMB ordinary shares		4,376,833	
Cao Zheng			4,183,602		RMB ordinary shares		4,183,602	
Cao Guanqun			2,506,697		RMB ordinary shares		2,506,697	
Sang Hongyu			2,386,183		RMB ordinary shares		2,386,183	
Yu Pingguang			2,386,183		RMB ordinary shares		2,386,183	
Explanation of the repurchase accounts among the top ten shareholders			Not applicable					

Explanation on proxy voting rights, proxy voting rights and waiver of voting rights of the above-mentioned shareholders	None
Explanation on the related relationship or concerted action of the above-mentioned shareholders	Among the above-mentioned shareholders, Cao Ji is the controlling shareholder and actual controller of the Company, and Cao Zheng is the son of Cao Ji and is regarded as the actual controller. Hangke Group is an employee stock ownership platform controlled by Cao Ji, and Cao Ji, Cao Zheng, and Cao Guanqun are all shareholders of Hangke Group. Cao Ji and Cao Guanqun are brothers. Except for the above-mentioned relationship, the Company does not know whether the above-mentioned other shareholders have any associated relationship or are persons acting in concert.
Explanation on preferred stockholders with restored voting rights and the number of shares held	Not applicable

List of the company's top ten domestic depositary receipt holders by the end of the reporting period

☐ Applicable ☒ Not Applicable

As of the end of the reporting period, the Company's top ten domestic depositary receipt holders

☐ Applicable ☒ Not Applicable

Depository receipts held by the top ten holders of restricted depository receipts and the restricted conditions

☐ Applicable ☒ Not Applicable

(III) Table of the top ten shareholders by the number of voting rights as of the end of the reporting period

☒ Applicable ☐ Not Applicable

Unit: shares

Serial number	Shareholder name	Number of holdings		Number of voting rights	Proportion of voting rights	Increase or decrease of voting rights during the reporting period	Situations where voting rights are restricted
		common stock	Special voting shares				
1	Cao Ji	187,616,596	0	187,616,596	46.31	0	None
2	Hangzhou	96,411,406	0	96,411,406	23.80	0	None

	Hangke Intelligent Equipment Group Co., Ltd.						
3	HKSCC	19,639,262	0	19,639,262	4.85	4,583,399	None
4	Bank of Communications Co., Ltd. - HSBC Jintrust Low Carbon Pioneer Stock Securities Investment Fund	7,136,313	0	7,136,313	1.76	1,068,924	None
5	China Merchants Bank Co., Ltd. - Huaxia Shanghai Science and Technology Innovation Board 50 Component Trading Open-end Index Securities Investment Fund	5,276,989	0	5,276,989	1.30	2,791,500	None
6	Bank of Communications - HSBC Jintrust Dynamic Strategy Hybrid Securities Investment Fund	4376833	0	4376833	1.08	670,173	None
7	Cao Zheng	4183602	0	4183602	1.03	-58,500	None
8	Cao Guanqun	2506697	0	2506697	0.62	0	None

9	Sang Hongyu	2386183	0	2386183	0.59	0	None
10	Yu Pingguang	2,386,183	0	2,386,183	0.59	0	None
Total	/	331,920,064	0	331,920,064	/	/	/

(IV) Strategic investors or general corporations are among the top 10 shareholders due to the placement of new shares/depositary receipts

☐Applicable ☒Not Applicable

(V) IPO Strategic Placement Situation

1. Senior management and core employees set up a special asset management plan to participate in the initial public offering strategic placement holdings

☐Applicable ☒Not Applicable

2. Shareholding of the relevant subsidiaries of the sponsor institution participating in the strategic placement of the initial public offering

☐Applicable ☒Not Applicable

Note: The 1,640,000 shares that Guosen Capital Co., Ltd. (an alternative investment subsidiary legally established by the sponsor Guosen Securities) participated in the initial public offering strategic allotment have been reduced in 2021 .

IV. Controlling Shareholders and Actual Controllers

(I) Controlling Shareholders

1 legal person

☐Applicable ☒Not Applicable

2 Natural person

☒Applicable ☐Not Applicable

Name	Cao Ji
Country of Citizenship	China
Whether to obtain the right of residence in other countries or regions	no
Main occupation and position	Mr. Cao Ji is currently the Director of the Company's operation and management office.

3 Special note on the absence of a controlling shareholder in the Company

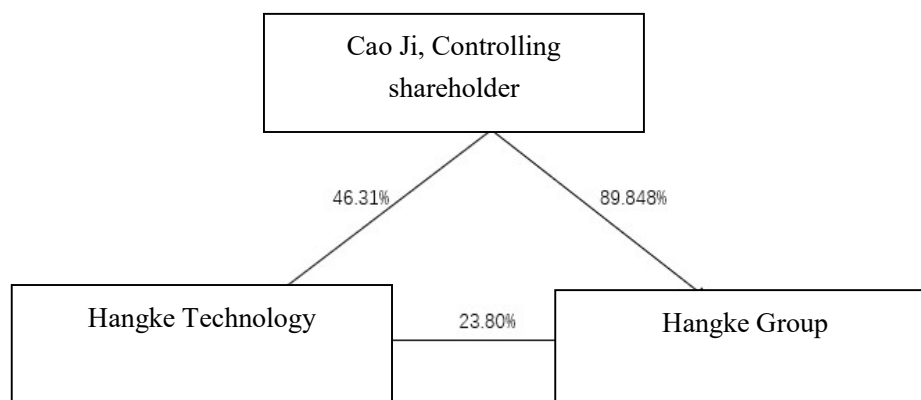
☐Applicable ☒Not Applicable

4 Explanation on the change of controlling shareholder during the reporting period

☐Applicable ☒Not Applicable

5 Block diagram of the property rights and control relationship between the Company and the controlling shareholder

√Applicable ☐Not Applicable



(II) The actual controller

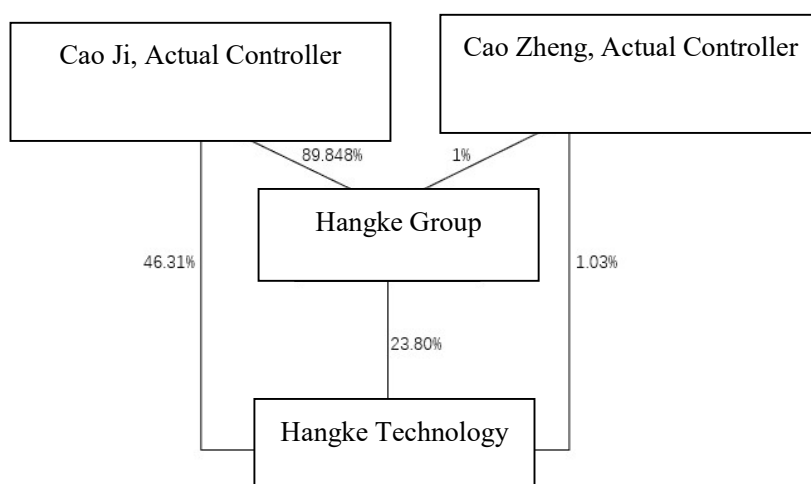
1 Legal person

☐Applicable √Not Applicable

2 Natural person

√Applicable ☐Not Applicable

Name	Cao Ji
Country of Citizenship	China
Whether to obtain the right of residence in other countries or regions	No
Main occupation and position	Mr. Cao Ji is currently the Director of the Company's operation and management office.
Domestic and foreign listed companies that have been controlled in the past 10 years	None
Name	Cao Zheng
Country of Citizenship	China
Whether to obtain the right of residence in other countries or regions	Yes
Main occupation and position	Mr. Cao Zheng is currently the head of the Company's Overseas Trade Department.
Domestic and foreign listed companies that have been controlled in the past 10 years	None

3 Special instructions for the absence of actual controllers in the Company
☐ Applicable ☒ Not Applicable
4 Explanation on changes in the Company's control during the reporting period
☐ Applicable ☒ Not Applicable
5 Block diagram of the property rights and control relationship between the Company and the actual controller
☒ Applicable ☐ Not Applicable
**6 The actual controller controls the Company through trust or other asset management methods**
☐ Applicable ☒ Not Applicable
(III) Other information on controlling shareholders and actual controllers
☐ Applicable ☒ Not Applicable
V. The Company's controlling shareholder or largest shareholder and its concerted parties have accumulatively pledged shares accounting for more than 80% of the Company's shares held by them
☐ Applicable ☒ Not Applicable
VI. Other legal person shareholders holding more than 10% of the shares
☒ Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Legal person shareholder name	The person in charge of the unit or the legal representative	Date of establishment	Organization code	Registered capital	Main operating business or management activities, etc.

	e				
Hangzhou Hangke Intelligent Equipment Group Co., Ltd.	Cao Ji	August 15 , 2011 _	913301095802709897	5,000,000	General Items: technical services, technology development, technical consultation, technology exchange, technology transfer, technology promotion (except for items subject to approval according to law, business activities can be carried out independently according to the law with a business license).
Situation statement	None				

VII. Explanation on shareholding /depository receipt restriction reduction
☐ Applicable ☒ Not Applicable
VIII. The specific implementation of share repurchase during the reporting period
☐ Applicable ☒ Not Applicable
Section VIII Information about Preferred Shares
☐ Applicable ☒ Not Applicable

Section IX Bond Related Situation

I. Corporate bonds, corporate bonds and non-financial corporate debt financing instruments

☐Applicable ☒Not Applicable

II. Convertible corporate bonds

☐Applicable ☒Not Applicable

Section X Financial Report

I. Auditor's Report

☒Applicable ☐Not Applicable

To the Shareholders of Zhejiang Hangke Technology Incorporated Company:

I. Audit Opinion

We have audited the accompanying financial statements of Zhejiang Hangke Technology Incorporated Company (the "Company"), which comprise the consolidated and parent company balance sheets as at December 31, 2022, the consolidated and parent company income statements, the consolidated and parent company cash flow statements, and the consolidated and parent company statements of changes in equity for the years then ended, as well as notes to financial statements.

In our opinion, the attached financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and of its financial performance and its cash flows for the years then ended in accordance with China Accounting Standards for Business Enterprises.

II. Basis for Audit Opinion

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

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not express a separate opinion on these matters.

(I) Revenue recognition

1. Key audit matters

Please refer to section III (XX) and V (II) 1 of the notes to the financial statements for details.

The operating revenue in 2022 amounted to 3,454.1331 million Yuan, an increase of 39.09% over 2021, which were important driving factors of performance growth. The Company's revenue mainly comes from sales of li-ion power cell charging and discharging equipment. The principle of revenue recognition is: According to the time, delivery method and delivery place agreed in the contract, all the goods agreed in the contract are delivered to the buyer for installation, commissioning and trial operation. Income is confirmed since the buyer has passed the acceptance inspection and obtained the acceptance certificate confirmed by the buyer. Due to the significant impact of revenue growth on the financial statements and the inherent risk that the Company's management (the "Management") manipulates the revenue recognition time point to achieve specific goals or expectations, we have identified revenue recognition as a key audit matter.

2. Responsive audit procedures

Our main audit procedures for revenue recognition are as follows:

- (1) We obtained understandings of key internal controls related to revenue recognition, assessed the design of these controls, determined whether they had been executed, and tested the effectiveness of the operation;
- (2) We obtained understandings of the Company's revenue recognition policies, and checked whether the revenue recognition conditions and methods comply with the requirements of China Accounting Standards for Business Enterprises (CASBEs) in combination with the actual operating conditions and relevant transaction contract terms;
- (3) We performed analysis procedure on revenue and gross margin by product type, so as to identify whether there are abnormal fluctuations and find out the reason of fluctuations;

- (4) We checked supporting documents related to revenue recognition by sampling method, including sales contracts, orders, sales invoices, bills of clearance, packing list, client acceptance receipts and other supporting documents;
- (5) We performed confirmation procedures to important customers, and inquired the sales amount, balance of current accounts and the time point of contract acceptance, so as to confirm the authenticity and integrity of operating revenue;
- (6) We interviewed important customers and inquired the acceptance and operation of equipment purchased from the Company;
- (7) We performed the cut-off test on the sales revenue recognized around the balance sheet date, checked the terms of the sales contract as well as the relevant time points during the period starting from the delivery of the finished products to the customer's acceptance, so as to assess whether the revenue is recognized in the appropriate accounting period in combination with the acceptance report and the acceptance payment collection time; and
- (8) We checked whether information related to operating revenue had been presented appropriately in the financial statements.

(II) Impairment of accounts receivable and contract assets

1. Key audit matters

Please refer to section III (IX) and V (I) 4, 9 and 17 of notes to the financial statements for details.

As of December 31 2022, the book balances of accounts receivable and contract assets (including contract assets of other non-current assets, the same hereinafter) amounted to 2,216.8812 million Yuan, with provision for bad debts and impairment of 205.4291 million Yuan, and the carrying amount amounted to 2,011.4521 million Yuan, accounting for 25.25% of the total assets in the consolidated financial statements. According to the credit risk characteristics of various accounts receivable and contract assets, based on a single account receivable and contract assets or a combination of accounts receivable and contract assets, the management measures its loss allowance on the basis of the expected credit loss equivalent to the entire duration. For accounts receivable and contract assets that measure expected credit losses on a single-item basis, management would consider reasonable and evidence-based information about past events, current conditions, and future economic forecasts to estimate

the cash flow expected to be received and determine the provision for bad debts that should be accrued; for accounts receivable and contract assets that measure expected credit losses on a portfolio basis, the management divides the portfolio on the basis of age, refers to historical credit loss experience, and makes adjustments based on forward-looking estimates. Prepare the comparison table among accounts receivable and contract asset aging and default loss rate , and determine the provision for bad debts and contract asset impairment provisions.

As the amount of accounts receivable and the amount of contract assets are significant and the impairment involves significant judgment of the Management, we have identified impairment of accounts receivable and contract assets as a key audit matter.

2. Responsive audit procedures

Our main audit procedures for impairment of accounts receivable and contract assets are as follows:

- (1) We obtained understandings of key internal controls related to impairment of accounts receivable and contract assets, assessed the design of these controls, determined whether they had been executed, and tested the effectiveness of their operation;
- (2) We reviewed the accounts receivable with provision for bad debts made in previous periods for their subsequent write-off or reversal, and assessed the accuracy of historical estimations made by the Management;
- (3) We reviewed the consideration of the Management on credit risk assessment and objective evidences, and assessed whether the credit risk features of accounts receivable and contract assets had been appropriately identified by the Management;
- (4) For accounts receivable with expected credit losses measured on an individual basis, we obtained and checked the Management's estimations on the expected future cash flows, assessed the reasonableness of key assumptions and the accuracy of data adopted in the estimations, and compared them with the external evidence;
- (5) For accounts receivable and contract assets with expected credit losses measured on a collective basis, we assessed the reasonableness of portfolio classification on the basis of credit risk features, tested the accuracy and completeness of the data used by the Management (including ages of accounts receivable and contract assets, etc.) and assessed

whether the calculation of provision for bad debt and provision for impairment of contract assets was accurate;

(6) We checked the subsequent collection of accounts receivable and assessed the reasonableness of provision for bad debts made by the Management; and

(7) We checked whether information related to impairment of accounts receivable and contract assets had been presented appropriately in the financial statements.

(III) Net realizable value of inventories

1. Key audit matters

Please refer to section III (X) and section V (I) 8 of notes to the financial statements for details.

As of December 31 2022, the book balances of the inventories amounted to 2,443.6845 million Yuan with provision for write-down of 63.0072 million Yuan, and the carrying amount amounted to 2,380.6773 million Yuan, accounting for 29.89% of the total assets on the consolidated financial statements.

As the amount of inventories is significant and the determination of the net realizable value of inventories involves significant judgment of the Management, we have identified the net realizable value of inventories as a key audit matter.

2. Responsive audit procedures

Our main audit procedures for net realizable value of inventories are as follows:

(1) We obtained understandings of key internal controls related to net realizable value of inventories, assessed the design of these controls, determined whether they had been executed, and tested the effectiveness of their operation;

(2) We obtained and evaluated the Management's accrual methods and relevant assumptions for the provision for inventory write-down, and considered the possible impact of factors such as the future sales price of inventories, estimated reusable value, further processing cost, transportation cost and sales tax on the provision for inventory write-down;

(3) We obtained the inventory age list at the end of period, paid attention to the inventories with a longer age, and assessed whether the inventories with a longer age had the risk of impairment in combination with the implementation of the sales contracts;

(4) We observed the physical inventory count, checked the quantity and status of the inventories, and focused on the inspection of inventory status, analyzed the use of inventories, so as to determine whether the provision for inventory write-down has been made appropriately; and

(5) We checked whether the information related to provision for inventory write-down had been properly presented in the financial statements.

IV. Other Information

The Management is responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

The Management is responsible for preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises, as well as designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

VI. Certified Public Accountant's Responsibilities for the Audit of the Financial Statements

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

We exercise professional judgment and maintain professional skepticism throughout the audit performed in accordance with China Standards on Auditing. We also:

(I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

(III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(IV) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(V) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain sole responsibility for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because

the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pan-China Certified Public Accountants LLP Chinese Certified Public Accountant:
(Engagement Partner)
Hangzhou · China Chinese Certified Public Accountant:

Date of Report: April 26, 2023

I. Financial Statements

Zhejiang Hangke Technology Incorporated Company

Consolidated balance sheet as at December 31, 2022

(Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	Opening balance
Current assets:			
Cash and bank balances	1	2,204,980,109.77	1,941,591,298.25
Settlement funds			
Loans to other banks			
Held-for-trading financial assets	2	8,470,694.76	
Derivative financial assets			
Notes receivable	4	58,049,060.67	38,313,387.50
Accounts receivable	5	1,673,164,923.92	988,281,856.86
Receivables financing	6	17,904,210.81	101,554,995.05
Advances paid	7	18,078,982.30	50,490,262.42
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserve receivable			
Other receivables	8	20,752,014.90	18,813,794.75
Financial assets under reverse repo			
Inventories	9	2,380,677,299.30	1,422,686,543.43
Contract assets	10	307,678,177.15	218,572,654.95
Assets held for sale			
Non-current assets due within one year			
Other current assets	13	22,209,690.01	10,254,580.74
Total current assets		6,711,965,163.59	4,790,559,373.95
Non-current assets:			
Loans and advances			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments			
Other equity instrument investments			
Other non-current financial assets			
Investment property			
Fixed assets	21	954,337,911.33	528,350,584.27
Construction in progress	22	35,503,214.70	165,575,054.00
Productive biological assets			
Oil & gas assets			
Right-of-use assets	25	6,009,682.76	9,805,271.96
Intangible assets	26	175,501,531.02	137,767,740.01
Development expenditures			
Goodwill			
Long-term prepayments	29	7,003,767.94	7,347,056.31
Deferred tax assets	30	36,536,452.57	67,609,703.88
Other non-current assets	31	39,229,381.89	59,392,199.53
Total non-current assets		1,254,121,942.21	975,847,609.96
Total assets		7,966,087,105.80	5,766,406,983.91

Legal representative: Yu Pingguang
Yang Zhaodi

Officer in charge of accounting: Fu Fenghua

Head of accounting department:

Zhejiang Hangke Technology Incorporated Company

Consolidated balance sheet as at December 31, 2022 (continued)

(Expressed in Renminbi Yuan)

Liabilities & Equity	Note No.	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings			
Central bank loans			
Loans from other banks			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable	35	1,316,903,913.74	977,330,876.19
Accounts payable	36	1,596,641,156.33	956,227,075.33
Advances received	37	560,000.00	492,354.74
Contract liabilities	38	1,501,881,384.48	870,054,262.23
Financial liabilities under repo			
Absorbing deposit and interbank deposit			
Deposit for agency security transaction			
Deposit for agency security underwriting			
Employee benefits payable	39	25,250,952.24	12,665,279.77
Taxes and rates payable	40	14,341,081.96	3,840,739.14
Other payables	41	3,002,923.42	3,362,775.45
Handling fee and commission payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	43	3,840,678.51	3,560,600.47
Other current liabilities	44	125,660,270.00	89,798,179.18
Total current liabilities		4,588,082,360.68	2,917,332,142.50
Non-current liabilities:			
Insurance policy reserve			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	47	2,028,013.79	5,923,001.31
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income	51	28,438,576.97	18,523,466.09
Deferred tax liabilities	30		9,902.87
Other non-current liabilities			
Total non-current liabilities		30,466,590.76	24,456,370.27
Total liabilities		4,618,548,951.44	2,941,788,512.77
Equity:			
Share capital	53	405,133,000.00	403,090,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	55	1,401,737,825.15	1,283,796,073.62
Less: Treasury shares			
Other comprehensive income	57	2,419,348.00	-2,633,360.15
Special reserve			
Surplus reserve	59	191,755,852.88	145,246,643.00
General risk reserve			
Undistributed profit	60	36,536,452.57	995,119,114.67
Total equity attributable to the parent company		39,229,381.89	2,824,618,471.14
Non-controlling interest		1,254,121,942.21	
Total equity		7,966,087,105.80	2,824,618,471.14
Total liabilities & equity		36,536,452.57	5,766,406,983.91

Legal representative: Yu Pingguang
Yang Zhaodi

Officer in charge of accounting: Fu Fenghua

Head of accounting department:

Zhejiang Hangke Technology Incorporated Company
Parent company balance sheet as at December 31, 2022
(Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	Opening balance
Current assets:			
Cash and bank balances		1,991,810,568.64	1,911,668,771.03
Held-for-trading financial assets		8,470,694.76	
Derivative financial assets			
Notes receivable		58,049,060.67	38,313,387.50
Accounts receivable	1	1,674,400,536.49	989,513,403.61
Receivables financing		17,904,210.81	101,554,995.05
Advances paid		16,560,508.62	50,490,262.42
Other receivables	2	97,885,479.26	59,157,136.09
Inventories		2,380,640,012.12	1,422,717,310.33
Contract assets		307,678,177.15	218,572,654.95
Assets held for sale			
Non-current assets due within one year			
Other current assets		21,186,453.88	9,629,824.17
Total current assets		6,574,585,702.40	4,801,617,745.15
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	3	64,699,481.59	13,634,000.00
Other equity instrument investments			
Other non-current financial assets			
Investment property			
Fixed assets		895,250,731.49	513,063,805.28
Construction in progress		18,204,314.48	165,575,054.00
Productive biological assets			
Oil & gas assets			
Right-of-use assets		6,009,682.76	9,805,271.96
Intangible assets		175,501,531.02	137,767,740.01
Development expenditures			
Goodwill			
Long-term prepayments		7,003,767.94	7,347,056.31
Deferred tax assets		36,577,923.82	67,622,833.94
Other non-current assets		37,292,942.20	45,155,615.16
Total non-current assets		1,240,540,375.30	959,971,376.66
Total assets		7,815,126,077.70	5,761,589,121.81

Legal representative: Yu Pingguang
 Yang Zhaodi

Officer in charge of accounting: Fu Fenghua

Head of accounting department:

Zhejiang Hangke Technology Incorporated Company
Parent company balance sheet as at December 31, 2022 (continued)
(Expressed in Renminbi Yuan)

Liabilities & Equity	Note No.	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable		1,316,903,913.74	977,330,876.19
Accounts payable		1,596,632,180.12	955,136,600.78
Advances received		560,000.00	492,354.74
Contract liabilities		1,385,308,395.26	870,054,262.23
Employee benefits payable		25,210,737.00	12,654,874.18
Taxes and rates payable		14,285,097.21	3,726,826.35
Other payables		2,860,728.64	3,345,353.00
Liabilities held for sale			
Non-current liabilities due within one year		3,840,678.51	3,560,600.47
Other current liabilities		125,660,270.00	89,798,179.18
Total current liabilities		4,471,262,000.48	2,916,099,927.12
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities		2,028,013.79	5,923,001.31
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income		28,438,576.97	18,523,466.09
Deferred tax liabilities			9,902.87
Other non-current liabilities			
Total non-current liabilities		30,466,590.76	24,456,370.27
Total liabilities		4,501,728,591.24	2,940,556,297.39
Equity:			
Share capital/Paid-in capital		405,133,000.00	403,090,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		1,401,737,825.15	1,283,796,073.62
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		191,755,852.88	145,246,643.00
Undistributed profit		1,314,770,808.43	988,900,107.80
Total equity		3,313,397,486.46	2,821,032,824.42
Total liabilities & equity		7,815,126,077.70	5,761,589,121.81

Legal representative: Yu Pingguang Officer in charge of accounting: Fu Fenghua Head of accounting department: Yang Zhaodi

Zhejiang Hangke Technology Incorporated Company
Consolidated income statement for the year ended December 31, 2022
(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Total operating revenue		3,454,133,088.43	2,483,313,053.45
Including: Operating revenue	61	3,454,133,088.43	2,483,313,053.45
Interest income			
Premiums earned			
Revenue from handling charges and commission			
II. Total operating cost		2,851,819,410.11	2,261,916,197.48
Including: Operating cost	61	2,317,631,098.76	1,831,483,335.32
Interest expenses			
Handling charges and commission expenditures			
Surrender value			
Net payment of insurance claims			
Net provision of insurance policy reserve			
Premium bonus expenditures			
Reinsurance expenses			
Taxes and surcharges	62	14,427,516.69	7,179,979.18
Selling expenses	63	91,331,383.72	48,103,862.28
Administrative expenses	64	306,671,645.62	201,393,305.42
R&D expenses	65	207,303,580.94	131,272,111.35
Financial expenses	66	-85,545,815.62	42,483,603.93
Including: Interest expenses		670,804.78	239,691.46
Interest income		22,082,313.61	15,572,749.85
Add: Other income	67	64,727,784.32	44,749,156.26
Investment income (or less: losses)	68	1,630,785.99	8,162,597.69
Including: Investment income from associates and joint ventures			
Gains from derecognition of financial assets at amortized cost		-3,330,905.47	
Gains on foreign exchange (or less: losses)			
Gains on net exposure to hedging risk (or less: losses)			
Gains on changes in fair value (or less: losses)	70	596,527.80	
Credit impairment loss	71	-78,607,822.14	3,359,293.41
Assets impairment loss	72	-39,527,676.40	-23,535,751.42
Gains on asset disposal (or less: losses)	73	-344,350.15	-489,070.36
III. Operating profit (or less: losses)		550,788,927.74	253,643,081.55
Add: Non-operating revenue	74	3,121,912.20	4,104,931.23
Less: Non-operating expenditures	75	9,965,333.81	759,418.55
IV. Profit before tax (or less: total loss)		543,945,506.13	256,988,594.23
Less: Income tax expenses	76	53,351,094.28	21,870,712.48
V. Net profit (or less: net loss)		490,594,411.85	235,117,881.75
(I) Categorized by the continuity of operations			
1. Net profit from continuing operations (or less: net loss)		490,594,411.85	235,117,881.75
2. Net profit from discontinued operations (or less: net loss)			
(II) Categorized by the portion of equity ownership			
1. Net profit attributable to owners of parent company (or less: net loss)		490,594,411.85	235,117,881.75
2. Net profit attributable to non-controlling shareholders (or less: net loss)			
VI. Other comprehensive income after tax	77	5,052,708.15	-1,151,242.78
Items attributable to the owners of the parent company		5,052,708.15	-1,151,242.78
(I) Not to be reclassified subsequently to profit or loss			
1. Remeasurements of the net defined benefit plan			
2. Items under equity method that will not be reclassified to profit or loss			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of own credit risk			
5. Others			
(II) To be reclassified subsequently to profit or loss		5,052,708.15	-1,151,242.78
1. Items under equity method that may be reclassified to profit or loss			
2. Changes in fair value of other debt investments			
3. Profit or loss from reclassification of financial assets into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedging reserve			
6. Translation reserve		5,052,708.15	-1,151,242.78
7. Others			
Items attributable to non-controlling shareholders			
VII. Total comprehensive income		495,647,120.00	233,966,638.97
Items attributable to the owners of the parent company		495,647,120.00	233,966,638.97
Items attributable to non-controlling shareholders			
VIII. Earnings per share (EPS):			
(I) Basic EPS (Yuan per share)		1.21	0.58
(II) Diluted EPS (Yuan per share)		1.21	0.58

If a business merger occurs under the same control in the current period, the net profit realized by the merged party before the merger is: 0 Yuan, and the net profit realized by the merged party in the previous period is: 0 Yuan.

Legal representative: Yu Pingguang Officer in charge of accounting: Fu Fenghua Head of accounting department: Yang Zhaodi

Zhejiang Hangke Technology Incorporated Company
Parent company income statement for the year ended December 31, 2022
(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Operating revenue	4	3,454,165,109.91	2,480,434,270.51
Less: Operating cost	4	2,318,157,417.85	1,830,551,909.25
Taxes and surcharges		13,907,661.88	7,165,501.27
Selling expenses		91,187,244.11	47,904,171.69
Administrative expenses		300,274,868.68	197,572,128.27
R&D expenses		207,303,580.94	131,272,111.35
Financial expenses		-90,818,390.10	40,872,141.50
Including: Interest expenses		670,804.78	239,691.46
Interest income		21,795,985.35	15,485,359.15
Add: Other income		64,553,293.51	44,385,476.08
Investment income (or less: losses)	5	4,656,262.29	10,585,363.63
Including: Investment income from associates and joint ventures			
Gains from derecognition of financial assets at amortized cost		-3,330,905.47	
Gains on net exposure to hedging risk (or less: losses)			
Gains on changes in fair value (or less: losses)		596,527.80	
Credit impairment loss		-118,885,990.73	-4,782,243.05
Assets impairment loss		-39,527,676.40	-23,535,751.42
Gains on asset disposal (or less: losses)		-344,350.15	-489,070.36
II. Operating profit (or less: losses)		525,200,792.87	251,260,082.06
Add: Non-operating revenue		3,121,912.20	4,104,915.51
Less: Non-operating expenditures		9,963,808.90	759,418.55
III. Profit before tax (or less: total loss)		518,358,896.17	254,605,579.02
Less: Income tax expenses		53,266,797.35	21,843,627.57
IV. Net profit (or less: net loss)		465,092,098.82	232,761,951.45
(I) Net profit from continuing operations (or less: net loss)		465,092,098.82	232,761,951.45
(II) Net profit from discontinued operations (or less: net loss)			
V. Other comprehensive income after tax			
(I) Not to be reclassified subsequently to profit or loss			
1. Remeasurements of the net defined benefit plan			
2. Items under equity method that will not be reclassified to profit or loss			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of own credit risk			
5. Others			
(II) To be reclassified subsequently to profit or loss			
1. Items under equity method that may be reclassified to profit or loss			
2. Changes in fair value of other debt investments			
3. Profit or loss from reclassification of financial assets into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedging reserve			
6. Translation reserve			
7. Others			
VI. Total comprehensive income		465,092,098.82	232,761,951.45
VII. Earnings per share (EPS):			
(I) Basic EPS (Yuan per share)			
(II) Diluted EPS (Yuan per share)			

Legal representative: Yu Pingguang Officer in charge of accounting: Fu Fenghua Head of accounting department: Yang Zhaodi

Zhejiang Hangke Technology Incorporated Company
Consolidated cash flow statement for the year ended December 31, 2022
(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:			
Cash receipts from sale of goods or rendering of services		3,647,124,800.61	2,065,347,482.97
Net increase of client deposit and interbank deposit			
Net increase of central bank loans			
Net increase of loans from other financial institutions			
Cash receipts from original insurance contract premium			
Net cash receipts from reinsurance			
Net increase of policy-holder deposit and investment			
Cash receipts from interest, handling charges and commission			
Net increase of loans from others			
Net increase of repurchase			
Net cash receipts from agency security transaction			
Receipts of tax refund		80,384,198.43	31,910,704.65
Other cash receipts related to operating activities	78	280,166,290.43	173,283,012.11
Subtotal of cash inflows from operating activities		4,007,675,289.47	2,270,541,199.73
Cash payments for goods purchased and services received		2,325,184,864.21	935,883,342.96
Net increase of loans and advances to clients			
Net increase of central bank deposit and interbank deposit			
Cash payments for insurance indemnities of original insurance contracts			
Net increase of loans to others			
Cash payments for interest, handling charges and commission			
Cash payments for policy bonus			
Cash paid to and on behalf of employees		512,098,241.99	370,571,651.95
Cash payments for taxes and rates		117,463,952.09	104,775,821.51
Other cash payments related to operating activities	78	357,205,413.26	377,648,936.04
Subtotal of cash outflows from operating activities		3,311,952,471.55	1,788,879,752.46
Net cash flows from operating activities		695,722,817.92	481,661,447.27
II. Cash flows from investing activities:			
Cash receipts from withdrawal of investments		1,543,023,120.39	1,298,162,597.69
Cash receipts from investment income		145,000.00	
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		62,831.85	3,232,859.62
Net cash receipts from the disposal of subsidiaries & other business units			
Other cash receipts related to investing activities			
Subtotal of cash inflows from investing activities		1,543,230,952.24	1,301,395,457.31
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		417,311,743.01	317,109,271.52
Cash payments for investments		1,535,000,000.00	1,290,000,000.00
Net increase of pledged borrowings			
Net cash payments for the acquisition of subsidiaries & other business units			
Other cash payments related to investing activities			
Subtotal of cash outflows from investing activities		1,952,311,743.01	1,607,109,271.52
Net cash flows from investing activities		-409,080,790.77	-305,713,814.21
III. Cash flows from financing activities:			
Cash receipts from absorbing investments		19,316,500.00	19,855,000.00
Including: Cash received by subsidiaries from non-controlling shareholders as investments			
Cash receipts from borrowings			
Other cash receipts related to financing activities			
Subtotal of cash inflows from financing activities		19,316,500.00	19,855,000.00
Cash payments for the repayment of borrowings			
Cash payments for distribution of dividends or profits and for interest expenses		92,712,188.31	112,280,000.00
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit			
Other cash payments related to financing activities	78	4,500,000.00	2,250,000.00
Subtotal of cash outflows from financing activities		97,212,188.31	114,530,000.00
Net cash flows from financing activities		-77,895,688.31	-94,675,000.00
IV. Effect of foreign exchange rate changes on cash & cash equivalents		68,959,112.16	-54,620,368.91
V. Net increase in cash and cash equivalents		277,705,451.00	26,652,264.15
Add: Opening balance of cash and cash equivalents		1,714,758,111.87	1,688,105,847.72
VI. Closing balance of cash and cash equivalents		1,992,463,562.87	1,714,758,111.87

Legal representative: Yu Pingguang
department: Yang Zhaodi

Officer in charge of accounting: Fu Fenghua Head of accounting

Zhejiang Hangke Technology Incorporated Company
Parent company cash flow statement for the year ended December 31, 2022
(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:			
Cash receipts from sale of goods and rendering of services		3,532,159,718.33	2,063,555,340.80
Receipts of tax refund		80,384,198.43	31,883,386.56
Other cash receipts related to operating activities		279,651,891.83	172,658,889.58
Subtotal of cash inflows from operating activities		3,892,195,808.59	2,268,097,616.94
Cash payments for goods purchased and services received		2,325,465,853.97	941,716,035.17
Cash paid to and on behalf of employees		510,258,498.88	369,568,897.04
Cash payments for taxes and rates		116,801,027.84	104,648,305.41
Other cash payments related to operating activities		422,055,016.68	374,781,536.64
Subtotal of cash outflows from operating activities		3,374,580,397.37	1,790,714,774.26
Net cash flows from operating activities		517,615,411.22	477,382,842.68
II. Cash flows from investing activities:			
Cash receipts from withdrawal of investments		1,543,023,120.39	1,298,162,597.69
Cash receipts from investment income		145,000.00	
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		62,831.85	3,232,859.62
Net cash receipts from the disposal of subsidiaries & other business units			
Other cash receipts related to investing activities			
Subtotal of cash inflows from investing activities		1,543,230,952.24	1,301,395,457.31
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		367,018,930.25	316,148,226.05
Cash payments for investments		1,586,065,481.59	1,290,000,000.00
Net cash payments for the acquisition of subsidiaries & other business units			
Other cash payments related to investing activities			
Subtotal of cash outflows from investing activities		1,953,084,411.84	1,606,148,226.05
Net cash flows from investing activities		-409,853,459.60	-304,752,768.74
III. Cash flows from financing activities:			
Cash receipts from absorbing investments		19,316,500.00	19,855,000.00
Cash receipts from borrowings			
Other cash receipts related to financing activities			
Subtotal of cash inflows from financing activities		19,316,500.00	19,855,000.00
Cash payments for the repayment of borrowings			
Cash payments for distribution of dividends or profits and for interest expenses		92,712,188.31	112,280,000.00
Other cash payments related to financing activities		4,500,000.00	2,250,000.00
Subtotal of cash outflows from financing activities		97,212,188.31	114,530,000.00
Net cash flows from financing activities		-77,895,688.31	-94,675,000.00
IV. Effect of foreign exchange rate changes on cash and cash equivalents		64,592,173.78	-53,795,257.62
V. Net increase in cash and cash equivalents		94,458,437.09	24,159,816.32
Add: Opening balance of cash and cash equivalents		1,684,835,584.65	1,660,675,768.33
VI. Closing balance of cash and cash equivalents		1,779,294,021.74	1,684,835,584.65

Legal representative: Yu Pingguang Officer in charge of accounting: Fu Fenghua Head of accounting department: Yang Zhaodi

Zhejiang Hangke Technology Incorporated Company
Consolidated statement of changes in equity for the year ended December 31, 2022
(Expressed in Renminbi Yuan)

Items	Current period cumulative												
	Equity attributable to parent company											Non-controlling interest	Total equity
	Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General reserve	risk		
		Preferred shares	Perpetual bonds	Others									
I. Balance at the end of prior year	403,090,000.00				1,283,796,073.62		-2,633,360.15		145,246,643.00			995,119,114.67	2,824,618,471.14
Add: Cumulative changes of accounting policies													
Error correction of prior period													
Business combination under common control													
Others													
II. Balance at the beginning of current year	403,090,000.00				1,283,796,073.62		-2,633,360.15		145,246,643.00			995,119,114.67	2,824,618,471.14
III. Current period increase (or less: decrease)	2,043,000.00				117,941,751.53		5,052,708.15		46,509,209.88			351,373,013.66	522,919,683.22
(I) Total comprehensive income							5,052,708.15					490,594,411.85	495,647,120.00
(II) Capital contributed or withdrawn by owners	2,043,000.00				117,941,751.53								119,984,751.53
1. Ordinary shares contributed by owners	2,043,000.00				17,273,500.00								19,316,500.00
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity					100,668,251.53								100,668,251.53
4. Others													
(III) Profit distribution									46,509,209.88			-139,221,398.19	-92,712,188.31
1. Appropriation of surplus reserve									46,509,209.88			-46,509,209.88	
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners												-92,712,188.31	-92,712,188.31
4. Others													
(IV) Internal carry-over within equity													
1. Transfer of capital reserve to capital													
2. Transfer of surplus reserve to capital													
3. Surplus reserve to cover losses													
4. Changes in defined benefit plan carried over to retained earnings													
5. Other comprehensive income carried over to retained earnings													
6. Others													
(V) Special reserve													
1. Appropriation of current period													
2. Application of current period													
(VI) Others													
IV. Balance at the end of current period	405,133,000.00				1,401,737,825.15		2,419,348.00		191,755,852.88			1,346,492,128.33	3,347,538,154.36

Legal representative: Yu Pingguang

Officer in charge of accounting: Fu Fenghua

Head of accounting department:

Zhejiang Hangke Technology Incorporated Company

Consolidated statement of changes in equity for the year ended December 31, 2022 (continued)

(Expressed in Renminbi Yuan)

Items	(Expressed in Renminbi Yuan)													
	Preceding period comparative													
	Equity attributable to parent company											Non-controlling interest	Total equity	
Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General reserve	risk	Undistributed profit			
Preferred shares	Perpetual bonds	Others												
I. Balance at the end of prior year	401,000,000.00				1,150,225,686.92		-1,482,117.37		121,970,447.85			895,557,428.07		2,567,271,445.47
Add: Cumulative changes of accounting policies														
Error correction of prior period														
Business combination under common control														
Others														
II. Balance at the beginning of current year	401,000,000.00				1,150,225,686.92		-1,482,117.37		121,970,447.85			895,557,428.07		2,567,271,445.47
III. Current period increase (or less: decrease)	2,090,000.00				133,570,386.70		-1,151,242.78		23,276,195.15			99,561,686.60		257,347,025.67
(I) Total comprehensive income							-1,151,242.78					235,117,881.75		233,966,638.97
(II) Capital contributed or withdrawn by owners	2,090,000.00				133,570,386.70									135,660,386.70
1. Ordinary shares contributed by owners	2,090,000.00				17,765,000.00									19,855,000.00
2. Capital contributed by holders of other equity instruments														
3. Amount of share-based payment included in equity					115,805,386.70									115,805,386.70
4. Others														
(III) Profit distribution									23,276,195.15			-135,556,195.15		-112,280,000.00
1. Appropriation of surplus reserve									23,276,195.15			-23,276,195.15		
2. Appropriation of general risk reserve														
3. Appropriation of profit to owners												-112,280,000.00		-112,280,000.00
4. Others														
(IV) Internal carry-over within equity														
1. Transfer of capital reserve to capital														
2. Transfer of surplus reserve to capital														
3. Surplus reserve to cover losses														
4. Changes in defined benefit plan carried over to retained earnings														
5. Other comprehensive income carried over to retained earnings														
6. Others														
(V) Special reserve														
1. Appropriation of current period														
2. Application of current period														
(VI) Others														
IV. Balance at the end of current period	403,090,000.00				1,283,796,073.62		-2,633,360.15		145,246,643.00			995,119,114.67		2,824,618,471.14

Legal representative: Yu Pingguang

Officer in charge of accounting: Fu Fenghua

Head of accounting department:

Zhejiang Hangke Technology Incorporated Company

Parent company statement of changes in equity for the year ended December 31, 2022

(Expressed in Renminbi Yuan)

Items	Current period cumulative										
	Share capital/ Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
I. Balance at the end of prior year	403,090,000.00				1,283,796,073.62				145,246,643.00	988,900,107.80	2,821,032,824.42
Add: Cumulative changes of accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	403,090,000.00				1,283,796,073.62				145,246,643.00	988,900,107.80	2,821,032,824.42
III. Current period increase (or less: decrease)	2,043,000.00				117,941,751.53				46,509,209.88	325,870,700.63	492,364,662.04
(I) Total comprehensive income										465,092,098.82	465,092,098.82
(II) Capital contributed or withdrawn by owners	2,043,000.00				117,941,751.53						119,984,751.53
1. Ordinary shares contributed by owners	2,043,000.00				17,273,500.00						19,316,500.00
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity					100,668,251.53						100,668,251.53
4. Others											
(III) Profit distribution									46,509,209.88	-139,221,398.19	-92,712,188.31
1. Appropriation of surplus reserve									46,509,209.88	-46,509,209.88	
2. Appropriation of profit to owners										-92,712,188.31	-92,712,188.31
3. Others											
(IV) Internal carry-over within equity											
1. Transfer of capital reserve to capital											
2. Transfer of surplus reserve to capital											
3. Surplus reserve to cover losses											
4. Changes in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											
(V) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(VI) Others											
IV. Balance at the end of current period	405,133,000.00				1,401,737,825.15				191,755,852.88	1,314,770,808.43	3,313,397,486.46

Legal representative: Yu Pingguang

Officer in charge of accounting: Fu Fenghua

Head of accounting department:

Zhejiang Hangke Technology Incorporated Company
Parent company statement of changes in equity for the year ended December 31, 2022 (continued)
(Expressed in Renminbi Yuan)

Items	Preceding period comparative										
	Share capital/ Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
		Preferred shares	Perpetual bonds	Others							
I. Balance at the end of prior year	401,000,000.00				1,150,225,686.92				121,970,447.85	891,694,351.50	2,564,890,486.27
Add: Cumulative changes of accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	401,000,000.00				1,150,225,686.92				121,970,447.85	891,694,351.50	2,564,890,486.27
III. Current period increase (or less: decrease)	2,090,000.00				133,570,386.70				23,276,195.15	97,205,756.30	256,142,338.15
(I) Total comprehensive income										232,761,951.45	232,761,951.45
(II) Capital contributed or withdrawn by owners	2,090,000.00				133,570,386.70						135,660,386.70
1. Ordinary shares contributed by owners	2,090,000.00				17,765,000.00						19,855,000.00
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity					115,805,386.70						115,805,386.70
4. Others											
(III) Profit distribution									23,276,195.15	-135,556,195.15	-112,280,000.00
1. Appropriation of surplus reserve									23,276,195.15	-23,276,195.15	
2. Appropriation of profit to owners										-112,280,000.00	-112,280,000.00
3. Others											
(IV) Internal carry-over within equity											
1. Transfer of capital reserve to capital											
2. Transfer of surplus reserve to capital											
3. Surplus reserve to cover losses											
4. Changes in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											
(V) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(VI) Others											
IV. Balance at the end of current period	403,090,000.00				1,283,796,073.62				145,246,643.00	988,900,107.80	2,821,032,824.42

Legal representative: Yu Pingguang Officer in charge of accounting: Fu Fenghua Head of accounting department: Yang Zhaodi

II. Company Basic Information

I. Company profile

☒ Applicable ☐ Not Applicable

Zhejiang Hangke Technology Incorporated Company (the "Company"), a limited liability company by shares, was transformed from a limited liability company on an integral basis. The Company was registered at Hangzhou Administration for Industry and Commerce on November 21, 2011. Headquartered in Hangzhou, Zhejiang Province, the Company currently holds a business license with unified social credit code of 913301005865048038, with registered capital of 403,090,000.00 Yuan and total share of 405,133,000 shares (each with par value of one Yuan), of which, 405,133,000 shares are unrestricted outstanding A shares. The reason for the inconsistency between registered capital and total share is that the change arising from the grants of restricted shares to incentive objects on May 25, 2022 and August 31, 2022 has not been registered at the administration for market regulation. The Company's shares were listed on the Shanghai Stock Exchange on July 22, 2019.

The Company belongs to the special equipment manufacturing industry and is mainly engaged in manufacturing and processing of lithium battery formation, testing equipment and charging and discharging equipment, lithium battery protection plate products, lithium battery automation production line, technical development of lithium battery production technology, import and export of goods and technologies (excluding items prohibited by laws and administrative regulations. The Company operates items restricted by laws and administrative regulations after obtaining permission).

The financial statements have been approved by the 14th meeting of the third board of Directors of the Company on April 26, 2023.

2. Scope of consolidated financial statements

☒ Applicable ☐ Not Applicable

The Company has brought 9 subsidiaries including Honreck Electronic Trade (Japan) Co., Ltd., SEITOKU, Hangke Electronics Co., Ltd., Honreck Equipment Technology Support Company Sdn. Bhd., Hangke E-commerce (Hong Kong) Co., Ltd., Honreck Electronics Trading Sp. z o.o., Hangke Technology Inc、Hangke Technology Germany GmbH、HK POWER Co., Ltd into the consolidation scope. Please refer to section VI of notes to the financial statements for details.

IV. Preparation basis of the financial statements

(I) Preparation basis

The financial statements have been prepared on the basis of going concern.

(II) Assessment of the ability to continue as a going concern

☒ Applicable ☐ Not Applicable

The Company has no events or conditions that may cast significant doubts upon the Company's ability to continue as a going concern within the 12 months after the balance sheet date.

V. Significant accounting policies and estimates

Specific accounting policies and accounting estimates:

☒ Applicable ☐ Not Applicable

Important note: The Company has set up accounting policies and estimates on transactions or events such as impairment of financial instruments, depreciation of fixed assets, amortization of intangible assets, revenue recognition, etc., based on the Company's actual production and operation features.

(I) Statement of compliance

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (CASBEs), and present truly and completely the financial position, results of operations and cash flows of the Company.

(II) Accounting period

The accounting year of the Company runs from January 1 to December 31 under the Gregorian calendar.

(III) Operating cycle

The Company has a relatively short operating cycle for its business, an asset or a liability is classified as current if it is expected to be realized or due within 12 months.

(IV) Functional currency

The functional currency of the Company and its domestic subsidiaries is Renminbi (RMB) Yuan, while the functional currency of subsidiaries Honreck Electronic Trade (Japan) Co., Ltd., SEITOKU, Hangke Electronics Co., Ltd., Honreck Equipment Technology Support Company Sdn. Bhd., Hangke E-commerce (Hong Kong) Co., Ltd., Honreck Electronics Trading Sp. z o.o., Hangke Technology Inc. and Hangke Technology Germany GmbH is JPY, KRW, MYR, HKD, PLN, USD and EUR, respectively.

(V) Accounting treatments of business combination under and not under common control

☒ Applicable ☐ Not Applicable

1. Accounting treatment of business combination under common control

Assets and liabilities arising from business combination are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party at the combination date. Difference between carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination

consideration or total par value of shares issued is adjusted to capital reserve, if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

2. Accounting treatment of business combination not under common control

When combination cost is in excess of the fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognized as goodwill; otherwise, the fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, then the difference is recognized in profit or loss.

(VI) Compilation method of consolidated financial statements

☒ Applicable ☐ Not Applicable

The parent company brings all its controlled subsidiaries into the consolidation scope. The consolidated financial statements are compiled by the parent company according to "CASBE 33 – Consolidated Financial Statements", based on relevant information and the financial statements of the parent company and its subsidiaries.

(VII) Recognition criteria of cash and cash equivalents

☐ Applicable ☒ Not Applicable

Cash as presented in cash flow statement refers to cash on hand and deposit on demand for payment. Cash equivalents refer to short-term, highly liquid investments that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

(VIII) Foreign currency translation

☒ Applicable ☐ Not Applicable

1. Translation of transactions denominated in foreign currency

Transactions denominated in foreign currency are translated into RMB Yuan at the approximate exchange rate similar to the spot exchange rate at the transaction date at initial recognition. At the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate at the balance sheet date with difference, except for those arising from the principal and interest of exclusive borrowings eligible for capitalization, included in profit or loss; non-cash items carried at historical costs are translated at the spot exchange rate at the transaction date, with the RMB amounts unchanged; non-cash items carried at fair value in foreign currency are translated at the spot exchange rate at the date when the fair value was determined, with difference included in profit or loss or other comprehensive income.

2. Translation of financial statements measured in foreign currency

The assets and liabilities in the balance sheet are translated into RMB at the spot rate at the balance sheet date; the equity items, other than undistributed profit, are translated at the spot rate at the transaction date; the revenues and expenses in the income statement are translated into RMB at the spot exchange rate at the transaction date. The difference arising from foreign currency translation is included in other

comprehensive income.

(IX) Financial instruments

☒ Applicable ☐ Not Applicable

1. Classification of financial assets and financial liabilities

Financial assets are classified into the following three categories when initially recognized: (1) financial assets at amortized cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

Financial liabilities are classified into the following four categories when initially recognized: (1) financial liabilities at fair value through profit or loss; (2) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies; (3) financial guarantee contracts not fall within the above categories (1) and (2), and commitments to provide a loan at a below-market interest rate, which do not fall within the above category (1); (4) financial liabilities at amortized cost.

2. Recognition criteria, measurement method and derecognition condition of financial assets and financial liabilities

(1) Recognition criteria and measurement method of financial assets and financial liabilities

When the Company becomes a party to a financial instrument, it is recognized as a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included into the initially recognized amount. However, at initial recognition, for accounts receivable that do not contain a significant financing component or in circumstances where the Company does not consider the financing components in contracts within one year, the Company measures the transaction price in accordance with "CASBE 14 – Revenues".

(2) Subsequent measurement of financial assets

1) Financial assets measured at amortized cost

The Company measures its financial assets at the amortized costs using effective interest method. Gains or losses on financial assets that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial assets are derecognized, reclassified, amortized using effective interest method or recognized with impairment loss.

2) Debt instrument investments at fair value through other comprehensive income

The Company measures its debt instrument investments at fair value. Interests, impairment gains or losses, and gains and losses on foreign exchange that calculated using effective interest method shall be included into profit or loss, while other gains or losses are included into other comprehensive income.

Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into profit or loss when the financial assets are derecognized.

3) Equity instrument investments at fair value through other comprehensive income

The Company measures its equity instrument investments at fair value. Dividends obtained (other than those as part of investment cost recovery) shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into retained earnings when the financial assets are derecognized.

4) Financial assets at fair value through profit or loss

The Company measures its financial assets at fair value. Gains or losses arising from changes in fair value (including interests and dividends) shall be included into profit or loss, except for financial assets that are part of hedging relationships.

(3) Subsequent measurement of financial liabilities

1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include held-for-trading financial liabilities (including derivatives that are liabilities) and financial liabilities designated as at fair value through profit or loss. The Company measures such kind of liabilities at fair value. The amount of changes in the fair value of the financial liabilities that are attributable to changes in the Company's own credit risk shall be included into other comprehensive income, unless such treatment would create or enlarge accounting mismatches in profit or loss. Other gains or losses on those financial liabilities (including interests, changes in fair value that are attributable to reasons other than changes in the Company's own credit risk) shall be included into profit or loss, except for financial liabilities that are part of hedging relationships. Accumulated gains or losses that originally recognized as other comprehensive income should be transferred out into retained earnings when the financial liabilities are derecognized.

2) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies

The Company measures its financial liabilities in accordance with "CASBE 23 – Transfer of Financial Assets".

3) Financial guarantee contracts not fall within the above categories 1) and 2), and commitments to provide a loan at a below-market interest rate, which do not fall within the above category 1)

The Company measures its financial liabilities at the higher of: a. the amount of loss allowances in accordance with impairment requirements of financial instruments; b. the amount initially recognized less the amount of accumulated amortization recognized in accordance with "CASBE 14 – Revenues".

4) Financial liabilities at amortized cost

The Company measures its financial liabilities at amortized cost using effective interest method. Gains or losses on financial liabilities that are measured at amortized cost and are not part of hedging

relationships shall be included into profit or loss when the financial liabilities are derecognized and amortized using effective interest method.

(4) Derecognition of financial assets and financial liabilities

1) Financial assets are derecognized when:

- a. the contractual rights to the cash flows from the financial assets expire; or
- b. the financial assets have been transferred and the transfer qualifies for derecognition in accordance with "CASBE 23 – Transfer of Financial Assets”.

2) Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability be derecognized accordingly.

3. Recognition criteria and measurement method of financial assets transfer

Where the Company has transferred substantially all of the risks and rewards related to the ownership of the financial asset, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability. If it retained substantially all of the risks and rewards related to the ownership of the financial asset, it continues recognizing the financial asset. Where the Company does not transfer or retain substantially all of the risks and rewards related to the ownership of a financial asset, it is dealt with according to the circumstances as follows respectively: (1) if the Company does not retain its control over the financial asset, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability; (2) if the Company retains its control over the financial asset, according to the extent of its continuing involvement in the transferred financial asset, it recognizes the related financial asset and recognizes the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items is included in profit or loss: (1) the carrying amount of the transferred financial asset as of the date of derecognition; (2) the sum of consideration received from the transfer of the financial asset, and the accumulative amount of the changes of the fair value originally included in other comprehensive income proportionate to the transferred financial asset (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income). If the transfer of financial asset partially satisfies the conditions to derecognition, the entire carrying amount of the transferred financial asset is, between the portion which is derecognized and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items is included into profit or loss: (1) the carrying amount of the portion which is derecognized; (2) the sum of consideration of the portion which is derecognized, and the portion of the accumulative amount of the changes in the fair value originally included in other comprehensive income which is corresponding to the portion which is derecognized (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income).

4. Fair value determination method of financial assets and liabilities

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data and information are available to measure fair value. The inputs to valuation techniques used to measure fair value are arranged in the following hierarchy and used accordingly:

(1) Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date.

(2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, for example, interest rates and yield curves observable at commonly quoted intervals; market-corroborated inputs;

(3) Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs include interest rate that is not observable and cannot be corroborated by observable market data at commonly quoted intervals, historical volatility, future cash flows to be paid to fulfill the disposal obligation assumed in business combination, financial forecast developed using the Company's own data, etc.

5. Impairment of financial instruments

(1) Measurement and accounting treatment

The Company, on the basis of expected credit loss, recognizes loss allowances of financial assets at amortized cost, debt instrument investments at fair value through other comprehensive income, contract assets, leases receivable, loan commitments other than financial liabilities at fair value through profit or loss, financial guarantee contracts not belong to financial liabilities at fair value through profit or loss or financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

Expected credit losses refer to the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss refers to the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. Among which, purchased or originated credit-impaired financial assets are discounted at the credit-adjusted effective interest rate.

At the balance sheet date, the Company shall only recognize the cumulative changes in the lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

For accounts receivable and contract assets resulting from transactions regulated in "CASBE 14 – Revenues", the Company chooses simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

For financial assets other than the above, on each balance sheet date, the Company shall assess whether the credit risk on the financial instrument has increased significantly since initial recognition. The Company shall measure the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition; otherwise, the Company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit loss.

Considering reasonable and supportable forward-looking information, the Company compares the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition, so as to assess whether the credit risk on the financial instrument has increased significantly since initial recognition.

The Company may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have relatively low credit risk at the balance sheet date.

The Company shall estimate expected credit risk and measure expected credit losses on an individual or a collective basis. When the Company adopts the collective basis, financial instruments are grouped with similar credit risk features.

The Company shall remeasure expected credit loss on each balance sheet date, and increased or reversed amounts of loss allowance arising therefrom shall be included into profit or loss as impairment losses or gains. For a financial asset measured at amortized cost, the loss allowance reduces the carrying amount of such financial asset presented in the balance sheet; for a debt investment measured at fair value through other comprehensive income, the loss allowance shall be recognized in other comprehensive income and shall not reduce the carrying amount of such financial asset.

(2) Financial instruments with expected credit risk assessed on a collective basis and expected credit losses measured using three-stage model

Items	Basis for determination of portfolio	Method for measuring expected credit loss
Other receivables – Portfolio grouped with balances due from related parties	Nature of receivables	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and 12-month or lifetime expected credit loss rate.
Other receivables – Portfolio grouped with deposits		
Other receivables – Portfolio grouped with petty cash		
Other receivables – Other portfolios		

(3) Accounts receivable and contract assets with expected credit losses measured using simplified approach

1) Specific portfolios and method for measuring expected credit loss

Items	Basis for determination of portfolio	Method for measuring expected credit loss
Bank acceptance receivable	Type of notes	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and lifetime expected credit loss rate.
Trade acceptance receivable		Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company prepares the comparison table of ages and lifetime expected credit loss rate of trade acceptance receivable, so as to calculate expected credit loss.
Accounts receivable – Portfolio grouped with ages	Ages	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company prepares the comparison table of ages and lifetime expected credit loss rate of accounts receivable, so as to calculate expected credit loss.
Contract assets – Portfolio grouped with ages	Ages	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company prepares the comparison table of ages and lifetime expected credit loss rate of contract assets, so as to calculate expected credit loss.

2) Accounts receivable – comparison table of ages and lifetime expected credit loss rate

Ages	Expected credit loss rate of accounts receivable (%)
Within 1 year (inclusive, the same hereinafter)	5
1-2 years	15
2-3 years	30
Over 3 years	100

6. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, the Company offsets a financial asset and a financial liability and presents the net amount in the balance sheet when, and only when, the Company: (1) currently has a legally enforceable right to set off the recognized amounts; and (2) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

For a transfer of a financial asset that does not qualify for derecognition, the Company does not offset the transferred asset and the associated liability.

11. Notes receivable

The method of determining the expected credit loss of notes receivable and the accounting treatment method

☒ Applicable ☐ Not Applicable

Please refer to Notes V, 10 Financial Instruments

12. Accounts receivable

The method of determining the expected credit loss of accounts receivable and the accounting treatment method

☒ Applicable ☐ Not Applicable

Please refer to Notes V, 10 Financial Instruments

13. Receivables financing

The method of determining the expected credit loss of receivables financing and the accounting treatment method

☒ Applicable ☐ Not Applicable

Please refer to Notes V, 10 Financial Instruments

14. Other Receivables

The method of determining the expected credit loss of other receivables and the accounting treatment method

☒ Applicable ☐ Not Applicable

Please refer to Notes V, 10 Financial Instruments

15. Inventories

☒ Applicable ☐ Not Applicable

1. Classification of inventories

Inventories include finished goods or goods held for sale in the ordinary course of business, work in process in the process of production, materials or supplies, etc. to be consumed in the production process or in the rendering of services.

2. Accounting method for dispatching inventories:

Inventories dispatched from storage are accounted for with weighted average method at the end of each month.

3. Basis for determining net realizable value

At the balance sheet date, inventories are measured at the lower of cost and net realizable value; provisions for inventory write-down are made on the excess of its cost over the net realizable value. The net realizable value of inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realizable value of materials to be processed is determined based on the amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business; at the balance sheet date, when only part of the same item of inventories have agreed price, their net realizable value are determined separately and are compared with their costs to set the provision for inventory write-down to be made or reversed.

4. Inventory system

Perpetual inventory method is adopted.

5. Amortization method of low-value consumables and packages

(1) Low-value consumables

Low-value consumables are amortized /with one-off method.

(2) Packages

Packages are amortized with one-off method.

15. Contract assets

(1) Methods and standards for the recognition of contract assets

☒ Applicable ☐ Not Applicable

Assets related to contract costs including costs of obtaining a contract and costs to fulfil a contract.

The Company recognizes as an asset the incremental costs of obtaining a contract if those costs are expected to be recovered. The costs of obtaining a contract shall be included into profit or loss when incurred if the amortization period of the asset is one year or less.

If the costs incurred in fulfilling a contract are not within the scope of standards related to inventories, fixed assets or intangible assets, etc., the Company shall recognize the costs to fulfil a contract as an asset if all the following criteria are satisfied:

1. The costs relate directly to a contract or to an anticipated contract, including direct labor, direct materials, manufacturing overhead cost (or similar cost), cost that are explicitly chargeable to the customer under the contract, and other costs that are only related to the contract;
2. The costs enhance resources of the Company that will be used in satisfying performance obligations in the future; and
3. The costs are expected to be recovered.

An asset related to contract costs shall be amortized on a systematic basis that is consistent with related goods or services, with amortization included into profit or loss.

The Company shall make provision for impairment and recognize an impairment loss to the extent that the carrying amount of an asset related to contract costs exceeds the remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates less the costs expected to be incurred. The Company shall recognize a reversal of an impairment loss previously recognized in profit or loss when the impairment conditions no longer exist or have improved. The carrying amount of the asset after the reversal shall not exceed the amount that would have been determined on the reversal date if no provision for impairment had been made previously.

(2) Determination method of expected credit loss of contract assets and accounting treatment method

☒Applicable ☐Not Applicable

Please refer to Notes V, 10 Financial Instruments

17. Assets held for sale

☐Applicable ☒Not Applicable

18. Creditor's rights investment

(1) Determination method of expected credit loss of creditor's rights investment and accounting treatment method

☐Applicable ☒Not Applicable

19. Other creditor's rights investment

(1) Determination method of expected credit loss of other creditor's rights investment and accounting treatment method

☐Applicable ☒Not Applicable

20. Long-term receivables

(1) Determination method of expected credit loss of Long-term receivables and accounting treatment method

☐Applicable ☒Not Applicable

21. Long-term equity investments

☒Applicable ☐Not Applicable

1. Judgment of joint control and significant influence

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of these policies.

2. Determination of investment cost

(1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the carrying amount of the equity of the combined party

included in the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. The difference between the initial cost of the long-term equity investments and the carrying amount of the combination consideration paid or the par value of shares issued offsets capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When long-term equity investments are obtained through business combination under common control achieved in stages, the Company determines whether it is a "bundled transaction". If it is a "bundled transaction", stages as a whole are considered as one transaction in accounting treatment. If it is not a "bundled transaction", on the date of combination, investment cost is initially recognized at the share of the carrying amount of net assets of the combined party included in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost of long-term equity investments at the acquisition date and the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity is adjusted to capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

(2) For business combination not under common control, investment cost is initially recognized at the acquisition-date fair value of considerations paid.

When long-term equity investments are obtained through business combination not under common control achieved in stages, the Company determines whether they are stand-alone financial statements or consolidated financial statements in accounting treatment:

1) In the case of stand-alone financial statements, investment cost is initially recognized at the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity.

2) In the case of consolidated financial statements, the Company determines whether it is a "bundled transaction". If it is a "bundled transaction", stages as a whole are considered as one transaction in accounting treatment. If it is not a "bundled transaction", the carrying amount of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition-date fair value, and the difference between the fair value and the carrying amount is recognized in investment income; when the acquirer's previously held equity interest in the acquiree involves other comprehensive income under equity method, the related other comprehensive income is reclassified as income for the acquisition period, excluding other comprehensive income arising from changes in net liabilities or assets from remeasurement of defined benefit plan of the acquiree.

(3) Long-term equity investments obtained through ways other than business combination: the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to "CASBE 12 – Debt

Restructuring”; and that obtained through non-cash assets exchange is determined according to "CASBE 7 – Non-cash Assets Exchange”.

3. Subsequent measurement and recognition method of profit or loss

For a long-term equity investment with control relationship, it is accounted for with cost method; for a long-term equity investment with joint control or significant influence relationship, it is accounted for with equity method.

4. Disposal of a subsidiary in stages resulting in the Company's loss of control

(1) Stand-alone financial statements

The difference between the carrying amount of the disposed equity and the consideration obtained thereof is recognized in profit or loss. If the disposal does not result in the Company's loss of significant influence or joint control, the remained equity is accounted for with equity method; however, if the disposal results in the Company's loss of control, joint control, or significant influence, the remained equity is accounted for according to "CASBE 22 – Financial Instruments: Recognition and Measurement”.

(2) Consolidated financial statements

1) Disposal of a subsidiary in stages not qualified as "bundled transaction"resulting in the Company's loss of control

Before the Company's loss of control, the difference between the disposal consideration and the proportionate share of net assets in the disposed subsidiary from acquisition date or combination date to the disposal date is adjusted to capital reserve (capital premium), if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When the Company loses control, the remained equity is remeasured at the loss-of-control-date fair value. The aggregated value of disposal consideration and the fair value of the remained equity, less the share of net assets in the disposed subsidiary held before the disposal from the acquisition date or combination date to the disposal date is recognized in investment income in the period when the Company loses control over such subsidiary, and meanwhile goodwill is offset correspondingly. Other comprehensive income related to equity investments in former subsidiary is reclassified as investment income upon the Company's loss of control.

2) Disposal of a subsidiary in stages qualified as "bundled transaction"resulting in the Company's loss of control

In case of "bundled transaction”, stages as a whole are considered as one transaction resulting in loss of control in accounting treatment. However, before the Company loses control, the difference between the disposal consideration at each stage and the proportionate share of net assets in the disposed subsidiary is recognized as other comprehensive income at the consolidated financial statements and reclassified as profit or loss in the period when the Company loses control over such subsidiary.

22. Investment real estate

Not Applicable

23. Fixed assets

1. Recognition principles of fixed assets

☒ Applicable ☐ Not Applicable

Fixed assets are tangible assets held for use in the production of goods or rendering of services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year. Fixed assets are recognized if, and only if, it is probable that future economic benefits associated with the assets will flow to the Company and the cost of the assets can be measured reliably.

(2) Depreciation method of different categories of fixed assets

☒ Applicable ☐ Not Applicable

Categories	Depreciation method	Useful life (years)	Residual value proportion (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	20	5%	4.8%-4.75%
General equipment	Straight-line method	3-5	5%	31.67%-19%
Special equipment	Straight-line method	3-10	5%	31.67%-9.5%
Transport facilities	Straight-line method	3-5	5%	31.67%-19%
Other equipment	Straight-line method	3-5	5%	31.67%-19%

(3) Identification basis, valuation and depreciation method of fixed assets leased by financing

☐ Applicable ☒ Not Applicable

24. Construction in progress

☒ Applicable ☐ Not Applicable

1. Construction in progress is recognized if, and only if, it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designed usable conditions.

2. Construction in progress is transferred into fixed assets at its actual cost when it reaches the designed usable conditions. When the auditing of the construction in progress was not finished while reaching the designed usable conditions, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.

25. Borrowing costs

☒ Applicable ☐ Not Applicable

1. Recognition principle of capitalization of borrowing costs

If the borrowing expenses incurred by the company can be directly attributed to the purchase, construction or production of assets that meet the capitalization conditions, they shall be capitalized and included in the cost of relevant assets; Other borrowing expenses shall be recognized as expenses when incurred and recorded into current profits and losses.

2. Capitalization period of borrowing expenses

(1) Capitalization begins when the borrowing expense meets the following conditions: 1) Asset expenditure has been incurred; 2) The borrowing cost has been incurred; 3) The purchase, construction or production activities necessary to bring the assets to a predetermined usable or marketable state have begun.

(2) If the assets eligible for capitalization are abnormally interrupted in the process of purchase, construction or production, and the interruption time is more than 3 months, the capitalization of borrowing costs will be suspended; Borrowing expenses incurred during the interruption period are recognized as current expenses until the acquisition and construction of assets or production activities resume.

(3) When the purchase, construction or production of assets that meet the capitalization conditions reach a predetermined state of usable or saleable, the capitalization of borrowing expenses ceases.

3. Capitalization rate and capitalization amount of borrowing expenses

Where a special loan is borrowed for the purchase, construction or production of assets that meet the capitalization conditions, the interest expense actually incurred in the current period of the special loan (including the amortization of discount or premium determined according to the effective rate method), less the amount of interest income obtained from depositing the loan funds not yet used in the bank or investment income obtained from making temporary investment, determining the amount of interest to be capitalized; If the general loan is occupied for the purchase, construction or production of assets that meet the capitalization conditions, the amount of interest to be capitalized on the general loan shall be calculated and determined according to the weighted average of the asset expenditure of the accumulated asset expenditure exceeding the special loan multiplied by the capitalization rate of the occupied general loan.

26. Biological assets

☐ Applicable ☒ Not Applicable

27. Oil and gas assets

☐ Applicable ☒ Not Applicable

28. Right to use assets

☒ Applicable ☐ Not Applicable

The right to use assets shall be initially measured according to the cost, which includes: 1) the initial measurement amount of the lease liability; 2) The amount of lease payment paid on or before the beginning of the lease term, if there is lease incentive, the amount related to lease incentive already enjoyed will be deducted; 3) Initial direct expenses incurred by Lessee; 4) The estimated costs incurred by the Lessee for dismantling and removing the leased assets, restoring the site where the leased assets are located, or restoring the leased assets to the state agreed in the lease terms.

The company shall depreciate the assets to be used according to the straight-line method. If the ownership of the leased asset can be reasonably determined at the end of the lease term, the company shall calculate and make provision for depreciation within the remaining service life of the leased asset. If there is no reasonable certainty that the ownership of the leased asset can be acquired at the expiration of the lease term, the company shall take depreciation in the shorter period of the lease term or the remaining service life of the leased asset.

29. Intangible assets

(1) Valuation method, service life and impairment test

☒ Applicable ☐ Not Applicable

1. Intangible assets include land use right, patent right, non-patented technology, etc. The initial measurement of intangible assets is based on its cost.

2. For intangible assets with finite useful lives, their amortization amounts are amortized within their useful lives systematically and reasonably, if it is unable to determine the expected realization pattern reliably, intangible assets are amortized by the straight-line method with details as follows:

Items	Amortization period (years)
Land use right	38, 50
Software	3

(2) Accounting policies for internal R&D expenditure

☒ Applicable ☐ Not Applicable

3. Expenditures on the research phase of an internal project are recognized as profit or loss when they are incurred. An intangible asset arising from the development phase of an internal project is recognized if the Company can demonstrate all of the followings: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) its intention to complete the intangible asset and use or sell it; (3) how the intangible asset will generate probable future economic benefits, among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (5) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

30. Impairment of part of long-term assets

√Applicable ☐ Not Applicable

For long-term assets such as long-term equity investments, fixed assets, right-of-use assets, construction in progress, intangible assets with finite useful lives, etc., if at the balance sheet date there is indication of impairment, the recoverable amount is to be estimated. For goodwill recognized in business combination and intangible assets with indefinite useful lives, no matter whether there is indication of impairment, impairment test is performed annually. Impairment test on goodwill is performed on related asset group or asset group portfolio.

When the recoverable amount of such long-term assets is lower than their carrying amount, the difference is recognized as provision for assets impairment through profit or loss.

31. Long-term prepayments

√Applicable ☐ Not Applicable

Long-term prepayments are expenses that have been recognized but with amortization period over one year (excluding one year). They are recorded with actual cost, and evenly amortized within the beneficiary period or stipulated period. If items of long-term prepayments fail to be beneficial to the following accounting periods, residual values of such items are included in profit or loss.

32. Contractual liabilities

(1) Method of recognizing contractual liabilities

√Applicable ☐ Not Applicable

The Company shall present the contractual assets or contractual liabilities in the balance sheet according to the relationship between the performance of the obligations and the payment of the customer. The Company shall set off the contract assets and contract liabilities under the same contract in net amount. The Company lists as receivables the right owned by the Company to receive consideration from the customer unconditionally (i.e., subject only to the lapse of time), and lists as contractual assets the right to receive consideration for the goods transferred to the Customer (subject to factors other than the lapse of time). The company's obligation to transfer goods to customers for which consideration has been received or receivable is presented as a contractual liability.

33. Employee benefits

√Applicable ☐ Not Applicable

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

1. Short-term employee benefits

√Applicable ☐ Not Applicable

The Company recognizes, in the accounting period in which an employee provides service, short-term employee benefits actually incurred as liabilities, with a corresponding charge to profit or loss or the cost of a relevant asset.

2. Post-employment benefits√Applicable ☐ Not Applicable

The Company classifies post-employment benefit plans as either defined contribution plans or defined benefit plans.

(1) The Company recognizes in the accounting period in which an employee provides service the contribution payable to a defined contribution plan as a liability, with a corresponding charge to profit or loss or the cost of a relevant asset.

(2) Accounting treatment by the Company for defined benefit plan usually involves the following steps:

1) In accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, and determine the periods to which the obligations are attributed. Meanwhile, the Company discounts obligations under the defined benefit plan to determine the present value of the defined benefit plan obligations and the current service cost;

2) When a defined benefit plan has assets, the Company recognizes the deficit or surplus by deducting the fair value of defined benefit plan assets from the present value of the defined benefit plan obligation as a net defined benefit plan liability or net defined benefit plan asset. When a defined benefit plan has a surplus, the Company measures the net defined benefit plan asset at the lower of the surplus in the defined benefit plan and the asset ceiling;

3) At the end of the period, the Company recognizes the following components of employee benefits cost arising from defined benefit plan: a. service cost; b. net interest on the net defined benefit plan liability (asset); and c. changes as a result of remeasurement of the net defined benefit liability (asset). Item a and item b are recognized in profit or loss or the cost of a relevant asset. Item c is recognized in other comprehensive income and is not to be reclassified subsequently to profit or loss. However, the Company may transfer those amounts recognized in other comprehensive income within equity.

3. Termination benefits√Applicable ☐ Not Applicable

Termination benefits provided to employees are recognized as an employee benefit liability for termination benefits, with a corresponding charge to profit or loss at the earlier of the following dates: (1) when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or (2) when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

4. Other long-term employee benefits√Applicable ☐ Not Applicable

When other long-term employee benefits provided to the employees satisfied the conditions for classifying as a defined contribution plan, those benefits are accounted for in accordance with the requirements relating to defined contribution plan, while other benefits are accounted for in accordance

with the requirements relating to defined benefit plan. The Company recognizes the cost of employee benefits arising from other long-term employee benefits as the followings: (1) service cost; (2) net interest on the net liability or net assets of other long-term employee benefits; and (3) changes as a result of remeasurement of the net liability or net assets of other long-term employee benefits. As a practical expedient, the net total of the aforesaid amounts is recognized in profit or loss or included in the cost of a relevant asset.

34. Lease liabilities

☐ Applicable ☒ Not Applicable

35. liabilities

☐ Applicable ☒ Not Applicable

36. Share-based payment

☒ Applicable ☐ Not Applicable

1. Types of share-based payment

Share-based payment consists of equity-settled share-based payment and cash-settled share-based payment.

2. Accounting treatment for settlements, modifications and cancellations of share-based payment plans

(1) Equity-settled share-based payment

For equity-settled share-based payment transaction with employees, if the equity instruments granted vest immediately, the fair value of those equity instruments is measured at grant date and recognized as transaction cost or expense, with a corresponding adjustment in capital reserve; if the equity instruments granted do not vest until the counter-party completes a specified period of service, at the balance sheet date within the vesting period, the fair value of those equity instruments measured at grant date based on the best estimate of the number of equity instruments expected to vest is recognized as transaction cost or expense, with a corresponding adjustment in capital reserve.

For equity-settled share-based payment transaction with parties other than employees, if the fair value of the services received can be measured reliably, the fair value is measured at the date the Company receives the service; if the fair value of the services received cannot be measured reliably, but that of equity instruments can be measured reliably, the fair value of the equity instruments granted measured at the date the Company receives the service is referred to, and recognized as transaction cost or expense, with a corresponding increase in equity.

(2) Cash-settled share-based payment

For cash-settled share-based payment transactions with employees, if share appreciation rights vest immediately, the fair value of the liability incurred as the acquisition of services is measured at grant date and recognized as transaction cost or expense, with a corresponding increase in liabilities; if share appreciation rights do not vest until the employees have completed a specified period of service, the

liability is measured, at each balance sheet date until settled, at the fair value of the share appreciation rights measured at grant date based on the best estimate of the number of share appreciation right expected to vest.

(3) Modifications and cancellations of share-based payment plan

If the modification increases the fair value of the equity instruments granted, the Company includes the incremental fair value granted in the measurement of the amount recognized for services received as consideration for the equity instruments granted; similarly, if the modification increases the number of equity instruments granted, the Company includes the fair value of the additional equity instruments granted, in the measurement of the amount recognized for services received as consideration for the equity instruments granted; if the Company modifies the vesting conditions in a manner that is beneficial to the employee, the Company takes the modified vesting conditions into account.

If the modification reduces the fair value of the equity instruments granted, the Company does not take into account that decrease in fair value and continue to measure the amount recognized for services received as consideration for the equity instruments based on the grant date fair value of the equity instruments granted; if the modification reduces the number of equity instruments granted to an employee, that reduction is accounted for as a cancellation of that portion of the grant; if the Company modifies the vesting conditions in a manner that is not beneficial to the employee, the Company does not take the modified vesting conditions into account.

If the Company cancels or settles a grant of equity instruments during the vesting period (other than that cancelled when the vesting conditions are not satisfied), the Company accounts for the cancellation or settlement as an acceleration of vesting, and therefore recognizes immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

37. Preferred stock, perpetual bonds and other financial instruments

☐ Applicable ☒ Not Applicable

38. Revenue

(1) Accounting policies adopted for revenue recognition and measurement

☒ Applicable ☐ Not Applicable

1. Revenue recognition principles

At contract inception, the Company shall assess the contracts and shall identify each performance obligation in the contracts, and determine whether the performance obligation should be satisfied over time or at a point in time.

The Company satisfies a performance obligation over time if one of the following criteria is met, otherwise, the performance obligation is satisfied at a point in time: (1) the customer simultaneously receives and consumes the economic benefits provided by the Company's performance as the Company performs; (2) the customer can control goods as they are created by the Company's performance; (3)

goods created during the Company's performance have irreplaceable uses and the Company has an enforceable right to the payments for performance completed to date during the whole contract period.

For each performance obligation satisfied over time, the Company shall recognize revenue over time by measuring the progress towards complete satisfaction of that performance obligation. In the circumstance that the progress cannot be measured reasonably, but the costs incurred in satisfying the performance obligation are expected to be recovered, the Company shall recognize revenue only to the extent of the costs incurred until it can reasonably measure the progress. For each performance obligation satisfied at a point in time, the Company shall recognize revenue at the time point that the customer obtains control of relevant goods or services. To determine whether the customer has obtained control of goods, the Company shall consider the following indications: (1) the Company has a present right to payments for the goods, i.e., the customer is presently obliged to pay for the goods; (2) the Company has transferred the legal title of the goods to the customer, i.e., the customer has legal title to the goods; (3) the Company has transferred physical possession of the goods to the customer, i.e., the customer has physically possessed the goods; (4) the Company has transferred significant risks and rewards of ownership of the goods to the customer, i.e., the customer has obtained significant risks and rewards of ownership of the goods; (5) the customer has accepted the goods; (6) other evidence indicating the customer has obtained control over the goods.

2. Revenue measurement principle

(1) Revenue is measured at the amount of the transaction price that is allocated to each performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties and those expected to be refunded to the customer.

(2) If the consideration promised in a contract includes a variable amount, the Company shall confirm the best estimate of variable consideration at expected value or the most likely amount. However, the transaction price that includes the amount of variable consideration only to the extent that it is high probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(3) In the circumstance that the contract contains a significant financing component, the Company shall determine the transaction price based on the price that a customer would have paid for if the customer had paid cash for obtaining control over those goods or services. The difference between the transaction price and the amount of promised consideration is amortized under effective interest method over contractual period. The effects of a significant financing component shall not be considered if the Company expects, at the contract inception, that the period between when the customer obtains control over goods or services and when the customer pays consideration will be one year or less.

(4) For contracts containing two or more performance obligations, the Company shall determine the stand-alone selling price at contract inception of the distinct good underlying each performance

obligation and allocate the transaction price to each performance obligation on a relative stand-alone selling price basis.

3. Revenue recognition method

The Company's equipment and related accessories sales and transformation business is a performance obligation satisfied at a point in time. For equipment and relevant accessories that need to be commissioned and accepted, revenue from sales is recognized when all the goods agreed in the contract are delivered to the customer and installed, commissioned according to the time, delivery method and delivery address agreed in the contract, such delivered goods have been verified for acceptance by customers, and the Company obtains the client acceptance receipts. For the equipment and related accessories only need to be delivered and inspected, revenue from sales is recognized when the goods are delivered according to the delivery time confirmed in the contract and the customer has inspected the quantity, model, specification and packaging status and accepted the goods.

(2) Difference of revenue recognition accounting policies caused by different business models of the same type of business

☐Applicable ☒Not Applicable

39. Contract costs

☒Applicable ☐Not Applicable

The assets related to contract cost include contract acquisition cost and contract performance cost.

The incremental cost incurred by the company to acquire the contract is expected to be recovered and recognized as an asset as the contract acquisition cost. If the amortization period of the acquisition cost of the contract does not exceed one year, it will be directly recorded into the current profit and loss at the time of occurrence.

The cost incurred by the Company for the performance of the contract, which does not apply to the scope of relevant standards such as inventory, fixed assets or intangible assets and meets the following conditions, shall be recognized as an asset as the performance cost of the contract:

1. The costs are directly related to a current or prospective contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), costs expressly borne by the Customer and other costs incurred solely as a result of the Contract;
2. This cost increases the company's future resources for fulfilling its performance obligations;
3. This cost is expected to be recovered.

If the carrying value of the asset related to the contract cost is higher than the residual consideration expected to be obtained from the transfer of the goods or services related to the asset less the estimated costs to be incurred, the Company shall make an impairment provision for the excess and recognize it as an impairment loss of the asset. If the factors of impairment in previous periods have subsequently

changed so that the remaining consideration expected to be obtained for the transfer of the goods or services associated with the asset less the estimated cost to be incurred is higher than the carrying value of the asset, the asset impairment reserve that has been drawn back shall be recorded in the current profit and loss, provided that the carrying value of the asset after the conversion shall not exceed the carrying value of the asset on the date of conversion under the assumption that no impairment reserve is drawn.

40. Government grants

☒ Applicable ☐ Not Applicable

1. Government grants shall be recognized if, and only if, the following conditions are all met: (1) the Company will comply with the conditions attaching to the grants; (2) the grants will be received. Monetary government grants are measured at the amount received or receivable. Non-monetary government grants are measured at fair value, and can be measured at nominal amount in the circumstance that fair value cannot be assessed.

2. Government grants related to assets

Government grants related to assets are government grants with which the Company purchases, constructs or otherwise acquires long-term assets under requirements of government. In the circumstances that there is no specific government requirement, the Company shall determine based on the primary condition to acquire the grants, and government grants related to assets are government grants whose primary condition is to construct or otherwise acquire long-term assets. They offset carrying amount of relevant assets, or they are recognized as deferred income. If recognized as deferred income, they are included in profit or loss on a systematic basis over the useful lives of the relevant assets. Those measured at notional amount are directly included into profit or loss. For assets sold, transferred, disposed or damaged within the useful lives, balance of unamortized deferred income is transferred into profit or loss of the period in which the disposal occurred.

3. Government grants related to income

Government grants related to income are government grants other than those related to assets. For government grants that contain both parts related to assets and parts related to income, in which those two parts are blurred, they are thus collectively classified as government grants related to income. For government grants related to income used for compensating the related future cost, expenses or losses, they are recognized as deferred income and included in profit or loss or used to offset relevant cost during the period in which the relevant cost, expenses or losses are recognized; for government grants related to income used for compensating the related cost, expenses or losses incurred to the Company, they are directly included in profit or loss or used to offset relevant cost.

4. Government grants related to the ordinary course of business shall be included into other income or used to offset relevant cost based on business nature, while those not related to the ordinary course of business shall be included into non-operating revenue or expenditures.

41. Deferred tax assets/Deferred tax liabilities

☒ Applicable ☐ Not Applicable

1. Deferred tax assets or deferred tax liabilities are calculated and recognized based on the difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.
2. A deferred tax asset is recognized to the extent of the amount of the taxable income, which is most likely to obtain and which can be deducted from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable income will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognized in prior periods are recognized.
3. At the balance sheet date, the carrying amount of deferred tax assets is reviewed. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of the deferred tax asset to be utilized. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.
4. The income tax and deferred tax for the period are treated as income tax expenses or income through profit or loss, excluding those arising from the following circumstances: (1) business combination; and (2) the transactions or items directly recognized in equity.

42. Leases

(1) Accounting Treatment for Operating Leases

☒ Applicable ☐ Not Applicable

During each period of the lease term, the Company recognizes the lease receipts as rental income using the straight-line method, capitalizes the initial direct expenses incurred and amortizes them on the same basis as the rental income recognition, and includes them in the current profit and loss in installments. The variable lease payment obtained by the Company related to the operating lease and not included in the lease receipts is included in the current profit and loss when it actually occurs.

(2) Accounting treatment method of finance lease

☒ Applicable ☐ Not Applicable

On the start date of the lease term, the Company recognizes the finance lease receivable according to the net amount of the lease investment (the sum of the unsecured balance and the unreceived lease proceeds at the commencement date of the lease term, discounted at the inherent interest rate of the lease), and de-recognizes finance lease assets. During each period of the lease term, the Company calculates and recognizes the interest income at the interest rate included in the lease.

The variable lease payment obtained by the Company and not included in the measurement of the net lease investment is included in the current profit and loss when it actually occurs.

(3) Determination method and accounting treatment method of lease under the new lease standard√Applicable ☐ Not Applicable**1. The Company as lessee**

At the commencement date, the Company recognizes a lease that has a lease term of 12 months or less as a short-term lease, which shall not contain a purchase option; the Company recognizes a lease as a lease of a low-value asset if the underlying asset is of low value when it is new. If the Company subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset.

For all short-term leases and leases of low-value assets, lease payments are recognized as cost or profit or loss with straight-line method over the lease term.

Apart from the above-mentioned short-term leases and leases of low-value assets with simplified approach, the Company recognizes right-of-use assets and lease liabilities at the commencement date.

(1) Right-of-use assets

The right-of-use asset is measured at cost and the cost shall comprise: 1) the amount of the initial measurement of the lease liability; 2) any lease payments made at or before the commencement date, less any lease incentives received; 3) any initial direct costs incurred by the lessee; and 4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Company depreciates the right-of-use asset using the straight-line method. If it is reasonable to be certain that the ownership of the underlying asset can be acquired by the end of the lease term, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

(2) Lease liabilities

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate shall be used. Unrecognized financing expenses, calculated at the difference between the lease payment and its present value, are recognized as interest expenses over the lease term using the discount rate which has been used to determine the present value of lease payment and included in profit or loss. Variable lease payments not included in the measurement of lease liabilities are included in profit or loss in the periods in which they are incurred.

After the commencement date, if there is a change in the following items: (a) actual fixed payments; (b) amounts expected to be payable under residual value guarantees; (c) an index or a rate used to determine lease payments; (d) assessment result or exercise of purchase option, extension option or termination option., the Company remeasures the lease liability based on the present value of lease payments after changes, and adjusts the carrying amount of the right-of-use asset accordingly. If the carrying amount of the right-of-use asset is reduced to zero but there shall be a further reduction in the lease liability, the remaining amount shall be recognized into profit or loss.

2. The Company as lessor

At the commencement date, the Company classifies a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, it is classified as an operating lease.

(1) Operating lease

Lease receipts are recognized as lease income with straight-line method over the lease term. Initial direct costs incurred shall be capitalized, amortized on the same basis as the recognition of lease income, and included into profit or loss by installments. Variable lease payments related to operating lease which are not included in the lease payment are charged as profit or loss in the periods in which they are incurred.

(2) Finance lease

At the commencement date, the Company recognizes the finance lease payment receivable based on the net investment in the lease (sum of the present value of unguaranteed residual value and lease receipts that are not received at the commencement date, discounted by the interest rate implicit in the lease), and derecognizes assets held under the finance lease. The Company calculates and recognizes interest income using the interest rate implicit in the lease over the lease term.

Variable lease payments not included in the measurement of the net investment in the lease are charged as profit or loss in the periods in which they are incurred.

43. Other important accounting policies and estimates

☐ Applicable ☒ Not Applicable

44. Significant changes in accounting policies

(1) Significant accounting policy changes

☒ Applicable ☐ Not Applicable

Contents and reasons for changes in accounting policies	Approval procedure	Remarks (names and amounts of report items that are significantly affected)
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1. The Company has adopted the provision of "Interpretation of Accounting Standards for Business Enterprises No. 15" issued by the Ministry of Finance in 2022 since January 1, 2022, which is "Accounting treatment for the external sales of products or by-products produced by enterprises before their fixed assets reach the intended usable state or during the research and development process". Such change in accounting policies has no impact on the Company's financial statements.	Company management approval	No effect
2. The Company has adopted the provision of "Interpretation of Accounting Standards for Business Enterprises No. 15" issued by the Ministry of Finance in 2022 since January 1, 2022, which is "Judgment on Loss Contracts". Such change in accounting policies has no impact on the Company's financial statements.		
3. The Company has adopted the provision of "Interpretation of Accounting Standards for Business Enterprises No. 16" issued by the Ministry of Finance in 2022 since November 30, 2022, which is "Accounting Treatment of	Company management approval	No effect

<i>Income Tax Effects on Dividends Related to Financial Instruments Classified as Equity Instruments by the Issuer". Such change in accounting policies has no impact on the Company's financial statements.</i>		
<i>4. The Company has adopted the provision of "Interpretation of Accounting Standards for Business Enterprises No. 16" issued by the Ministry of Finance in 2022 since November 30, 2022, which is "Accounting Treatment for Enterprises Changing Cash-settled Share-based Payments to Equity-settled Share-based Payments". Such change in accounting policies has no impact on the Company's financial statements.</i>	Company management approval	No effect

(2) Significant accounting estimates

☐ Applicable ☒ Not Applicable

(3) From 2022, the first implementation of new accounting standards or standard interpretations will involve adjustments to the financial statements at the beginning of the first implementation year

☐ Applicable ☒ Not Applicable

45. Other

☐ Applicable ☒ Not Applicable

VI. Taxes**1. Main taxes and tax rates**

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	The output tax calculated based on the revenue from sales of goods or	13%, 10%, 9%, 6%; export goods enjoy the

	rendering of services in accordance with the tax law, net of the input tax that is allowed to be deducted in the current period	policy of "exemption, credit and refund", and the tax rebate rate is 13%
Consumption tax		
Business tax		
Urban maintenance and construction tax	Turnover tax actually paid	7%
Enterprise income tax	Taxable income	See "Instructions on Income Tax Rates of Different Tax Subjects" for details.
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12% of lease income	12%, 1.2%
Education surcharge	Turnover tax actually paid	3%
Local education surcharge	Turnover tax actually paid	2%

Note 1: Different enterprise income tax rates applicable to different taxpayers:

√Applicable ☐ Not Applicable

Taxpayers	Income tax rate
The Company	15%
Honreck Electronic Trade (Japan) Co., Ltd., SEITOKU[Note 1]	
Hangke Electronics Co., Ltd.[Note 2]	
HK POWER Co., Ltd[Note 2]	
Hangke E-commerce (Hong Kong) Co., Ltd.	16.5%
Honreck Equipment Technology Support Company Sdn. Bhd.	24%
Honreck Electronics Trading Sp. z o.o.	19%
Hangke Technology Inc.[Note3]	
Hangke Technology Germany GmbH	15.825%

Note 1: It refers to the comprehensive tax rate of small and medium-sized enterprises including corporate tax and corporate enterprise tax. In Japan, enterprises with taxable income less than JPY 4 million are subject to the comprehensive tax rate of 22.46%, enterprises with taxable income more than JPY 4 million but less than JPY 8 million are subject to the comprehensive tax rate of 24.90%, while enterprises with taxable income more than JPY 8 million are subject to the comprehensive tax rate of 36.81%. In 2022, the comprehensive tax rate of Honreck Electronic Trade (Japan) Co., Ltd. is 22.46%.

Note 2: In Korea, enterprises with taxable income less than KRW 200 million are subject to the tax rate of 10%, enterprises with taxable income more than KRW 200 million but less than KRW 20 billion are subject to the tax rate of 20%, while enterprises with taxable income more than KRW 20 billion are subject to the tax rate of 22%. Hangke Electronics Co., Ltd. suffered losses in 2022.

Note 3: The federal income tax rate is 21% and the California income tax rate is 8.84%.

2. Tax preferential policies

☒ Applicable ☐ Not Applicable

1. According to the high-tech enterprise certificate issued by the Science and Technology Department of Zhejiang Province, Zhejiang Provincial Department of Finance, Zhejiang Provincial Tax Service, State Taxation Administration, the Company is accredited as a high-tech enterprise with a validity period of three years. The validity period is from 2021 to 2023. The Company's enterprise income tax is levied at the rate of 15%.

2. Pursuant to the "Notice of the Ministry of Finance and the State Taxation Administration on VAT Policies Upon Software Products"(Cai Shui [2011] No. 100), for revenue from sales of self-developed and self-produced software products, the Company enjoys the preferential policy of VAT refund upon collection for the part of the actual VAT burden that exceeds 3% after the VAT is levied at statutory rate of 13%.

3. Pursuant to the document numbered Hang Xiao Shui Tong [2023] 7249 issued by the Economic Development Zone Tax Office of Hangzhou Xiaoshan District Taxation Bureau, the Company is approved to enjoy 100% exemption of urban land use tax from January 1, 2022 to December 31, 2023.

3. Other

☒ Applicable ☐ Not Applicable

VII. Notes to items of consolidated financial statements

1. Cash and bank balances

☒ Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Closing balance	December 31, 2021
Cash on hand	521,994.63	120,885.58
Cash in bank	2,036,446,354.70	1,806,031,526.77
Other cash and bank balances	168,011,760.44	135,438,885.90
Total	2,204,980,109.77	1,941,591,298.25
Including: Deposited overseas	212,671,971.26	29,397,007.00

Other remarks

The closing balance of cash and bank balances which are not classified as cash or cash equivalent amounted to 212,516,546.90 Yuan, including deposits for bank acceptance of 94,357,484.65 Yuan, deposits for letters of guarantee of 73,568,275.79 Yuan, time deposits pledged for bank acceptance and corresponding interest of 44,504,786.46 Yuan and frozen deposit of 86,000.00 Yuan.

2. Held-for-trading financial assets

☒ Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening Balance
Financial assets classified as at fair value through profit or loss	8,470,694.76	
Where:		
Equity instrument investments	8,470,694.76	
Financial assets that are specified to be measured at fair value and whose changes are recorded in current profit or loss		
Where:		
Total	8,470,694.76	

Other remarks:

☐ Applicable ☒ Not Applicable

3. Derivative financial assets

☐ Applicable ☒ Not Applicable

4. Notes receivable

(1) Details

1) Details on categories

☒ Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Bank acceptance	58,049,060.67	38,313,387.50
Commercial acceptance		
Total	58,049,060.67	38,313,387.50

(2) Notes receivable pledged by the Company at the end of the period

☐ Applicable ☒ Not Applicable

(3) Endorsed or discounted but undue notes at the balance sheet date

☒ Applicable ☐ Not Applicable

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance		26,970,439.07
Commercial acceptance		
Subtotal		26,970,439.07

(4) At the end of the period, the Company transferred the notes to accounts receivable due to the issuer's failure to perform the contract

☐ Applicable ☒ Not Applicable

(5) Disclosure by classification of provision for bad debts

☒ Applicable ☐ Not Applicable

Category	Closing balance					Opening Balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Ratio (%)	Amount	Accrual ratio (%)		Amount	Ratio (%)	Amount	Accrual ratio (%)	
Provision for bad debts on an individual basis										
in:										
Banker's acceptance										
Commercial acceptance draft										
Provision for bad debts on a collective basis	58,049,060.67	100.00			58,049,060.67	38,313,387.50	100.00			38,313,387.50
Where:										
banker's acceptance	58,049,060.67	100.00			58,049,060.67	38,313,387.50	100.00			38,313,387.50
Commercial acceptance draft										
Total	58,049,060.67	/		/	58,049,060.67	38,313,387.50	/		/	38,313,387.50

Provision for bad debts on an individual basis:

☐ Applicable ☒ Not Applicable

Provision for bad debts on a collective basis:

☒ Applicable ☐ Not Applicable

Combined accrual items: Banker's acceptance draft

Unit: Yuan Currency: RMB

Name	Closing balance		
	notes receivable	Bad debt provision	Accrual ratio (%)
Bank Acceptance	58,049,060.67		
Commercial acceptance			
Total	58,049,060.67		

Recognition standards and instructions for accruing bad debts on a collective basis

☒ Applicable ☐ Not Applicable

For details, see Section 10 Financial Report V. Significant Accounting Policies and Accounting Estimates 10. Financial Instruments

If the provision for bad debts is made according to the general model of expected credit losses, please refer to the disclosure of other receivables:

☐ Applicable ☒ Not Applicable**(6) Provision for bad debts**☐ Applicable ☒ Not Applicable**(7) Notes receivable actually written off in the current period**☐ Applicable ☒ Not Applicable

Other remarks:

☒ Applicable ☐ Not Applicable**2) Accounts receivable with provision made on an individual basis**☒ Applicable ☐ Not Applicable

The Company's notes receivable include bank acceptance and trade acceptance, and the acceptors of bank acceptance include large commercial banks, listed joint-stock banks, other commercial banks and financial companies. According to the principle of prudence, the Company divided the credit levels of the acceptors of the bank acceptance. Those with higher credit levels are six large commercial banks including Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, Bank of Communications and Postal Savings Bank of China, and nine listed joint-stock banks including China Merchants Bank, Shanghai Pudong Development Bank, China Citic Bank, China Everbright Bank, Huaxia Bank, China Minsheng Bank, Ping An Bank, Industrial Bank and China Zheshang Bank. Other commercial banks and financial companies are those with general credit levels.

Bank acceptance and trade acceptance accepted by commercial banks and financial companies with general credit levels are not derecognized while being endorsed or discounted and would be derecognized after the maturity of notes.

5. Accounts receivable**(1) Disclosure by age**☒ Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Ages	Closing balance
Within 1 year	
Where: within 1 year	
Within 1 year	1,455,151,487.70
Within 1 year	1,455,151,487.70
1-2 years	317,522,055.35
2-3 years	29,824,662.23
Over 3 years	58,291,216.72
3-4 years	
4-5 years	
Over 5 years	
Total	1,860,789,422.00

(2) Disclosure by classification according to bad debt provision method

√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Bad debts with provision made on an individual basis	36,726,495.73	1.97	36,726,495.73	100.00	0.00
Where:					
Bad debts with provision made on an individual basis	36,726,495.73	1.97	36,726,495.73	100.00	0.00
Bad debts with provision made on a collective basis	1,824,062,926.27	98.03	150,898,002.35	8.27	1,673,164,923.92
Where:					
Characterized by credit risk	1,824,062,926.27	98.03	150,898,002.35	8.27	1,673,164,923.92
Receivables with provision made on a collective basis					
Total	1,860,789,422.00	/	187,624,498.08	/	1,673,164,923.92

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Bad debts with provision made on an individual basis	186,953,205.37	15.87	106,511,538.61	56.97	80,441,666.76
Where:					
Bad debts with provision made on an individual basis	186,953,205.37	15.87	106,511,538.61	56.97	80,441,666.76
Bad debts with provision made on a collective basis	991,317,236.28	84.13	83,477,046.1	8.42	907,840,190.10

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
collective basis			8		
Where:					
Characterized by by credit risk	991,317,236.28	84.13	83,477,046.1 8	8.42	907,840,190.10
Receivables with provision made on a collective basis					
Total	1,178,270,441. 65	/	189,988,584. 79	/	988,281,856.86

Provision for bad debts on an individual basis:

☒ Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Debtors	Book balance	Provision for bad debts	Provision proportion (%)	Reasons
Hubei Xingquan Machinery Equipment Co., Ltd.	36,726,495.73	36,726,495.73	100.00	Customer capital flow is tight, and the possibility of payment recovery is small
Subtotal	36,726,495.73	36,726,495.73	100.00	

Explanation on accrual of bad debt provision by individual basis:

☐ Applicable ☒ Not Applicable

Provision for bad debts by combination:

☒ Applicable ☐ Not Applicable

Combined accrual items:Accounts receivable set aside for bad debts according to the combination of credit risk characteristics

Unit: Yuan Currency: RMB

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	1,455,151,487.70	72,757,574.39	5.00
1-2 years	317,522,055.35	47,628,308.30	15.00
2-3 years	29,824,662.23	8,947,398.67	30.00
Over 3 years	21,564,720.99	21,564,720.99	100.00
Subtotal	1,824,062,926.27	150,898,002.35	8.27

Recognition standards and instructions for accruing bad debts by portfolio :

☐ Applicable ☒ Not Applicable

If the provision for bad debts is made according to the general model of expected credit losses, please refer to the disclosure of other receivables:

☐ Applicable ☒ Not Applicable**(3)Provision for bad debts**☒ Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Amount of change in the current period				Closing balance
		Accrual	Reversal	Write-off	Others	

Bad debts with provision made on an individual basis	106,511,538.61	20,314,711.60	8,098,790.60	82,000,963.88		36,726,495.73
Bad debts with provision made on a collective basis	83,477,046.18	67,420,956.17				150,898,002.35
Total	189,988,584.79	87,735,667.77	8,098,790.60	82,000,963.88		187,624,498.08

Among them, important items for the recoverable or reversed amount of bad debt provision in the current period :

☒ Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Debtors	Amount collected or reversed	Ways of collection
Lixin (Jiangsu) Energy Technology Co., Ltd	1,200,591.60	Reversal of current receivables
Union Lithplus Energy (Liaoning) Corp.	6,898,199.00	Reversal of current receivables
Subtotal	8,098,790.60	

Other remarks:

None

(4)Accounts receivable actually written off during the reporting period

☒ Applicable ☐ Not Applicable

1) Accounts receivable actually written off in the current period totaled 82,000,963.87 Yuan.

2) Significant accounts receivable written off in the current period

☒ Applicable ☐ Not Applicable

Debtors	Nature of receivables	Amount written off	Reasons for write-off	Write-off procedures performed	Whether arising from related party transactions
Zhengzhou BAK Battery Co., Ltd.	Payment for goods	29,722,288.31	Payment has been agreed to be waived	Board approval	NO
Shenzhen BAK Power Battery Co., Ltd.		9,391,843.87			
Lixin (Jiangsu) Energy Technology Co., Ltd	Payment for goods	17,708,021.22	Payment expected to be unrecoverable since Company has been bankrupt and reorganized	Board approval	NO
Far East Battery Co., Ltd.	Payment for goods	13,560,470.08	Payment expected to be unrecoverable	Board approval	NO

Shandong Jade New Energy Technology Co., Ltd.	Payment for goods	11,618,340.40	Payment expected to be unrecoverable since Company has been reorganized	Board approval	NO
Subtotal		82,000,963.88			

Accounts receivable write-off remarks:

☐Applicable ☒Not Applicable

(5) Details of the top 5 debtors with largest balances

Debtors	Book balance	Proportion to the total balance of accounts receivable (%)	Provision for bad debts
No.1	448,518,859.80	24.10	22,751,051.64
No.2	403,262,902.35	21.67	29,355,346.62
No.3	128,489,335.72	6.91	9,072,226.15
No.4	108,014,000.00	5.80	8,940,100.00
No.5	82,572,953.00	4.44	4,623,486.65
Subtotal	1,170,858,050.87	62.92	74,742,211.06

Other remarks:

None

(6) Accounts receivable derecognized due to transfer of financial assets

☐Applicable ☒Not Applicable

(7) The amount of assets and liabilities formed by transferring accounts receivable and continuing to be involved

☐Applicable ☒Not Applicable

Other remarks:

☐Applicable ☒Not Applicable**6. Receivables financing**☒Applicable ☐Not Applicable

(1) Details

Unit: Yuan Currency: RMB

Items	Closing balance		Opening balance	
	Carrying amount	Accumulated provision for credit impairment	Carrying amount	Accumulated provision for credit impairment
Bank acceptance	17,904,210.81		101,554,995.05	
Total	17,904,210.81		101,554,995.05	

Changes in increase and decrease of receivables financing and changes in fair value in the current period:

☐Applicable ☒Not Applicable

If the provision for bad debts is made according to the general model of expected credit losses, please refer to the disclosure of other receivables:

☐Applicable ☒Not Applicable

Other remarks:

☒Applicable ☐Not Applicable

(2) Endorsed or discounted but undue notes at the balance sheet date

Items	Closing balance derecognized
Bank acceptance	181,406,358.32
Subtotal	181,406,358.32

Due to the fact that the acceptor of bank acceptance is commercial bank, which is of high credit level, there is very little possibility of failure in recoverability when it is due. Based on this fact, the Company derecognized the endorsed or discounted bank acceptance. However, if any bank acceptance is not recoverable when it is due, the Company still holds joint liability on such acceptance, according to the China Commercial Instrument Law.

7/ Advances paid

(1) Age analysis

☒ Applicable ☐ Not Applicable

Ages	Closing balance		31-Dec-21	
	Carrying amount	% to total	Carrying amount	% to total
Within 1 year	12,673,297.22	70.1	44,465,270.18	88.07
1-2 years	3,874,682.83	21.43	3,222,387.35	6.38
2-3 years	1,075,985.52	5.95	1,401,673.93	2.78
Over 3 years	455,016.73	2.52	1,400,930.96	2.77
Total	18,078,982.30	100	50,490,262.42	100

Explanation of the reasons why the prepayment with an important amount and an aging age of more than 1 year is not settled in time:

None

(2) Details of the top 5 debtors with largest balances

☒ Applicable ☐ Not Applicable

Name	Book balance	Proportion to the total balance of accounts receivable (%)
No.1	1,650,000.00	9.13
No.2	1,180,822.65	6.53
No.3	1,144,381.27	6.33
No.4	1,020,000.00	5.64
No.5	994,303.42	5.50
Subtotal	5,989,507.34	33.13

Other remarks:

None

Other remarks:

☐ Applicable ☒ Not Applicable

8. Other receivables**1) Details**

a. Details on categories

√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening Balance
Interest receivable		
Dividend receivable		
Other receivables	20,752,014.90	18,813,794.75
Total	20,752,014.90	18,813,794.75

Other remarks:

☐ Applicable √Not Applicable**Interest receivable****(1). Classification of interest receivable**☐ Applicable √Not Applicable**(2). Important Overdue Interest**☐ Applicable √Not Applicable**(3). Provision for bad debts**☐ Applicable √Not Applicable

Other remarks:

☐ Applicable √Not Applicable**Dividend receivable****(4). Dividend receivable**☐ Applicable √Not Applicable**(5). Important dividends receivable aged over 1 year**☐ Applicable √Not Applicable**(6). Provision for bad debts**☐ Applicable √Not Applicable

Other remarks:

☐ Applicable √Not Applicable**Other receivables****(7). Disclosure by age**√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Ages	Closing book balance
Within 1 year	12,308,372.13
1-2 years	8,651,898.38
2-3 years	2,435,639.64
Over 3 years	5,164,448.99

3 to 4 years	
4 to 5 years	
over 5 years	
Total	28,560,359.14

(8). Other receivables categorized by nature√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Nature of receivables	Closing book balance	Book balance on December 31, 2021
Security deposits	16,798,375.10	17,765,341.00
Petty cash	5,318,575.33	6,106,796.81
Others	6,443,408.71	3,779,056.21
Subtotal	28,560,359.14	27,651,194.02

(9). Provision for bad debts√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Stage 1	Stage 2	Stage 3	Total
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Opening balance	795,802.02	493,735.05	7,547,862.20	8,837,399.27
Opening balance in the current period	—	—	—	
--Transferred to stage 2	-432,594.92	432,594.92		
--Transferred to stage 3		-365,345.95	365,345.95	
--Reversed to stage 2				
--Reversed to stage 1				
Provision made in the current period	252,211.51	736,800.74	-2,018,067.28	-1,029,055.03
Closing balance	615,418.61	1,297,784.76	5,895,140.87	7,808,344.24

Explanation on the significant changes in the book balance of other receivables with changes in loss provisions in the current period:

☐ Applicable ☒ Not Applicable

Basis for accruing bad debt provision for the current period and assessing whether the credit risk of financial instruments has increased significantly:

☐ Applicable ☒ Not Applicable
(10). Provision for bad debts√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Category	Opening Balance	Amount of change in the current period				Closing balance
		Provision	Withdraw or reversal	Resale or write-off	Other changes	

Provision for bad debts on an individual basis	4,330,000.00					4,330,000.00
Provision for bad debts by portfolio	4,507,399.27	-1,029,055.03				3,478,344.24
Total	8,837,399.27	-1,029,055.03				7,808,344.24

Among them, the important items for the amount of bad debt provision reversed or recovered in the current period :

☐Applicable ☒Not Applicable

(11). Other receivables actually written off in the current period

☐Applicable ☒Not Applicable

5) Details of the top 5 debtors with largest balances

☒Applicable ☐Not Applicable

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
PACIFIC GLOBAL LOGISTICS INC	Security deposit	2,785,840.00	Within 1 year	9.76	139,292.00
Zhejiang Zhixin Holding Group Co., Ltd.	Security deposit	2,280,000.00	Over 3 years	7.98	2,280,000.00
Zhejiang Aoyou Power System Co., Ltd	Security deposit	2,050,000.00	Over 3 years	7.18	2,050,000.00
Sichuan Changhong Jiechuang Lithium Battery Technology Co., Ltd	Security deposit	2,000,000.00	1-2 years	7.00	300,000.00
Hengdian Group DMEGC Magnetics Co.,Ltd.	Security deposit	1,800,000.00	Over 3 years	6.30	1,800,000.00
Subtotal		10,915,840.00		38.22	6,569,292.00

(12). Accounts receivable involving government grants

☐Applicable ☒Not Applicable

(13). Other receivables derecognized due to transfer of financial assets

☐Applicable ☒Not Applicable

(14). The amount of assets and liabilities formed by transferring other receivables and continuing to be involved

☐Applicable ☒Not Applicable

Other remarks:

☐Applicable ☒Not Applicable

9. Inventories

(1) Details

☒Applicable ☐Not Applicable

Unit: Yuan Currency: RMB

Items	Closing balance			Opening balance		
	Book balance	Provision for write-down	Carrying amount	Book balance	Provision for write-down	Carrying amount
Raw materials	325,602,393.42		325,602,393.42	180,843,908.96		180,843,908.96
Work in process	730,734,350.62	633,908.93	730,100,441.69	445,451,001.11	8,306,876.28	437,144,124.83
Goods on hand	256,862,178.61	20,139,967.93	236,722,210.68	92,720,096.05	9,540,379.54	83,179,716.51
Turnover materials						
Consumable biological materials						
Goods dispatched	1,119,263,334.67	42,233,338.56	1,077,029,996.11	747,264,738.02	38,038,895.79	709,225,842.23
Cost to fulfill a contract	11,222,257.40		11,222,257.40	12,292,950.90		12,292,950.90
Total	2,443,684,514.72	63,007,215.42	2,380,677,299.30	1,478,572,695.04	55,886,151.61	1,422,686,543.43

(2) Provision for inventory depreciation and contract performance cost impairment

☒Applicable ☐Not Applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase		Decrease		Closing balance
		Accrual	Others	Reversal or write-off	Others	
Raw materials						
Work in process	8,306,876.28			7,672,967.35		633,908.93
Goods on hand	9,540,379.54	20,217,359.58		9,617,771.19		20,139,967.93
Turnover materials						
Consumable biological assets						
Costs to fulfil a contract						
Goods dispatched	38,038,895.79	14,947,553.30		10,753,110.53		42,233,338.56
Subtotal	55,886,151.61	35,164,912.88		28,043,849.07		63,007,215.42

(3) The ending balance of inventories contains capitalized amounts of borrowing expenses

☒Applicable ☐Not Applicable

(4) Cost to fulfill a contract

☒Applicable ☐Not Applicable

Items	Opening balance	Increase	Amortization	Provision for impairment in the current period	Closing balance
Freight and hoisting expenses	12,292,950.90	42,231,555.80	43,302,249.30		11,222,257.40
Subtotal	12,292,950.90	42,231,555.80	43,302,249.30		11,222,257.40

Other remarks:

☐Applicable ☒Not Applicable
10. Contract assets

(1) Details

☒Applicable ☐Not Applicable

Unit: Yuan Currency: RMB

Items	Closing balance			December 31, 2021		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Quality guarantee deposit receivable	323,871,765.42	16,193,588.27	307,678,177.15	230,076,478.90	11,503,823.95	218,572,654.95
Total	323,871,765.42	16,193,588.27	307,678,177.15	230,076,478.90	11,503,823.95	218,572,654.95

(2) The amount and reasons for significant changes in book value during the reporting period
☐Applicable ☒Not Applicable
(3) Details on provision for impairment of contract assets

1) Details

☒Applicable ☐Not Applicable

Items	Accrual	Reversal	Write-off	Reason
On a collective basis	4,689,764.32			
Subtotal	4,689,764.32			/

If the provision for bad debts is made according to the general model of expected credit losses, please refer to the disclosure of other receivables:

☒Applicable ☐Not Applicable

Unit: Yuan Currency: RMB

Portfolios	Closing balance		
	Book balance	Provision for impairment	Provision proportion (%)
Portfolio grouped with ages	323,871,765.42	16,193,588.27	5.00
Within 1 year	323,871,765.42	16,193,588.27	5.00
Subtotal	323,871,765.42	16,193,588.27	5.00

Other remarks:

☐Applicable ☒Not Applicable
11. Assets held for sale
☐Applicable ☒Not Applicable
12. Non-current assets due within one year
☐Applicable ☒Not Applicable

Important debt investments and other debt investments at the end of the period:

☐ Applicable ☒ Not Applicable

Other remarks:

None

13. Other current assets

☒ Applicable ☐ Not Applicable Unit: Yuan Currency: RMB

Items	Closing balance	December 31, 2021
Contract acquisition cost		
Return cost receivable		
Prepaid VAT	17,233,890.21	5,284,059.21
Financial products	4,598,869.56	
Issuing expenses for GDR	47,907.04	
Prepaid enterprise income tax	329,023.20	4,378,827.36
Input VAT to be credited		577,334.28
Prepaid individual income tax		14,359.89
Total	22,209,690.01	10,254,580.74

Other remarks:

None

13. Debt investment

(1). Debt investment

☐ Applicable ☒ Not Applicable

(2). Important debt investment at the end of the period

☐ Applicable ☒ Not Applicable

(3). Provision for impairment

☐ Applicable ☒ Not Applicable

Basis for the amount of provision for impairment in the current period and for assessing whether the credit risk of financial instruments has been significantly increased

☐ Applicable ☒ Not Applicable

Other remarks:

☐ Applicable ☒ Not Applicable

14. Other debt investment

(1). Other debt investment

☐ Applicable ☒ Not Applicable

(2). Important other debt investments at the end of the period

☐ Applicable ☒ Not Applicable

(3). Provision for impairment

☐ Applicable ☒ Not Applicable

Basis for the amount of provision for impairment in the current period and for assessing whether the credit risk of financial instruments has been significantly increased

☐ Applicable ☒ Not Applicable

Other remarks:

☐Applicable ☒Not Applicable**15. Long-term receivables****(1). Long-term receivables**☐Applicable ☒Not Applicable**(2). Provision for bad debts**☐Applicable ☒Not Applicable

Basis for the amount of provision for impairment in the current period and for assessing whether the credit risk of financial instruments has been significantly increased

☐Applicable ☒Not Applicable**(3). Long-term receivables derecognized due to transfer of financial assets**☐Applicable ☒Not Applicable**(4). Amount of assets and liabilities formed by transferring long-term receivables and continuing involvement**☐Applicable ☒Not Applicable

Other remarks:

☐Applicable ☒Not Applicable**16. Long-term equity investment**☐Applicable ☒Not Applicable**17. Investment in other equity instruments****(1). Investment in other equity instruments**☐Applicable ☒Not Applicable**(2). Investment in non-trading equity instruments**☐Applicable ☒Not Applicable

Other remarks:

☐Applicable ☒Not Applicable**18. Other non-current financial assets**☐Applicable ☒Not Applicable

Other remarks:

☐Applicable ☒Not Applicable**19. Investment real estate**

Investment real estate measurement model

Not Applicable

20. Fixed assets**(1) Details**☒Applicable ☐Not Applicable Unit:

Unit: Yuan Currency: RMB

Item	Closing balance	Opening Balance
Fixed assets	954,337,911.33	528,350,584.27
Fixed Assets liquidation		

Total	954,337,911.33	528,350,584.27
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Other remarks:

☐ Applicable ☒ Not Applicable

Items	Buildings and structures	General equipment	Special equipment	Transport facilities	Other equipment	Total
Cost						
Opening balance	398,016,576.61	15,417,990.17	196,404,698.99	18,048,140.01	21,490,283.84	649,377,689.62
Increase	377,296,410.68	5,275,853.20	91,563,348.48	5,557,610.17	9,413,883.34	489,107,105.87
1) Acquisition	44,987,545.04	3,912,028.42	81,709,149.80	5,557,610.17	725,362.85	136,891,696.28
2) Transferred in from construction in progress	332,308,865.64	1,363,824.78	9,854,198.68		8,688,520.49	352,215,409.59
(3) Increase in business mergers						
Decrease			875,932.25	194,700.85	115,384.62	1,186,017.72
1) Disposal/scrapping			875,932.25	194,700.85	115,384.62	1,186,017.72
Closing balance	775,312,987.29	20,693,843.37	287,092,115.22	23,411,049.33	30,788,782.56	1,137,298,777.77
Accumulated depreciation						
Opening balance	49,777,980.92	6,684,418.45	49,319,373.19	9,040,320.68	6,205,012.11	121,027,105.35
Increase	28,034,480.83	2,401,117.89	20,586,561.81	3,748,650.86	7,941,785.42	62,712,596.81
1) Accrual	28,034,480.83	2,401,117.89	20,586,561.81	3,748,650.86	7,941,785.42	62,712,596.81
Decrease			484,254.53	184,965.80	109,615.39	778,835.72
1) Disposal/scrapping			484,254.53	184,965.80	109,615.39	778,835.72
Closing balance	77,812,461.75	9,085,536.34	69,421,680.47	12,604,005.74	14,037,182.14	182,960,866.44
III. Provision for impairment losses						
1. Opening balance						
2. Increase in the current period						
(1) Accrual						
3. Decrease in the current period						
(1) Disposal or scrapping						
4. Closing balance						
IV. Carrying amount						
Carrying amount						
1. Closing balance	697,500,525.54	11,608,307.03	217,670,434.75	10,807,043.59	16,751,600.42	954,337,911.33
2. Opening	348,238,595.69	8,733,571.72	147,085,325.80	9,007,819.33	15,285,271.73	528,350,584.27

balance						
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(2). Temporarily idle fixed assets
☐ Applicable ☒ Not Applicable
(3). Fixed assets rented in through financial lease
☐ Applicable ☒ Not Applicable
(4) Fixed assets leased out under operating leases
☒ Applicable ☐ Not Applicable Unit: Yuan Currency: RMB

Items	Carrying amount
Buildings and structures	1,597,084.13
Subtotal	1,597,084.13

(5) Fixed assets with certificate of titles being unsettled
☒ Applicable ☐ Not Applicable Unit: Yuan Currency: RMB

Items	Carrying amount	Reasons for unsettlement
No.12 road manufacturing workshop	169,013,666.96	In processing.
No.6 road R&D building	154,752,953.47	Not yet applied for
R&D workshop expansion project	50,395,919.01	Not yet applied for
Subtotal	374,162,539.44	

Other remarks:

☐ Applicable ☒ Not Applicable
Fixed Assets Liquidation
☐ Applicable ☒ Not Applicable
22. Construction in progress**(1) Details**
☒ Applicable ☐ Not Applicable Unit: Yuan Currency: RMB

Item	Closing balance	Opening Balance
Construction in progress	35,503,214.70	165,575,054.00
Engineer material		
Total	35,503,214.70	165,575,054.00

Other remarks:

☐ Applicable ☒ Not Applicable
Construction in progress**(1). Construction in progress**
☒ Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Li-ion battery charging and discharging	18,204,314.48		18,204,314.48			

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
equipment capacity expansion project						
Li-ion battery intelligent production line manufacturing expansion project				381,300.00		381,300.00
Research and development of advanced energy battery equipment technology and expansion of supporting parts processing line project				136,348,213.25		136,348,213.25
No. 12 road li-ion battery production equipment intelligent manufacturing expansion project				28,845,540.75		28,845,540.75
Korea power plant project	17,298,900.22		17,298,900.22			
Total	35,503,214.70		35,503,214.70	165,575,054.00		165,575,054.00

(2). Changes in important construction projects in the current period√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Projects	Budgets (in ten thousand Yuan)	Opening balance	Increase	Transferred to fixed assets		Closing balance
Li-ion battery charging and discharging equipment capacity expansion project	1,182,689,900.00		18,204,314.48			18,204,314.48
Li-ion battery intelligent production line manufacturing expansion project	324,810,000.00	381,300.00		223,500.00	157,800	
Research and development of advanced energy battery equipment technology and expansion of supporting parts processing line project	672,390,000.00	136,348,213.25	32,987,298.33	169,335,511.58		
li-ion battery production	1,337,130,000.00	28,845,540.75	153,810,857.26	182,656,398		

equipment intelligent manufacturing expansion project						
Korea power plant project	89,100,000.00		17,298,900.22			17,298,900.22
Subtotal	3,606,119,900.00	165,575,054.00	222,301,370.29	352,215,409.59	157,800.00	35,503,214.70

(Continued)

Projects	Accumulated input to budget (%)	Completion percentage (%)	Accumulated amount of borrowing cost capitalization	Amount of borrowing cost capitalization in the current period	Annual capitalization rate (%)	Fund source
Li-ion battery charging and discharging equipment capacity expansion project	1.59	2.00				Self-owned fund
Li-ion battery intelligent production line manufacturing expansion project	82.94	100.00				Raised fund
Research and development of advanced energy battery equipment technology and expansion of supporting parts processing line project	25.18	30.00				Self-owned fund
No. 12 road li-ion battery production equipment intelligent manufacturing expansion project	13.66	15.00				Self-owned fund
Korea power plant project	19.41	25.00				Self-owned fund
Subtotal						

(3) Provision for impairment of construction in progress in the current period☐Applicable ☒Not Applicable

Other remarks:

☐Applicable ☒Not Applicable**Engineer material****(4) Engineering Materials**☐Applicable ☒Not Applicable**23. Productive biological assets****(1). Productive biological assets using the cost measurement model**☐Applicable ☒Not Applicable**(2). Productive biological assets using the fair value measurement model**☐Applicable ☒Not Applicable

Other remarks:

☐Applicable ☒Not Applicable**24. Oil and gas assets**☐Applicable ☒Not Applicable**25. Right-of-use assets**

Items	Buildings and structures	Total
Cost		
1. Opening balance	11,386,767.46	11,386,767.46

2. Increase		
3. Decrease		
4. Closing balance	11,386,767.46	11,386,767.46
Accumulated depreciation		
1. Opening balance	1,581,495.50	1,581,495.50
2. Increase	3,795,589.20	3,795,589.20
1) Accrual	3,795,589.20	3,795,589.20
3. Decrease		
1) Disposal		
4. Closing balance	5,377,084.70	5,377,084.70
Provision for impairment		
1. Opening balance		
2. Increase		
1) Accrual		
3. Decrease		
1) Disposal		
4. Closing balance		
Carrying amount		
Closing balance	6,009,682.76	6,009,682.76
Opening balance	9,805,271.96	9,805,271.96

Other remarks:

None

26. Intangible assets√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Land use right	Software	Total
Cost			
Opening balance	144,664,390.46	11,383,875.50	156,048,265.96
Increase	43,260,000.00	720,996.83	43,980,996.83
1) Acquisition	43,260,000.00	563,196.83	43,823,196.83
2) Transferred in from construction in progress		157,800.00	157,800.00
Decrease			
Closing balance	187,924,390.46	12,104,872.33	200,029,262.79
Accumulated amortization			
Opening balance	11,692,223.96	6,588,301.99	18,280,525.95
Increase	3,274,781.80	2,972,424.02	6,247,205.82

1) Accrual	3,274,781.80	2,972,424.02	6,247,205.82
Decrease			
Closing balance	14,967,005.76	9,560,726.01	24,527,731.77
Carrying amount			
Closing balance	172,957,384.70	2,544,146.32	175,501,531.02
Opening balance	132,972,166.50	4,795,573.51	137,767,740.01

The proportion of intangible assets formed through internal research and development of the Company to the balance of intangible assets at the end of the period 0%

(2). Situation of land use right without title certificate

☐ Applicable ☒ Not Applicable

Other remarks:

☐ Applicable ☒ Not Applicable

27. Development expenditure

☐ Applicable ☒ Not Applicable

28. Goodwill

(1). Original book value of goodwill

☐ Applicable ☒ Not Applicable

(2). Goodwill impairment provision

☐ Applicable ☒ Not Applicable

(3) Information about the asset group or portfolio of asset groups where the goodwill is located

☐ Applicable ☒ Not Applicable

(4) Explanation of the goodwill impairment test process, key parameters (e.g. forecast period growth rate, steady period growth rate, profit rate, discount rate, forecast period, etc., when predicting the present value of future cash flows, if applicable) and the recognition method of goodwill impairment loss

☐ Applicable ☒ Not Applicable

(3). Impact of goodwill impairment testing

☐ Applicable ☒ Not Applicable

Other remarks:

☐ Applicable ☒ Not Applicable

29. Long-term prepayments

☒ Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase	Amortization	Other decrease [Note]	Closing balance
Decoration expenses	7,347,056.31	4,564,291.44	4,907,579.81		7,003,767.94
Total	7,347,056.31	4,564,291.44	4,907,579.81		7,003,767.94

Other remarks:

None

30. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offset

√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Closing balance		December 31, 2021	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	268,311,152.81	40,246,672.91	259,316,561.15	38,916,106.89
Unrealized profit from internal trading				
Deductible loss				
Equity incentive expenses	27,990,831.90	4,198,624.79	172,767,180.51	25,915,077.08
Deferred income	28,438,576.97	4,265,786.55	18,523,466.09	2,778,519.91
Total	324,740,561.68	48,711,084.25	450,607,207.75	67,609,703.88

(1) Deferred tax liabilities before offset

√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Closing balance		December 31, 2021	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Valuation and appreciation of assets of enterprises not under the same control				
Changes in fair value of other debt investments				
Changes in fair value of other equity instrument investments				
Changes in fair value	596,527.80	89,479.17		
Differences in depreciation of fixed assets	80,567,683.41	12,085,152.51	66,019.16	9,902.87
Total	81,164,211.21	12,174,631.68	66,019.16	9,902.87

(3) Deferred tax assets or liabilities after offset

√Applicable ☐ Not Applicable Unit: Yuan Currency: RMB

Items	Closing balance		December 31, 2021	
	Deferred tax assets offset by deferred tax liabilities	Deferred tax assets/liabilities after offset	Deferred tax assets offset by deferred tax liabilities	Deferred tax assets/liabilities after offset
Deferred tax assets	12,174,631.68	36,536,452.57		67,609,703.88
Deferred tax liabilities	12,174,631.68			9,902.87

(4) Details of unrecognized deferred tax assets

√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Closing balance	December 31, 2021
Deductible temporary difference	7,933,493.20	8,837,399.27
Deductible losses	28,071,434.81	15,220,511.20
Subtotal	36,004,928.01	24,057,910.47

(5) Maturity years of deductible losses of unrecognized deferred tax assets

☒ Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Maturity years	Closing balance	December 31, 2021	Remarks
Year 2027	50,997.39	50,997.39	
Year 2028	402,315.99	402,315.99	
Year 2029	951,989.85	951,989.85	
Year 2030	5,614,937.89	5,614,937.89	
Year 2031	8,200,270.08	8,200,270.08	
Year 2032 and beyond	12,850,923.61		
Subtotal	28,071,434.81	15,220,511.20	

Other remarks:

☐ Applicable ☒ Not Applicable

31. Other non-current assets

(1) Details

☒ Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Closing balance			December 31, 2021		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Contract acquisition cost						
Contract performance costs						
Return cost receivable						
Prepayments for long-term assets	8,620,381.89		8,620,381.89	22,570,184.37		22,570,184.37
Contract assets	32,220,000.00	1,611,000.00	30,609,000.00	38,760,015.96	1,938,000.80	36,822,015.16
Total	40,840,381.89	1,611,000.00	39,229,381.89	61,330,200.33	1,938,000.80	59,392,199.53

32. Short-term loan

(1). Classification of short-term loans

☐ Applicable ☒ Not Applicable

(2). Overdue short-term loans

☐ Applicable ☒ Not Applicable

Among them, the important overdue short-term loans are as follows:

☐ Applicable ☒ Not Applicable

Other remarks:

☐ Applicable ☒ Not Applicable

33. Trading financial liabilities
☐ Applicable ☒ Not Applicable
34. Derivative financial liabilities
☐ Applicable ☒ Not Applicable
35. Notes payable**(1). List of notes payable**
☒ Applicable ☐ Not Applicable Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Bank acceptance	1,228,210,692.70	896,522,120.88
Commercial acceptance	88,693,221.04	80,808,755.31
Total	1,316,903,913.74	977,330,876.19

The total amount of notes payable due and outstanding at the end of the period is 0 Yuan.

36. Accounts payable**(1). List of accounts payable**
☒ Applicable ☐ Not Applicable Unit: Yuan Currency: RMB

Items	Closing balance	Opening Balance
Payments for materials	1,562,950,273.91	924,560,280.03
Payments for engineering and equipment	24,656,252.20	26,784,554.33
Others	9,034,630.22	4,882,240.97
Total	1,596,641,156.33	956,227,075.33

(2). Important accounts payable aged over 1 year
☐ Applicable ☒ Not Applicable

Other remarks:

☐ Applicable ☒ Not Applicable
37. Advance payment**(1). List of advance accounts**
☒ Applicable ☐ Not Applicable Unit: Yuan Currency: RMB

Items	Closing balance	December 31, 2021
Rent	560,000.00	492,354.74
Total	560,000.00	492,354.74

(2). Important advance accounts aged over 1 year
☐ Applicable ☒ Not Applicable

Other remarks:

☐ Applicable ☒ Not Applicable
38. Contract liabilities**(1). Contract liabilities**
☒ Applicable ☐ Not Applicable Unit: Yuan Currency: RMB

Items	Closing balance	December 31, 2021
Payments for goods	1,501,881,384.48	870,054,262.23
Total	1,501,881,384.48	870,054,262.23

(2). The amount and reasons for significant changes in book value during the reporting period

☐ Applicable ☒ Not Applicable

Other remarks:

☐ Applicable ☒ Not Applicable**39. Employee benefits payable****(1). List of employee salaries payable**

(1) Details

☒ Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	12,665,279.77	493,295,362.95	480,709,690.48	25,250,952.24
Post-employment benefits - defined contribution plan		31,453,860.03	31,453,860.03	
Severance benefits				
Other benefits due within one year				
Total	12,665,279.77	524,749,222.98	512,163,550.51	25,250,952.24

(2) Details of short-term employee benefits

☒ Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase	Decrease	Closing balance
Wage, bonus, allowance and subsidy	12,665,279.77	444,999,505.45	432,413,832.98	25,250,952.24
Employee welfare fund		5,389,299.52	5,389,299.52	
Social insurance premium		23,037,240.93	23,037,240.93	
Including: Medicare premium		21,475,394.09	21,475,394.09	
Occupational injuries premium		1,561,846.84	1,561,846.84	
Maternity insurance premium				
Housing provident fund		14,284,560.46	14,284,560.46	
Trade union fund and employee education fund		5,584,756.59	5,584,756.59	
Short-term paid absence				
Short-term profit sharing plan				
Subtotal	12,665,279.77	493,295,362.95	480,709,690.48	25,250,952.24

(3) Details of defined contribution plan

☒ Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase	Decrease	Closing balance
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Basic endowment insurance premium		30,369,244.17	30,369,244.17	
Unemployment insurance premium		1,084,615.86	1,084,615.86	
Enterprise annuity contribution				
Subtotal		31,453,860.03	31,453,860.03	

Other remarks:

☐ Applicable ☒ Not Applicable**40. Taxes and rates payable**☒ Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening Balance
VAT		108,876.67
Consumption tax		
Business tax		
Enterprise income tax	8,731,076.49	
Individual income tax withheld for tax authorities	55,984.75	5,036.12
Urban maintenance and construction tax	698,770.71	66,579.94
Housing property tax	4,356,128.08	3,051,354.31
Land use tax		561,335.00
Education surcharge	299,473.16	28,534.26
Local education surcharge	199,648.77	19,022.84
Total	14,341,081.96	3,840,739.14

Other remarks:

None

41. . Other payables☒ Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening Balance
Interest payable		
Dividends payable		
Other payables	3,002,923.42	3,362,775.45
Total	3,002,923.42	3,362,775.45

Other remarks:

☐ Applicable ☒ Not Applicable**Interest payable****(1). Listed by category**☐ Applicable ☒ Not Applicable**Dividends payable****(2). Listed by category**☐ Applicable ☒ Not Applicable

Other payables**(1). List other payables by nature**

☒ Applicable ☐ Not Applicable	Unit: Yuan	Currency: RMB
Items	Closing balance	December 31, 2021
Security deposits	1,141,512.19	2,331,158.80
Expenses payable	1,255,644.85	804,919.33
Others	605,766.38	226,697.32
Subtotal	3,002,923.42	3,362,775.45

(2). Important other payables aged over 1 year

☐Applicable ☒Not Applicable

Other remarks:

☐Applicable ☒Not Applicable

42. Liabilities held for sale

☐Applicable ☒Not Applicable

43. Non-current liabilities due within one year

☒Applicable ☐ Not Applicable

	Unit: Yuan	Currency: RMB
Items	Closing balance	December 31, 2021
Long-term loans due within 1 year		
Bonds payable due within 1 year		
Long-term payables due within 1 year		
Lease liabilities due within one year	3,840,678.51	3,560,600.47
Total	3,840,678.51	3,560,600.47

Other remarks:

None

44. Other current liabilities

Other current liabilities

☒ Applicable ☐ Not Applicable	Unit: Yuan	Currency: RMB
Items	Closing balance	December 31, 2021
Short-term bonds payable		
Return payment payable		
Output VAT to be recognized	84,744,908.78	53,304,655.92
Endorsed but undue notes receivable (not derecognized)	26,970,439.07	31,158,862.86
Accrued expenses	13,944,922.15	5,334,660.40
Total	125,660,270.00	89,798,179.18

Short-term bonds payable:

☐Applicable ☒Not Applicable

Other remarks:

☐Applicable ☒Not Applicable

45. Long term loan**(1). Classification of long-term loans**

☐Applicable ☒Not Applicable

Additional notes, including interest rate ranges:

☐Applicable ☒Not Applicable

46. Bonds payable**(1). Bonds payable**

☐Applicable ☒Not Applicable

(2). Changes in increase and decrease of bonds payable: (excluding preferred shares, perpetual bonds and other financial instruments classified as financial liabilities)

☐Applicable ☒Not Applicable

(3). Description of conversion conditions and conversion time of convertible corporate bonds

☐Applicable ☒Not Applicable

(4). Description of other financial instruments classified as financial liabilities

Basic information on preferred shares, perpetual bonds and other financial instruments issued at the end of the period

☐Applicable ☒Not Applicable

Table of changes in financial instruments such as preferred shares and perpetual bonds issued at the end of the period

☐Applicable ☒Not Applicable

Explanation of the basis for the classification of other financial instruments into financial liabilities:

☐Applicable ☒Not Applicable

Other remarks:

☐Applicable ☒Not Applicable

47. Lease liabilities

☒Applicable ☐Not Applicable

Unit: Yuan Currency: RMB

Items	Closing balance	December 31, 2021
Unpaid lease payments	6,428,571.44	9,989,171.89
Less: Unrecognized financing expenses	559,879.14	505,570.11
Reclassified to non-current liabilities due within one year	3,840,678.51	3,560,600.47
Total	2,028,013.79	5,923,001.31

Other remarks:

None

48. Long-term payables**Details**

☐Applicable ☒Not Applicable

Other remarks:

☐Applicable ☒Not Applicable

Long-term payables**(1). List long-term payables by nature of payment**
☐ Applicable ☒ Not Applicable
Special Payables**(2). List special payables according to the nature of the payment**
☐ Applicable ☒ Not Applicable
49. Long-term employee benefits payable
☐ Applicable ☒ Not Applicable
50. Estimated liabilities
☐ Applicable ☒ Not Applicable
51. Deferred income

Deferred income

☒ Applicable ☐ Not Applicable

Unit: Yuan

Currency: RMB

Items	Opening balance	Increase	Decrease	Closing balance	Reasons for balance
Government grants	18,523,466.09	14,000,000.00	4,084,889.12	28,438,576.97	Government grants related to assets are amortized within useful life of assets.
Total	18,523,466.09	14,000,000.00	4,084,889.12	28,438,576.97	

Other remarks:

☒ Applicable ☐ Not Applicable
(2) Details of government grants

Items	Opening balance	Increase	Grants included into profit or loss [Note]	Closing balance	Related to assets/income
Technical transformation project of new energy secondary battery formation, testing equipment and charging and discharging equipment	1,198,980.00		266,440.00	932,540.00	Related to assets
Technical transformation project of high-end li-ion power battery energy feedback formation system with annual output of 20,000 sets	2,107,179.70		361,230.76	1,745,948.94	Related to assets
Technical transformation project of high-end li-ion power battery energy feedback formation system	5,663,600.03		943,933.33	4,719,666.70	Related to assets
Li-ion battery intelligent production and manufacturing project	4,178,635.00		604,140.00	3,574,495.00	Related to assets
Technical transformation project of new type casing battery fixture production line	2,550,000.00		300,000.00	2,250,000.00	Related to assets
Digital transformation project for intelligent manufacturing of lithium battery formation and capacity grading detection equipment	2,700,444.44		405,066.67	2,295,377.77	Related to assets
Subsidies for acquisition of industrial robots	124,626.92		17,803.85	106,823.07	Related to assets
Subsidies for 2022 Informatization Project		4,000,000.00	500,000.00	3,500,000.00	Related to assets
Subsidies for "1+N" Smart Chain Industrial Internet Cloud Platform		10,000,000.00	686,274.51	9,313,725.49	Related to assets
Subtotal	18,523,466.09	14,000,000.00	4,084,889.12	28,438,576.97	

Note: Please refer to section V (IV) 3 of notes to the financial statements for details on government grants included in profit or loss.

52. Other non-current liabilities
☐ Applicable ☒ Not Applicable
53. Share capital
☒ Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Movements					Closing balance
		Issue of new shares	Bonus shares	Reserve transferred to shares	Others	Subtotal	
Total shares	403,090,000.00	2,043,000.00				2,043,000.00	405,133,000.00

(2) Other remarks

a. According to the resolutions of the 10th and 18th sessions of the second session of the Board of Directors, the 5th session of the third session of the Board of Directors and shareholders' meeting of 2019, the Company granted 1,643,000 class II restricted RMB ordinary shares (A shares) to employees, with par value of 1 Yuan per share and grant price of 9.50 Yuan per share. The total subscription amount was 15,608,500.00 Yuan, of which, 1,643,000.00 Yuan was included into share capital and 13,965,500.00 Yuan was included into capital reserve (share premium). Such capital increase was verified by Pan-China Certified Public Accounts LLP and a capital verification report numbered PCCPACVR [2022] 220 was issued thereon. The Company has completed the registration procedures in China Securities Depository and Clearing Co., Ltd. Shanghai Branch on June 2, 2022.

b. According to the resolutions of the 10th, 18th sessions of the second session of the Board of Directors, the 7th session of the third session of the Board of Directors and shareholders' meeting of 2019, the Company granted 400,000 reserved class II restricted RMB ordinary shares (A shares) to employees, with par value of 1 Yuan per share and grant price of 9.27 Yuan per share. The total subscription amount was 3,708,000.00 Yuan, of which, 400,000.00 Yuan was included into share capital and 3,308,000.00 Yuan was included into capital reserve (share premium). Such capital increase was verified by Pan-China Certified Public Accounts LLP and a capital verification report numbered PCCPACVR [2022] 452 was issued thereon. The Company has completed the registration procedures in China Securities Depository and Clearing Co., Ltd. Shanghai Branch on August 8, 2022.

54. Other Equity Instruments**(1). Basic information on preferred shares, perpetual bonds and other financial instruments issued at the end of the period**
☐ Applicable ☒ Not Applicable
(2). Table of changes in financial instruments such as preferred shares and perpetual bonds issued at the end of the period
☐ Applicable ☒ Not Applicable

The increase and decrease of other equity instruments in the current period, the reasons for the changes, and the basis for relevant accounting treatment:

☐ Applicable ☒ Not Applicable

Other remarks:

☐ Applicable ☒ Not Applicable

55. Capital reserve

(1) Details

√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase	Decrease	Closing balance
Share premium	1,193,107,025.58	98,495,991.83		1,291,603,017.41
Other capital reserve	90,689,048.04	126,902,448.62	107,456,688.92	110,134,807.74
Total	1,283,796,073.62	225,398,440.45	107,456,688.92	1,401,737,825.15

(2) Other remarks

a. Remarks on changes in share premium

a) Capital reserve (share premium) was increased by 17,273,500.00 Yuan. Please refer to Share capital of notes to the financial statements for details.

b) In the second exercise of the Company's 2020 equity incentive plan in the current period, equity incentive expenses of 78,251,774.27 Yuan originally included in other capital reserve and income tax impact for the portion of tax-deductible amount exceeding the costs recognized in accordance with the CASBEs of 2,970,717.56 Yuan, a total of 81,222,491.83 Yuan was adjusted from other capital reserve to share premium.

b. Remarks on changes in other capital reserve

A. The Company implemented equity-settled share-based payment, and recognized the share-based payments of 126,902,448.62 Yuan.

B. The decrease of 29,204,914.65 Yuan is the income tax impact for the portion of tax-deductible amount which is lower than the costs recognized in accordance with the CASBEs.

C. Other capital reserve was decreased by 78,251,774.27 Yuan. Please refer to the above remarks on changes in share premium for details.

56. Treasury stock

☐ Applicable ☒ Not Applicable

57. Other comprehensive income (OCI)

√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Current period cumulative						Closing balance
		Current period cumulative before income tax	Less: OCI previously recognized but transferred to profit or loss in the current period	Less: OCI previously recognized but transferred to retained earnings in the current period	Less: Income tax	Attributable to parent company	Attributable to non-controlling shareholders	
1. Other comprehensive income that cannot be reclassified into profit								

Items	Opening balance	Current period cumulative						Closing balance
		Current period cumulative before income tax	Less: OCI previously recognized but transferred to profit or loss in the current period	Less: OCI previously recognized but transferred to retained earnings in the current period	Less: Income tax	Attributable to parent company	Attributable to non-controlling shareholders	
or loss								
Where: re-measurement of changes in defined benefit plans								
Other comprehensive income that cannot be transferred to profit or loss under the equity method								
Changes in fair value of other equity instrument investments								
Changes in the fair value of the enterprise's own credit risk								
Items to be reclassified subsequently to profit or loss	-2,633,360.15	5,052,708.15			5,052,708.15			2,419,348.00
1. Other comprehensive income that cannot be reclassified into profit or loss under equity method								
Changes in the fair value of other creditor's rights investments								
The amount of financial assets reclassified into other comprehensive income								
Provisions for credit impairment of other debt investments								
Cash flow hedge reserve								
Including: Translation reserve	-2,633,360.15	5,052,708.15			5,052,708.15			2,419,348.00
Total	-2,633,360.15	5,052,708.15			5,052,708.15			2,419,348.00

Other remarks:, including the adjustment of the effective part of the hedging profit and loss of cash flow to the initial recognition amount of the hedged item:

None

58. Special reserves

☐ Applicable ☒ Not Applicable

59. Surplus reserve

☒ Applicable ☐ Not Applicable Unit: Yuan Currency: RMB

Items	Opening balance	Increase	Decrease	Closing balance
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Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	145,246,643.00	46,509,209.88		191,755,852.88
Discretionary surplus reserve				
Reserve fund				
Business development fund				
Other				
Total	145,246,643.00	46,509,209.88		191,755,852.88

Explanation of the surplus reserve, including the increase and decrease in the current period and the reasons for the change:

The increase in the current period is based on the provision of statutory surplus reserve of RMB 46,509,209.88 based on 10% of the net profit realized by the parent Company in the current period .

60. Undistributed profit

√Applicable ☐ Not Applicable	Unit: Yuan	Currency: RMB
Items	Current period cumulative	Preceding period comparative
Opening balance	995,119,114.67	895,557,428.07
Total undistributed profit at beginning (increase +, decrease -) adjusted		
Undistributed profit at the beginning of the period adjusted	995,119,114.67	895,557,428.07
Add: Net profit attributable to owners of the parent company	490,594,411.85	235,117,881.75
Less: Appropriation of statutory surplus reserve	46,509,209.88	23,276,195.15
Withdrawal of any surplus reserve		
Withdrawal of general risk reserve		
Dividend payable on ordinary shares		
Common stock dividends transferred to share capital	92,712,188.31	112,280,000.00
Closing balance	1,346,492,128.33	995,119,114.67

Adjustment of the undistributed profit details at the beginning of the period:

1. Due to the retroactive adjustment of the *Accounting Standards for Business Enterprises* and related new regulations, the affected undistributed profit at the beginning of the period was RMB 0.
2. Due to the change of accounting policy, the affected undistributed profit at the beginning of the period was RMB 0.
3. Due to the correction of major accounting errors, the affected undistributed profit at the beginning of the period was RMB 0.
4. Due to the changes in merge scope due to the same control, the affected undistributed profit at the beginning of the period was RMB 0.
5. Due to other adjustments in total, the affected undistributed profit at the beginning of the period was RMB 0 Yuan.

61. Operating Income and Operating Costs

(1). Operating income and operating costs

√Applicable ☐ Not Applicable Unit: Yuan Currency: RMB

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	3,417,018,838.97	2,317,442,211.96	2,455,880,539.65	1,824,251,367.49
Other operations	37,114,249.46	188,886.80	27,432,513.80	7,231,967.83
Total	3,454,133,088.43	2,317,631,098.76	2,483,313,053.45	1,831,483,335.32

(2). Income from contracts√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Contract classification	Main business income	Other operating income	Total
Product Types			
Charging and discharging equipment	3,033,267,120.36		3,033,267,120.36
Other equipment	356,467,748.94		356,467,748.94
Accessories	27,283,969.67		27,283,969.67
Other		36,260,344.26	36,260,344.26
Classified by operating regions			
Domestic	3,177,841,065.44	36,260,344.26	3,214,101,409.70
Overseas	239,177,773.53		239,177,773.53
Market or customer type			
Type of contract			
Classification by time of commodity transfer			
Goods (transferred at a point in time)	3,417,018,838.97	36,260,344.26	3,453,279,183.23
Classification by contract period			
Classification by sales channel			
Total	3,417,018,838.97	36,260,344.26	3,453,279,183.23

Description of revenue arising from the contract:

☐ Applicable ☒ Not Applicable**(3). Description of performance obligations**☐ Applicable ☒ Not Applicable**(4). Description of apportionment to remaining performance obligations**☐ Applicable ☒ Not Applicable

Other remarks:

None

62. Taxes and surcharges√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Current period cumulative	Preceding period comparative
Consumption tax		
Business tax		
Urban maintenance and construction tax	5,168,999.68	1,759,961.53
Education surcharge	2,215,285.58	754,718.55
Resources tax		
Housing property tax	4,999,444.64	3,065,832.23
Land use tax	-561,335.00	561,335.04
Vehicle and vessel use tax	30,712.62	12,545.00
Stamp duty	1,085,965.12	523,190.00
Local education surcharge	1,476,857.05	502,396.83
Others	11,587.00	
Total	14,427,516.69	7,179,979.18

Other remarks:

None

63. Sales expense√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Current period cumulative	Preceding period comparative
Employee benefits	46,691,743.60	23,197,958.17
After-sales service expenses	21,493,836.80	8,231,993.74
Business travelling expenses	10,561,591.58	6,574,097.12
Rent, water and electricity fees	5,232,136.00	3,058,659.42
Business entertainment expenses	5,102,998.50	4,581,238.61
Office expenses	984,106.71	583,029.75
Advertising expenses	563,570.43	530,019.92
Others	701,400.10	1,346,865.55
Total	91,331,383.72	48,103,862.28

Other remarks:

None

64. Administrative expenses√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Current period cumulative	Preceding period comparative
Share-based payment	126,902,448.62	90,909,285.74
Employee benefits	82,854,553.00	66,543,285.78

Depreciation and amortization	25,013,625.85	7,716,005.20
Office expenses	24,460,386.29	9,314,717.69
Business travelling expenses	15,545,638.40	10,389,973.43
Agency expenses	14,523,197.30	6,933,064.26
Business entertainment expenses	3,683,526.75	2,646,684.35
Rent, water and electricity fees	4,095,661.75	1,963,131.10
Disabled Employment Security Fund	3,645,200.73	2,031,316.52
Transportation and car costs	590,983.28	583,960.29
Others	5,356,423.65	2,361,881.06
Total	306,671,645.62	201,393,305.42

Other remarks:

None

65. R & D costs

√Applicable ☐ Not Applicable		Unit: Yuan	Currency: RMB
Items	Current period cumulative	Preceding period comparative	
Employee benefits	131,289,358.26	91,513,439.36	
Raw materials and inspection expenses	54,945,137.92	24,898,953.52	
Business travelling expenses	16,899,481.04	9,236,920.62	
Others	4,169,603.72	5,622,797.85	
Total	207,303,580.94	131,272,111.35	

Other remarks:

None

66. Financial expenses

√Applicable ☐ Not Applicable		Unit: Yuan	Currency: RMB
Items	Current period cumulative	Preceding period comparative	
Interest income	-22,082,313.61	-15,572,749.85	
Interest expense			
Cash Discount			
Exchange losses	-65,733,512.42	56,734,642.70	
Handling fees	1,599,205.63	1,082,019.62	
Unrecognized financing expenses	670,804.78	239,691.46	
Total	-85,545,815.62	42,483,603.93	

Other remarks:

None

67. Other income

√Applicable ☐ Not Applicable		Unit: Yuan	Currency: RMB
Items	Current period cumulative	Preceding period comparative	

Items	Current period cumulative	Preceding period comparative
Government grants related to assets [Note]	4,084,889.12	3,450,572.74
Government grants related to income [Note]	60,176,764.62	40,679,641.13
Refund of handling fees for withholding individual income tax	466,130.58	618,942.39
Total	64,727,784.32	44,749,156.26

Other remarks:

For details of the government grants included in other income in the current period, please refer to the Notes to Consolidated Financial Statement Items of Notes to the Financial Statements and Other Government Subsidies.

64. Investment income

☒ Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income calculated by equity method		
Investment income from disposal of long-term equity investment		
Investment income of trading financial assets during the holding period		
Dividend income from other equity instrument investments during the holding period		
Interest income from debt investment during the holding period		
Interest income from other debt investments during the holding period		
Investment income from disposal of trading financial assets		
Investment income from disposal of other equity instrument investments		
Investment income from disposal of debt investment		
Investment income from disposal of other debt investments		
Gain on Restructuring of Debt	-3,330,905.47	
Option investment income	-1,712,400.00	
Investment income from financial products	8,023,120.39	8,162,597.69
Losses on discounted accounting receivable	-1,349,028.93	
Total	1,630,785.99	8,162,597.69

Other remarks:

None

69. Net exposure hedge gain

☐ Applicable ☒ Not Applicable

65. Gains on changes in fair value√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Current period cumulative	Preceding period comparative
Held-for-trading financial assets	596,527.80	
Including: Gains on changes in fair value of financial assets designated as at fair value through profit or loss	596,527.80	
Trading financial liabilities		
Investment properties measured at fair value		
Total	596,527.80	

Other remarks:

None

71. Credit impairment loss√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Item	Current period cumulative	Preceding period comparative
Bad debt loss on notes receivable		668
Bad debt loss on accounts receivable	-79,636,877.17	4,803,425.43
Bad debt loss on other receivables	1,029,055.03	-1,444,800.02
Impairment loss on debt investment		
Impairment losses on other debt investments		
Bad debt loss on long-term receivables		
Impairment loss on contract asset		
Total	-78,607,822.14	3,359,293.41

Other remarks:

None

72. Asset impairment loss√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Current period cumulative	Preceding period comparative
1. Bad debt loss		
2. Inventory depreciation loss and impairment loss on contract performance cost	-35,164,912.88	-17,724,635.38
3. Impairment loss on long-term equity investment		
4. Impairment loss on investment real estate		
5. Impairment loss on fixed assets		
6. Impairment loss on engineering materials		
7. Impairment loss on construction in progress		

8. Impairment losses on productive biological assets		
9. Impairment losses on oil and gas assets		
10. Impairment loss on intangible assets		
11. Goodwill impairment loss		
12. Others		
Impairment loss of contract assets	-4,689,764.32	-3,873,115.24
Impairment loss of other non-current assets	327,000.80	-1,938,000.80
Total	-39,527,676.40	-23,535,751.42

Other remarks:

None

73. Gains on asset disposal√Applicable ☐ Not Applicable

Unit: Yuan

Currency: RMB

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Gains on disposal of fixed assets	-344,350.15	-489,070.36	-344,350.15
Total	-344,350.15	-489,070.36	-344,350.15

Other remarks:

None

74. Non-operating income

Non-operating income

√Applicable ☐ Not Applicable

Unit: Yuan

Currency: RMB

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Total gains from disposal of non-current assets			
Where: gains from disposal of fixed assets			
Gains on disposal of intangible assets			
Non-monetary asset exchange gains			
Accept donations			
Government subsidy			
Penalty income	2,333,437.19	3,347,836.17	2,333,437.19
Others	788,475.01	757,095.06	788,475.01
Total	3,121,912.20	4,104,931.23	3,121,912.20

Other remarks:

☐Applicable ☒Not Applicable

75. Non-operating expenditures√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Losses on damage or retirement of non-current assets		296,877.60	
Where: loss on disposal of fixed assets			
Losses on disposal of intangible assets			
Non-monetary asset exchange losses			
External donations	255,000.00	110,000.00	255,000.00
Customer Compensation			
Penalty expenditures	9,710,333.81	80,966.98	9,710,333.81
Others		271,573.97	
Total	9,965,333.81	759,418.55	9,965,333.81

Other remarks:

None

76. Income tax expenses**(1). Income Tax Expense Schedule**√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	22,287,745.84	24,585,088.21
Deferred income tax expenses	31,063,348.44	-2,714,375.73
Total	53,351,094.28	21,870,712.48

(2) Reconciliation of accounting profit to income tax expenses√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Current period cumulative
Profit before tax	543,945,506.13
Income tax expenses based on tax rate applicable to the parent company	81,591,825.92
Effect of different tax rate applicable to subsidiaries	1,315,974.34
Effect of prior income tax reconciliation	55,955.74
Effect of non-taxable income	
Effect of non-deductible costs, expenses and losses	823,889.29
Effect of using deductible losses of deferred income tax assets not recognized in the previous period	
Effect of utilization of deductible losses not previously recognized as deferred tax assets	515,500.98
Effect of extra deduction of R&D expenses	-30,952,051.99

Items	Current period cumulative
Income tax expenses	53,351,094.28

Other remarks:

☐ Applicable ☒ Not Applicable
77. Other comprehensive income
☒ Applicable ☐ Not Applicable

For the after-tax net amount of other comprehensive income, please refer to Section X Financial Report, VII. Note 57 of Notes to Consolidated Balance Sheet Items, Explanation of Other Comprehensive Income.

78. Cash Flow Statement Items**(1). Other cash received related to operating activities**
☒ Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Current period cumulative	Preceding period comparative
Recovery of deposits for letters of guarantee	135,438,885.90	111,796,167.18
Release of frozen bank deposits		750,000.00
Government grants	27,428,692.44	16,228,815.92
Release of time deposits pledged for bill acceptance	91,394,300.48	24,108,570.09
Bank interest income	21,454,507.15	15,554,019.60
Others	4,449,904.46	4,845,439.32
Total	280,166,290.43	173,283,012.11

Description of other cash received related to operating activities:

None

(2) Other cash payments related to operating activities
☒ Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Current period cumulative	Preceding period comparative
Deposits for letters of guarantee	167,925,760.44	206,547,801.82
Time deposits pledged for bill acceptance	43,877,028.40	91,324,100.00
Out of pocket expenses	137,749,218.04	67,190,000.28
Performance bond and bid bond	1,189,646.61	6,009,863.87
Others	6,463,759.77	6,577,170.07
Total	357,205,413.26	377,648,936.04

Description of other cash payments related to operating activities:

None

(3) Other cash received related to investment activities
☐ Applicable ☒ Not Applicable
(4) Other cash paid related to investment activities
☐ Applicable ☒ Not Applicable

(5) Other cash received related to financing activities
☐ Applicable ☒ Not Applicable
(6) Other cash paid related to financing activities
☒ Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Items	Current period cumulative	Preceding period comparative
Rental payments	4,500,000.00	2,250,000.00
Total	4,500,000.00	2,250,000.00

Other descriptions of cash paid related to financing activities:

None

79. Supplementary Information to Cash Flow Statement**(1) Supplementary information to the cash flow statement**
☒ Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Supplementary information	Current period cumulative	Preceding period comparative
1) Reconciliation of net profit to cash flows from operating activities:		
Net profit	490,594,411.85	235,117,881.75
Add: Provision for assets impairment loss	39,527,676.40	23,535,751.42
Provision for credit impairment loss	78,607,822.14	-3,359,293.41
Depreciation of fixed assets, oil and gas assets, productive biological assets	62,712,596.81	35,393,571.95
Depreciation of right-of-use assets	3,795,589.20	1,581,495.50
Amortization of intangible assets	6,247,205.82	5,599,917.34
Amortization of long-term prepayments	4,907,579.81	1,342,008.18
Losses on disposal of fixed assets, intangible assets and other long-term assets (Less: gains)	344,350.15	489,070.36
Fixed assets retirement loss (Less: gains)		296,877.60
Losses on changes in fair value (Less: gains)	-596,527.80	
Financial expenses (Less: gains)	-65,062,707.64	56,974,334.16
Investment losses (Less: gains)	-1,630,785.99	-8,162,597.69
Decrease of deferred tax assets (Less: increase)	31,073,251.31	-17,190,861.02
Increase of deferred tax liabilities (Less: decrease)	-9,902.87	-7,891.03
Decrease of inventories (Less: increase)	-993,155,668.75	-642,992,786.40
Decrease of operating receivables (Less: increase)	-787,221,846.23	-958,111,098.11
Increase of operating payables (Less: decrease)	1,724,921,522.18	1,635,349,679.97
Others	100,668,251.53	115,805,386.70
Net cash flows from operating activities	695,722,817.92	481,661,447.27
2) Significant investing and financing activities not related to cash receipts and payments:		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets leased in under finance leases		
3) Net changes in cash and cash equivalents:		
Cash at the end of the period	1,992,463,562.87	1,714,758,111.87

Less: Cash at the beginning of the period	1,714,758,111.87	1,688,105,847.72
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase of cash and cash equivalents	277,705,451.00	26,652,264.15

(2). Net cash paid to acquire subsidiaries during the period

☐Applicable ☒Not applicable

(3). Net cash received for disposal of subsidiaries during the period

☐Applicable ☒Not applicable

(4) Composition of cash and cash equivalents

☐Applicable ☒Not applicable

Unit: Yuan Currency: RMB

Items	Current period cumulative	Preceding period comparative
1) Cash	1,992,463,562.87	1,714,758,111.87
Including: Cash on hand	521,994.63	120,885.58
Cash in bank on demand for payment	1,991,941,568.24	1,714,637,226.29
Other cash and bank balances on demand for payment		
Deposits with central banks available for disbursement		
Interbank deposits		
Interbank loans		
2) Cash equivalents		
Including: Bond investments maturing within three months		
3) Cash and cash equivalents at the end of the period	1,992,463,562.87	1,714,758,111.87
Of which: Use of restricted cash and cash equivalents by the parent company or subsidiaries within the Group		

Other notes:

☐ Applicable ☒ Not Applicable

80. Notes to the Statement of Changes in Owner's Equity

Description of "Other" items adjusted for prior year's ending balance and the amount of adjustment, etc:

☐ Applicable ☒ Not applicable

(IV) Others

81. Assets with title or use right restrictions

☒Applicable ☐ Not Applicable

Unit: Yuan

Currency: RMB

Items	Carrying amount	Reasons for restrictions
Cash and bank balances	212,516,546.90	Security deposits, cash in bank pledged
Notes receivable		
Inventory		

Items	Carrying amount	Reasons for restrictions
Fixed assets		
Intangible assets		
Total	212,516,546.90	

Other notes:

None

82. Monetary items in foreign currencies

(1) Monetary items in foreign currencies

√Applicable □ Not Applicable

Unit: Yuan

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent
Cash and bank balances			
Including: USD	86,376,528.96	6.9646	601,577,973.59
EUR	57,269,628.54	7.4229	425,106,725.69
JPY	17,817,514.39	0.0524	933,637.75
HKD	3,279.96	0.8933	2,929.99
KRW	52,627,104.00	0.0055	289,449.07
PLN	446,990.87	1.5878	709,732.10
Accounts receivable			
Including: USD	2,832,521.25	6.9646	19,727,377.50
EUR	941,397.97	7.4229	6,987,902.99
JPY	36,108,117.00	0.0524	1,892,065.33
KRW	242,148,389.00	0.0055	1,331,816.14
Long-term borrowing			
Where: USD			
EUR			
HKD			
Accounts payable			
Including: USD	11,739,795.30	6.9646	81,762,978.35
PLN	13,657.88	1.5878	21,685.98
Other receivables			
Including: KRW	40,008,800.00	0.0055	220,048.40
JPY	10,078,614.00	0.0524	528,119.37
Other payables			
Including: USD	17,100.00	6.9646	119,094.66
JPY	191,271.00	0.0524	10,022.60

Other notes:

None

(2).Description of foreign operating entities. For significant foreign operating entities, disclose their principal place of business outside of the country, the base currency of accounting and the basis of selection, and the reasons for any change in the base currency of accounting.

☐Applicable ☒Not applicable

83. Hedging

☐Applicable ☒Not applicable

84. Government grants

(1) Details

a. Government grants related to assets

☒Applicable ☐ Not Applicable

Unit: Yuan		Currency: RMB	
Items	Amount	Amortization presented under	Amortization
Subsidies for technical transformation project of new energy secondary power cell formation and testing equipment, and current charging and discharging equipment	2,664,400.00	Other income	266,440.00
Subsidies for technical transformation project of energy return formation system for high-end li-ion power cell with an annual output of 20,000 sets	3,522,000.00	Other income	361,230.76
Subsidies for technical transformation project of energy return formation system for high-end li-ion power cell	8,495,400.00	Other income	943,933.33
Subsidies for li-ion cell intelligent manufacturing project	5,034,500.00	Other income	604,140.00
Subsidies for technical transformation project of new-type pouch cell machine JIG formation machine production line	3,000,000.00	Other income	300,000.00
Funds for digital transformation project of intelligent manufacturing of li-ion cell formation and sorting equipment of Xiaoshan District of 2020	3,645,600.00	Other income	405,066.67
Funds for purchase of industrial robots of Xiaoshan District of 2020	154,300.00	Other income	17,803.85
Subsidies for 2022 Informatization Project	4,000,000.00	Other income	500,000.00
Subsidies for "1+N" Smart Chain Industrial Internet Cloud Platform	10,000,000.00	Other income	686,274.51
VAT refund on software products	47,214,202.76	Other income	47,214,202.76
Funds for headquarters economic of Xiaoshan District of 2020	5,683,800.00	Other income	5,683,800.00
Funds for enterprise R&D expenses of Xiaoshan District of 2020	1,698,500.00	Other income	1,698,500.00
Subsidies for job stabilization of 2021	1,250,707.66	Other income	1,250,707.66
Awards of manufacturing enterprise in the first quarter of 2022	750,000.00	Other income	750,000.00
Awards of manufacturing enterprise in the second quarter of Xiaoshan District	690,000.00	Other income	690,000.00
Funds for Kunpeng enterprise of Xiaoshan District of 2020	500,000.00	Other income	500,000.00
Funds for encouraging manufacturing enterprises to expend effective investment in Xiaoshan District	500,000.00	Other income	500,000.00

Subsidies for supporting foreign trade of the Ministry of Commerce	441,000.00	Other income	441,000.00
Awards of outstanding contribution of Xiaoshan District of 2021	300,000.00	Other income	300,000.00
Subsidiaries for high-quality development in the development district	519,500.00	Other income	519,500.00
Funds for export-oriented development of 2022	100,000.00	Other income	100,000.00
Others	529,054.20	Other income	529,054.20
Subtotal	100,692,964.62		64,261,653.74

(2). Return of government grants

☐Applicable ☒Not applicable

Other notes:

None

85. Others

☐Applicable ☒Not applicable

VIII. Changes in the consolidation scope**1. Business merger not under common control**

☐Applicable ☒Not applicable

2. Business merger under common control

☐Applicable ☒Not applicable

3. Reverse purchase

☐Applicable ☒Not applicable

4. Disposal of subsidiaries

Whether there is a single disposal of investment in a subsidiary that results in loss of control

☐Applicable ☒Not applicable

Other notes:

☐Applicable ☒Not applicable

5. Changes in the scope of consolidation for other reasons

Description of changes in the scope of consolidation due to other reasons (e.g., new subsidiaries, liquidation of subsidiaries, etc.) and the related circumstances:

☒Applicable ☐Not applicable

Entities	Equity acquisition method	Equity acquisition date	Capital contribution/registered capital	Capital contribution proportion (%)
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Hangke Technology Germany GmbH	Establishment	March 21, 2022	EUR 2.5 million [Note1]	100%
HK POWER Co., Ltd	Establishment	October 1, 2022	KRW 3000 million [Note2]	100%
SEITOKU	Establishment	December 19, 2022	JPY9million [Note2]	100%

Note1: As of December 31, 2022, the Company has paid contribution of EUR 1.25 million.

Note2: As of December 31, 2022, the Company has not paid any contribution.

6. Others

☐Applicable ☒Not applicable

IX. Interest in other entities

1. Interests in subsidiaries

(1). Composition of the enterprise group

☒Applicable ☐ Not applicable

Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
Honreck Electronic Trade (Japan) Co., Ltd.	Japan	Japan	Trade	100.00		Establishment
Hangke Electronics Co., Ltd.	Korea	Korea	Trade		100.00	Establishment
Honreck Electronics Trading Sp. z o.o.	Poland	Poland	Trade		100.00	Establishment
HK POWER Co., Ltd	Korea	Korea	Industry		100.00	Establishment
Hangke Technology Inc	America	America	Trade		100.00	Establishment
Hangke Technology Germany GmbH	German	German	Trade	100.00		Establishment
Hangke Hongkong	Hongkong	Hongkong	Trade	100.00		Establishment

Description of the percentage of shareholding in subsidiaries different from the percentage of voting rights:

None

Basis for holding half or less of the voting rights but still controlling the investee, and holding more than half of the voting rights but not controlling the investee:

None

For significant structured entities included in the scope of consolidation, the basis for control:

None

Basis for determining whether the company is an agent or a principal:

None

Other notes:

None

(2). Significant non-wholly owned subsidiaries

☐Applicable ☒Not applicable

(3). Key financial information of significant non-wholly owned subsidiaries

☐Applicable ☒Not applicable

(4). Significant restrictions on the use of enterprise group assets and settlement of enterprise group debts

☐Applicable ☒Not applicable

(5). Financial or other support provided to structured entities included in the scope of the consolidated financial statements

☐Applicable ☒Not applicable

Other notes:

☐Applicable ☒Not applicable

2. Transactions in which the share of ownership interest in a subsidiary changes and the subsidiary is still controlled

☐Applicable ☒Not applicable

3. Interests in joint ventures or associates

☐Applicable ☒Not applicable

4. Significant joint operations

☐Applicable ☒Not applicable

5. Interests in structured entities not included in the scope of consolidated financial statements

Relevant description of structured entities not included in the scope of the consolidated financial statements:

☐Applicable ☒Not applicable

6. Other

☐Applicable ☒Not applicable

X. Risks related to financial instruments

√Applicable □ Not Applicable

In risk management, the Company aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Company's financial performance, so as to maximize the profits of shareholders and other equity investors. Based on such risk management objectives, the Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits on a timely and reliable basis.

The Company has exposure to the following risks from its use of financial instruments, which mainly include: credit risk, liquidity risk, and market risk. The Management has deliberated and approved policies concerning such risks, and details are:

(I) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

1. Credit risk management practice

(1) Evaluation method of credit risk

At each balance sheet date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When assessing whether the credit risk has increased significantly since initial recognition, the Company takes into account reasonable and supportable information, which is available without undue cost or effort, including qualitative and quantitative analysis based on historical data, external credit risk rating, and forward-looking information. The Company determines the changes in default risk of financial instruments during the estimated lifetime through comparison of the default risk at the balance sheet date and the initial recognition date, on an individual basis or a collective basis.

The Company considers the credit risk on a financial instrument has increased significantly when one or more of the following qualitative and quantitative standards are met:

- 1) Quantitative standard mainly relates to the scenario in which, at the balance sheet date, the probability of default in the remaining lifetime has risen by more than a certain percentage compared with the initial recognition;
- 2) Qualitative standard mainly relates to significant adverse changes in the debtor's operation or financial position, present or expected changes in technology, market, economy or legal environment that will have significant adverse impact on the debtor's repayment ability;

(2) Definition of default and credit-impaired assets

A financial instrument is defined as defaulted when one or more following events have occurred, of which the standard is consistent with that for credit-impairment:

- 1) significant financial difficulty of the debtor;

- 2) a breach of binding clause of contract;
- 3) it is very likely that the debtor will enter bankruptcy or other financial reorganization;
- 4) the creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the creditor would not otherwise consider.

2. Measurement of expected credit losses

The key factors in the measurement of expected credit loss include the probability of default, loss rate of default, and exposure to default risk. The Company develops a model of the probability of default, loss rate of default, and exposure to default risk on the basis of quantitative analysis of historical data (e.g. counterparty rating, guarantee measures and collateral type, payment method, etc.) and forward-looking information.

3. Please refer to section V (I) 3, 4, 5, 7, 9 and 17 of notes to the financial statements for details on the reconciliation table of opening balance and closing balance of provision for losses of financial instrument.

4. Exposure to credit risk and concentration of credit risk

The Company's credit risk is primarily attributable to cash and bank balances and receivables. In order to control such risks, the Company has taken the following measures:

(1) Cash and bank balances

The Company deposits its bank balances and other cash and bank balances in financial institutions with relatively high credit levels, hence, its credit risk is relatively low.

(2) Receivables

The Company performs credit assessment on customers using credit settlement on a regular basis. The Company selects credible and well-reputed customers based on credit assessment result, and conducts ongoing monitoring on balance of receivables, to avoid significant risks in bad debts.

As the Company only conducts business with credible and well-reputed third parties, collateral is not required from customers. The Company manages credit risk aggregated by customers. As of December 31, 2022, the Company has certain concentration of credit risk, and 62.92% of the total accounts receivable (46.38% at December 31, 2021) was due from the five largest customers of the Company. The Company held no collateral or other credit enhancement on balance of receivables.

The maximum amount of exposure to credit risk of the Company is the carrying amount of each financial asset at the balance sheet.

(II) Liquidity risk

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement, which is possibly attributable to failure in selling financial assets at fair value on a timely basis, or failure in collecting liabilities from counterparties of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

In order to control such risk, the Company comprehensively utilizes financing tools such as notes settlement, bank borrowings, etc. and adopts long-term and short-term financing methods to optimize financing structures, and finally maintains a balance between financing sustainability and flexibility.

Financial liabilities classified based on remaining time period till maturity

Items	Closing balance				
	Carrying amount	Contract amount not yet discounted	Within 1 year	1-3 years	Over 3 years
Notes payable	1,316,903,913.74	1,316,903,913.74	1,316,903,913.74		
Accounts payable	1,596,641,156.33	1,596,641,156.33	1,596,641,156.33		
Other payables	3,002,923.42	3,002,923.42	3,002,923.42		
Other current liabilities	40,915,361.22	40,915,361.22	40,915,361.22		
Non-current liabilities due within one year	3,840,678.51	4,285,714.28	4,285,714.28		
Lease liabilities	2,028,013.79	2,142,857.16		2,142,857.16	
Subtotal	2,963,332,047.01	2,963,891,926.15	2,961,749,068.99	2,142,857.16	

(Continued)

Items	December 31, 2021				
	Carrying amount	Contract amount not yet discounted	Within 1 year	1-3 years	Over 3 years
Notes payable	977,330,876.19	977,330,876.19	977,330,876.19		
Accounts payable	956,227,075.33	956,227,075.33	956,227,075.33		
Other payables	3,362,775.45	3,362,775.45	3,362,775.45		
Other current liabilities	36,493,523.26	36,493,523.26	36,493,523.26		
Non-current liabilities due within one year	3,560,600.47	4,285,714.28	4,285,714.28		
Lease liabilities	5,923,001.31	6,428,571.42		4,285,714.28	2,142,857.14
Subtotal	1,982,897,852.01	1,984,128,535.93	1,977,699,964.51	4,285,714.28	2,142,857.14

(III) Market risk

Market risk is the risk that the Company may encounter fluctuation in fair value or future cash flows of financial instruments due to changes in market price. Market risk mainly includes interest risk and foreign currency risk.

1. Interest risk

Interest risk is the risk that an enterprise may encounter fluctuation in fair value or future cash flows of financial instruments due to changes in market interest. The Company's fair value interest risks arise from fixed-rate financial instruments, while the cash flow interest risks arise from floating-rate financial instruments. The Company determines the proportion of fixed-rate financial instruments and floating-rate financial instruments based on the market environment and maintains a proper financial instruments portfolio through regular review and monitoring.

2. Foreign currency risk

Foreign currency risk is the risk arising from changes in fair value or future cash flows of financial instrument resulted from changes in exchange rate. The Company's foreign currency risk relates mainly to foreign currency monetary assets and liabilities. When short-term imbalance occurred to foreign currency assets and liabilities, the Company may trade foreign currency at market exchange rate when necessary, in order to maintain the net risk exposure within an acceptable level.

Please refer to section V (IV) 2 of notes to the financial statements for details on foreign currency financial assets and liabilities at the end of the period.

IX. Fair value disclosure

1. Details of fair value of assets and liabilities at fair value at the balance sheet date

☒ Applicable ☐ Not Applicable

Unit: Yuan

Currency: RMB

Item	Closing fair value			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Recurring fair value measurement	8,470,694.76		17,904,210.81	26,374,905.57
(I) Trading securities	8,470,694.76			8,470,694.76
1. Financial assets at fair value through profit or loss	8,470,694.76			8,470,694.76
(1) Investments in debt instruments				
(2) Investments in equity instruments				
(3) Derivative financial assets				
2. Financial assets measured as at fair value and recorded into current period profit or loss				
(1) Investments in debt instruments				
(2) Investment in equity instruments				
(II) Other debt investments				
(III) Investments in other equity instruments				
(IV) Investment properties				
1. Land use rights for lease				
2. Buildings for lease				
3. Land use rights held and intended to be transferred after appreciation				
(V) Biological assets				
1. Expendable biological				

assets				
2. Production biological assets				
(VI) Financing of accounts receivable [Note]			17,904,210.81	17,904,210.81
Total assets at recurring fair value measurement	8,470,694.76		17,904,210.81	26,374,905.57
(VII) Trading financial liabilities				
1. Financial liabilities measured at fair value and recorded in current profit and loss				
Among them: issued trading bonds				
Derivative financial liability				
Other				
2. Financial liabilities measured at fair value and recorded in current profit or loss				
Total liabilities continuously measured at fair value				
II. Non-continuous fair value measurement				
(I) Assets held for sale				
Total assets not continuously measured at fair value				
Total liabilities not continuously measured at fair value				

2. Basis for determining the market value of ongoing and discontinued level 1 fair value measurement items

☐Applicable ☒Not applicable

3. Qualitative and quantitative information on valuation techniques and significant parameters used for ongoing and discontinued Level 2 fair value measurement items

☐Applicable ☒Not applicable

4. Qualitative and quantitative information on the valuation techniques and significant parameters used for ongoing and discontinued Level 3 fair value measurement items

☒ Applicable ☐ Not applicable

The accounts receivable financing is bank acceptance bills, and the fair value is determined by the face amount of the bills.

5. Ongoing Level 3 fair value measurement items, reconciliation information between opening and closing book values and sensitivity analysis of unobservable parameters

☐ Applicable ☒ Not applicable

6. For ongoing fair value measurement items, if conversion between levels occurred during the period, the reasons for conversion and the policy for determining the point of conversion

Applicable ☒ Not applicable

7. Changes in valuation techniques that occurred during the period and the reasons for such changes

☐ Applicable ☒ Not applicable

8. Fair value of financial assets and financial liabilities that are not measured at fair value

☐ Applicable ☒ Not applicable

9. Other

☐ Applicable ☒ Not applicable

XII. Related party relationships and transactions

1. The parent company of the company

☐ Applicable ☒ Not Applicable

2. The Company's subsidiaries

Refer to the notes for details of the Company's subsidiaries

☒ Yes ☐ No

The situation of the subsidiary of the Company is detailed in the report "Section 10 Financial Report", "IX. Rights and Interests in other Entities 1. Rights and Interests in Subsidiaries".

3. Situation of joint venture and associates

Important joint ventures or associates of the Company are detailed in the notes

☐ Applicable ☒ Not Applicable

Other joint ventures or associates with which the Company had related party transactions during the period, or with which the Company had related party transactions in prior periods and formed balances are as follows

☐Applicable ☒Not applicable

Other notes

☐Applicable ☒Not applicable

4. Other related parties of the Company

☒Applicable ☐ Not Applicable

Related parties	Relationships with the Company
Hangzhou Tongce Communication Electronics Co., Ltd.	Under common control of the actual controller

Other notes

None

5. Related party transactions

(1). Related transactions for the purchase and sale of goods, provision and receipt of services

Purchase of goods/acceptance of services

☐ Applicable ☒ Not applicable

Sale of goods/provision of services

Applicable ☒Not applicable

Description of related transactions of purchase and sale of goods, provision and acceptance of services

☐Applicable ☒Not applicable

(2). Affiliated management/contracting and entrusted management/contracting

Table of entrusted management/contracting of the Company:

☐Applicable ☒Not applicable

Description of Affiliated Trusteeship/Contracting

☐Applicable ☒Not applicable

The Company's entrusted management/contracting status table

☐Applicable ☒Not applicable

Description of Affiliated Management/Contracting

☐Applicable ☒Not applicable

(3). Affiliated Leasing

The Company as lessor:

☐Applicable ☒Not applicable

The Company as the lessee:

☒Applicable ☐Not applicable

Lessors	Types of assets leased	Expenses for short-term leases and leases of low-value assets with simplified approach (if applicable)		Variable lease payments not included in the measurement of the lease liability (if applicable)		Rent paid		Interest expense on lease liabilities assumed		Increased right-to-use assets	
		Amount in current period	Amount in last period	Amount in current period	Amount in last period	Amount in current period	Amount in last period	Amount in current period	Amount in last period	Amount in current period	Amount in last period
Hangzhou Tongce Communication Electronics Co., Ltd.	Buildings	6,118,857.44									

Description of affiliated leases

☐Applicable ☒Not applicable**(4). Associated Guarantees**

The Company as guarantor

☐Applicable ☒Not applicable

The Company as the guaranteed party

☐Applicable ☒Not applicable

Description of related guarantees

☐Applicable ☒Not applicable**(5). Funds borrowed from related parties**

☐Applicable ☒Not applicable

(6). Transfer of assets and debt restructuring by related parties

☐Applicable ☒Not applicable

(7). Key management's emoluments

☒Applicable ☐Not applicable

Unit: in the thousands Yuan Currency: RMB

Items	Current period cumulative	Preceding period comparative
Key management's emoluments	559.62	705.44
Executive equity incentive	54.32	520.16

(8). Other related party transactions

☒Applicable ☐Not applicable

As of December 31, 2022, accounts receivable transferred from the business combination that has not been paid by the customer amounted to 8,289,701.57 Yuan.

6. Amounts due from and to related parties

(1). Items receivable

☐ Applicable ☒ Not applicable

(2). Payable items

☐Applicable ☒Not applicable

7. Commitments from related parties

☐Applicable ☒Not applicable

8. Others

☐Applicable ☒Not applicable

XIII. Share-based payment

(I) Overall information

☒Applicable ☐ Not Applicable

	Unit: Share	Currency: RMB
Total equity instruments granted in current period	3.2 million restricted shares	
Total equity instruments vested in current period	2.043 million restricted shares	
Total equity instruments expired in current period	2.2585 million restricted shares	
The range of exercise prices of share options outstanding at the end of the period and the remaining contractual life	None	
The range of exercise prices of other equity instruments at the end of the period and the remaining contractual life	For 2.3115 million restricted shares, grant price: 28 Yuan/share; 57 months; For 1.677 million restricted shares, grant price: 28 Yuan/share; 35 months	

Other notes

(1) On May 19, 2020, the Company's shareholders' meeting of 2019 deliberated and approved the "Proposal on 2020 Restricted Shares Incentive Plan (Draft) of Zhejiang Hangke Technology

Incorporated Company and Its Abstract”, which was reviewed and approved by China Securities Regulatory Commission without objection. According to the plan, the Company plans to grant 3.41 million restricted shares to 101 incentive objects, including core technical personnel and other personnel deemed necessary by the Board of Directors. The subject shares are RMB ordinary shares of 3.41 million shares issued by the Company to the incentive objects, accounting for 0.85% of the total 401 million shares when the draft incentive plan was announced. The validity period of restricted shares is 36 months from the date of grant. The grant price of each restricted share is 10.00 Yuan (ex-rights price: 9.78 Yuan per share). The incentive objects exercise the authorized stock options in two phases: 1) from the first trading day after expiry of the 12-month period from the grant date to the last trading day of the 24-month period from the grant date; 2) from the first trading day after expiry of the 24-month period from the grant date to the last trading day of the 36-month period from the grant date. If the unlocking conditions of restricted shares stipulated in the plan are met, 50% and 50% restricted shares can be respectively unlocked (or repurchased and cancelled by the Company) after the lock-up period expires. On May 22, 2020, the 11th meeting of the second session of the Board of Directors of the Company deliberated and approved the “Proposal on the Initial Grant of Restricted Shares to Incentive Objects”, and determined that the grant date was May 22, 2020.

On August 27, 2020, the 13th meeting of the second session of the Board of Directors of the Company deliberated and approved the “Proposal on Adjusting the Grant Price of the Reserved Part of the 2020 Restricted Shares Incentive Plan” and the “Proposal on Granting the Reserved Part of the Restricted Shares to Incentive Objects”, that is, the grant price of the reserved and granted restricted shares was adjusted from 10.00 Yuan per share to 9.78 Yuan per share, and 800,000 restricted shares were proposed to be granted to 53 incentive objects. The incentive objects include core technical personnel of the Company and other personnel deemed necessary by the Board of Directors. The subject shares are RMB ordinary shares of 800,000 shares issued by the Company to the incentive objects, accounting for 0.20% of the total 401 million shares of the Company when the draft incentive plan was announced. The validity period of restricted shares is 36 months from the date of grant, and the grant price of each restricted share is 9.78 Yuan. The incentive objects exercise the authorized stock options in two phases: 1) from the first trading day after expiry of the 12-month period from the grant date to the last trading day of the 24-month period from the grant date; 2) from the first trading day after expiry of the 24-month period from the grant date to the last trading day of the 36-month period from the grant date. If the unlocking conditions of restricted shares stipulated in the plan are met, 50% and 50% restricted shares can be respectively unlocked (or repurchased and cancelled by the Company) after the lock-up period expires. The grant date is determined to be August 27, 2020.

On May 24, 2021, the 18th meeting of the second session of the Board of Directors of the Company deliberated and approved the “Proposal on Adjusting the Grant Price of the 2020 Restricted Shares Incentive Plan”. According to the relevant provisions of the 2020 Restricted Shares Incentive Plan, the grant price was adjusted from 9.78 Yuan per share to 9.50 Yuan per share due to dividend distribution.

(2) On September 27, 2021, the second extraordinary shareholders' meeting of the Company in 2021 deliberated and approved the "Proposal on 2021 Restricted Shares Incentive Plan (Draft) and Its Abstract", which was reviewed and approved by China Securities Regulatory Commission without objection. According to the plan, the Company plans to grant 3.00 million restricted shares to 465 incentive objects, including senior management personnel and technical and business backbone personnel. The subject shares are RMB ordinary shares of 3.00 million shares issued by the Company to the incentive objects, accounting for 0.74% of the total 403.09 million shares when the draft incentive plan was announced. The validity period of restricted shares is 48 months from the date of grant. The grant price of each restricted share is 28 Yuan. The incentive objects exercise the authorized stock options in three phases: 1) from the first trading day after expiry of the 12-month period from the grant date to the last trading day of the 24-month period from the grant date; 2) from the first trading day after expiry of the 24-month period from the grant date to the last trading day of the 36-month period from the grant date; 3) from the first trading day after expiry of the 36-month period from the grant date to the last trading day of the 48-month period from the grant date. If the unlocking conditions of restricted shares stipulated in the plan are met, one-third of the total granted restricted shares can be unlocked (or repurchased and cancelled by the Company) for each phase after the lock-up period expires. On November 24, 2021, the 24th meeting of the second session of the Board of Directors of the Company deliberated and approved the "Proposal on Granting Reserved Restricted Shares to Incentive Objects", and determined that the grant date was November 24, 2021.

(3) On April 6, 2022, the company's first extraordinary general meeting of shareholders in 2022 reviewed and approved the "Proposal on Reviewing the Company's 2022 Restricted Stock Incentive Plan (Draft) and Its Summary", which was reviewed and approved by the China Securities Regulatory Commission and had no objections ". According to the plan, the company intends to grant 3.2 million restricted shares to the incentive objects, including 245 key technical and business personnel of the company; the source of the target stock is the 3.2 million RMB ordinary shares issued by the company to the incentive objects, accounting for 0.79% of the company's total share capital of 403,090,000 shares when the draft incentive plan was announced. The validity period of the restricted stock is 60 months from the date of authorization, and the grant price of each restricted stock is 28 Yuan. From the first trading day after the date of grant to the last trading day within 24 months from the date of grant, from the first trading day after 24 months from the date of grant to the last trading day within 36 months from the date of grant from the first trading day 36 months after the grant date to the last trading day within 48 months from the grant date and from the first trading day 48 months after the grant date to the grant date on the last trading day within 60 months. If the unlocking conditions for restricted stocks stipulated in the plan are met, after each lock-up period expires, the incentive objects can be unlocked in installments (or repurchased and canceled by the company) accounting for one quarter, one quarter and one quarter of the total number of grants. One restricted stock. On April 6, 2022, the third meeting of the company's third board of directors reviewed and approved the "Proposal on Granting Restricted Stocks to Incentive Objects for the First Time", and determined the equity grant date to be April 6, 2022.

(II) Equity-settled share-based payment

√Applicable □ Not Applicable

	Unit: Yuan	Currency: RMB
Determination method for grant-date fair value of equity instruments	Please refer to the following Other notes for details.	
Determination method for the number of equity instruments expected to vest	It is estimated and determined according to the performance conditions of each unlocking period.	
Reasons for significant difference between the estimates in current period and preceding period		
Capital reserve accumulated due to equity-settled share-based payment	281,170,272.77	
Total expenses incurred due to equity-settled share-based payment	126,902,448.62	

Other notes

According to the relevant provisions on the determination of fair value in “CASBE 22 – Financial Instruments: Recognition and Measurement”, the Company adopts Black-Scholes model for valuation as there is no current market price for class II restricted shares granted by the Company, nor market price for restricted shares with the same trading conditions.

(1) 2020 Restricted Shares Incentive Plan

The grant-date share price, exercise price, remaining term of each phase, risk-free interest rate, expected volatility and other parameters estimated and determined under the option pricing model are as follows:

Share price on the grant date: 44.28 Yuan for initial phase and 56.19 Yuan for the reserve.

Exercise price: 9.50 Yuan for initial phase and 9.27 Yuan for the reserve.

Remaining period of each phase: 50% of the total granted shares can be exercised from the first trading day after expiry of the 12-month period from the grant date to the last trading day of the 24-month period from the grant date, and the remaining 50% can be exercised from the first trading day after expiry of the 24-month period from the grant date to the last trading day of the 36-month period from the grant date.

Risk-free interest rate: initial phase: 1.50%, 2.10%, reserved: 1.50%, 2.10%.

Expected volatility: initial phase: 12.46%, 27.85%, reserved: 26.00%, 30.39%.

According to the above parameter assumptions and Black-Scholes model, the fair value of restricted shares granted by the Company in 2020 are calculated as follows:

Exercise period	Number of restricted shares ('0000)	Fair value per share	Fair value ('0000)
Initial phase (50% of the first batch)	169.50	35.14	5,956.47
Initial phase (50% of the second batch)	164.30	35.39	5,814.71
Reserved (50% of the first batch)	39.50	46.83	1,849.84
Reserved (50% of the second batch)	40.00	47.08	1,883.23
Total	413.30		15,504.25

After calculation, the fair value of restricted shares in the Company's 2020 Restricted Shares Incentive Plan amortized according to the exercise proportion of each phase is estimated as follows:

Unit: in ten thousand Yuan

Exercise period	Year 2020	Year 2021	Year 2022	Total amortization
Initial phase	5,376.26	5,409.84	985.08	11,771.18
Reserved	959.59	2,142.54	630.94	3,733.07
Subtotal	6,335.85	7,552.38	1,616.02	15,504.25

(2) 2021 Restricted Shares Incentive Plan

The grant-date share price, exercise price, remaining term of each phase, risk-free interest rate, expected volatility and other parameters estimated and determined under the option pricing model are as follows:

Share price on grant date: 122.46 Yuan.

Exercise price: 28.00 Yuan.

Remaining period of each phase: one-third of the total granted shares can be exercised from the first trading day after expiry of the 12-month period from the grant date to the last trading day of the 24-month period from the grant date, one-third can be exercised from the first trading day after expiry of the 24-month period from the grant date to the last trading day of the 36-month period from the grant date, and one-third can be exercised from the first trading day after expiry of the 36-month period from the grant date to the last trading day of the 48-month period from the grant date.

Risk-free interest rate: 1.50%, 2.10%, 2.75%.

Expected volatility: 14.11%, 17.46%, 17.73%.

According to the above parameter assumptions and Black-Scholes model, the fair value of restricted shares granted by the Company in 2021 are calculated as follows:

Exercise period	Number of restricted shares ('0000)[Note]	Fair value per share	Fair value ('0000)
The first batch (one third)	81.00	94.88	7,685.03
The second batch (one third)			
The third batch (one third)	86.70	96.68	8,381.92
Total	167.70		16,066.95

[Note] The original number of shares granted was 3,000,000 shares. The first batch (one-third) actually exercised 810,000 shares on March 13, 2023 due to reasons such as the resignation of incentive targets, unqualified assessment, and non-payment. The second batch (one-third) has expired due to failure to meet the exercise conditions, and the third batch (one-third) is expected to exercise 867,000 shares.

After calculation, the fair value of restricted shares in the Company's 2021 Restricted Shares Incentive Plan amortized according to the exercise proportion of each phase is estimated as follows:

Unit: in ten thousand Yuan

Year 2021	Year 2022	Year 2023	Year 2024	Total amortization
1,538.55	9,235.37	2,793.97	2,499.05	16,066.95

Note: The company-level performance assessment target for the second batch (one-third) of the 2021 restricted stock incentive plan is "based on the operating income in 2020, the growth rate of operating income in 2022 shall not be less than 165% or the net profit in 2020 shall be base, the growth rate of net profit in 2022 shall not be less than 100%". Since the growth rate of the company's operating income and net profit in 2022 did not meet the exercise conditions, this part of the company's restricted stock incentives will become invalid. According to the "Accounting Standards for Business Enterprises- According to the relevant provisions of "Share-based Payment", the company will offset the management expenses of RMB 4,205,100 in exchange for employee service from the second batch (one-third) of the equity-settled share-based payment of the 2021 Restricted Stock Incentive Plan, which has been confirmed in the previous period. At the same time reduce capital reserves (other capital reserves).

(4) 2022 Restricted Shares Incentive Plan

The grant-date share price, exercise price, remaining term of each phase, risk-free interest rate, expected volatility and other parameters estimated and determined under the option pricing model are as follows:

Share price on grant date: 56.02 Yuan.

Exercise price: 28.00 Yuan.

Remaining period of each phase: one-fourth of the total granted shares can be exercised from the first trading day after expiry of the 12-month period from the grant date to the last trading day of the 24-month period from the grant date, one-fourth can be exercised from the first trading day after expiry of the 24-month period from the grant date to the last trading day of the 36-month period from the grant date, one-fourth can be exercised from the first trading day after expiry of the 36-month period from the grant date to the last trading day of the 48-month period from the grant date and one-fourth can be exercised from the first trading day after expiry of the 48-month period from the grant date to the last trading day of the 60-month period from the grant date.

Risk-free interest rate: 1.50%, 2.10%, 2.75%, 2.75%.

Expected volatility: 14.11%, 17.46%, 17.73%, 17.73%.

According to the above parameter assumptions and Black-Scholes model, the fair value of restricted shares granted by the Company in 2021 are calculated as follows:

Exercise period	Number of restricted shares ('0000)[Note]	Fair value per share	Fair value ('0000)
The first batch (one forth)			
The second batch (one forth)	77.05	29.18	2,247.98
The third batch (one forth)	77.05	30.26	2,331.42

Exercise period	Number of restricted shares ('0000)[Note]	Fair value per share	Fair value ('0000)
The forth batch (one forth)	77.05	30.99	2,387.76
Total	231.15		6,967.16

Note: The original number of shares granted was 3.20 million shares. The first batch (one quarter) has expired due to failure to meet the exercise conditions, and the second batch (one quarter), third batch (one quarter)) and the fourth batch (a quarter) are expected to exercise 770,500 shares.

After calculation, the fair value of restricted shares in the Company's 2021 Restricted Shares Incentive Plan amortized according to the exercise proportion of each phase is estimated as follows:

Unit: in ten thousand Yuan

Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Total amortization
1,838.86	2,498.07	1,670.69	802.02	157.53	6,967.16

Note: The company-level performance assessment target for the first batch (one forth) of the 2022 restricted stock incentive plan is "based on the 2020 operating income, the growth rate of operating income in 2022 shall not be less than 165% or the net profit in 2020 shall be base, the growth rate of net profit in 2022 shall not be less than 100%", because the growth rate of the company's operating income and net profit in 2022 did not meet the exercise conditions, resulting in the invalidation of this part of the company's restricted stock incentives.

2. Share-based payments settled in cash

☐Applicable ☒Not Applicable

3. Modification and termination of share-based payment

☐Applicable ☒Not Applicable

4. Others

☐ Applicable ☒Not Applicable

XIV. Commitments and contingencies

(I) Significant commitments

☒Applicable ☐ Not Applicable

Significant external commitments existing on the balance sheet date, the nature and amount
As of the balance sheet date, the outstanding amount of the Company's letters of guarantee is 332,866,814.76 Yuan.

(II) Significant contingencies

(1) Significant contingencies As of the balance sheet date

☐ Applicable ☒Not Applicable

(2) If there is no significant contingencies as of the balance sheet day, it shall also be to be indicated.

☒ Applicable ☐ Not Applicable

As of the balance sheet date, the Company has no significant contingencies to be disclosed.

(3) Others

☐ Applicable ☒ Not Applicable

XV. Events after the balance sheet date

1. Important non-adjusting event

☐ Applicable ☒ Not Applicable

2. Profit distribution after the balance sheet date

	Unit: Yuan	Currency: RMB
Profit or dividend planned to be distributed		150,918,037.90
Profit or dividend approved to be distributed		150,918,037.90

According to the *Proposal on the Review of the 2022 Annual Profit Distribution and Conversion to Capital with Provident Funds*, approved at the 14th meeting of the third Board of Directors of the Company on April 26, 2023, the Company intends to distribute a cash dividend of RMB3.5 (including tax) for every 10 shares to all shareholders based on the total share capital on the date of registration of the implementation of the 2022 dividend distribution, which is expected to amount to RMB150,918,037.90, representing 30.76% of the net profit attributable to shareholders of the listed company in the consolidated statement for the year 2022; At the same time, 4 shares per 10 shares will be transferred to all shareholders from capital reserve, which is expected to increase 172,477,758 shares in total, and the total share capital of the Company will be changed to 603,672,152 shares after the transfer. The amount of cash dividend in the aforesaid 2022 profit distribution proposal is provisionally calculated based on the current total share capital of the Company of 431,194,394 shares, and the actual total amount of cash dividend will be calculated based on the total share capital as at the date of registration of the dividend distribution for the year 2022. The Company's 2022 profit distribution and reserve fund to share capital plan is subject to the approval of the Company's shareholders' meeting.

3. Sales return

☐ Applicable ☒ Not Applicable

4. Other notes

☒ Applicable ☐ Not Applicable

According to the resolution of the tenth meeting of the company's third board of directors and the fourth extraordinary general meeting of shareholders in 2022, and approved by the Prospectus Office of the Supervisory Authority of the Swiss Exchange (hereinafter referred to as the SIX Swiss Exchange) ZA11-000000005W1O7 and the Reply of the China Securities Regulatory Commission on the Approval of the Initial Public Offering of Global Depositary Receipts by Zhejiang Hangke Technology Co., Ltd. and its Listing on the SIX Swiss Exchange (CSRC License [2022] No. 3149), the Company is permitted to issue up to 40,513,300 new A Underlying Shares corresponding to Global Depositary Receipts (GDRs), and the number of GDRs issued shall not exceed 20,256,650 based shares based on a

determined conversion ratio (each GDR represents 2 A Shares of Base Shares).

As of February 23, 2023, the Company has actually issued 12,625,697 GDRs to qualified investors, corresponding to 25,251,394 A-share base shares of the Company, with a total amount of US\$172,845,791.93 (equivalent to RMB1,188,470,380.73), and net proceeds of RMB1,159,379,050.09 after deducting the issuance expenses of RMB29,091,330.64.

XVI. Other significant events

1. Correction of prior-period accounting errors

(1). Retrospective restatement method

☐ Applicable ☒ Not Applicable

(2) Future application method

☐ Applicable ☒ Not Applicable

2. Debt restructuring

☐ Applicable ☒ Not Applicable

The Company as the creditor

Debt restructuring method	Book Value	Gains and losses related to debt restructuring	Increase in equity investment in associates or joint ventures resulting from debt restructuring	Proportion of equity investment in the total shares of associates or joint ventures
Debt forgiveness	43,819,476.07	3,330,905.47		

3. Asset swap

(1). Non-monetary asset exchange

☐ Applicable ☒ Not Applicable

(2) Other assets swap

☐ Applicable ☒ Not Applicable

4. Annuity plan

☐ Applicable ☒ Not Applicable

5. Operation termination

☐ Applicable ☒ Not Applicable

6. Segment information

(1). Basis of determination of reportable segments and accounting policies

☐ Applicable ☒ Not applicable

(2). Financial information of reportable segments

☐ Applicable ☒ Not applicable

(3). If the company has no reportable segments or cannot disclose the total assets and total liabilities of each reportable segment, it should explain the reasons

☐ Applicable ☒ Not applicable

(4) Other explanation

☐ Applicable ☒ Not applicable

7. Other significant transactions and events that may be influential for investors in decision-making

√Applicable □ Not Applicable

1. Due but unpaid note receivables

In 2021, the company received a commercial acceptance draft of RMB 10 million from Hubei Xingquan Machinery Equipment Co. Ltd., which issued by Thornton New Energy Technology Co Ltd., and a commercial acceptance draft of RMB 8,699,712.00 from Yangzhou Evergrande New Energy Technology Development Co., Ltd., which issued by itself. In 2021, the above commercial acceptance drafts have been due and unpaid as of the date of the notes to this financial statement Bills of exchange, as of the date of issuance of the notes to this financial statement, the above-mentioned commercial acceptance bills have expired and have not been paid, so the company has not recognized the corresponding accounts receivable of RMB 10,000,000.00 and unrecognized corresponding contract liabilities of RMB 8,699,712.00 Yuan.

8. Other

√Applicable □Not applicable

(i) Segment information

The Company's main business is the manufacture and sale of specialized equipment. The Company manages this business as a whole and evaluates the operating results. Therefore, the Company is not required to disclose segment information. The operating revenues and operating costs by product/region are described in Note V(II)1 to these financial statements.

(ii) Leases

1. The Company as a lessee

(1) Information related to right-of-use assets is detailed in Note V(I)13 to these financial statements;

(2) Short-term leases and leases of low-value assets

Refer to Note III(XXIV)1 to these financial statements for the Company's accounting policies on short-term leases and leases of low-value assets. The amounts of short-term lease expenses and low-value asset lease expenses charged to current profit or loss are as follows

Item	Amount in this period
Short-term lease expenses	10,412,459.95
Lease expenses for low-value assets (other than short-term leases)	
Total	10,412,459.95

(3) Current profit or loss and cash flow related to leasing

Item	Amount in this period	Amount in same period last year
Interest expense on lease liabilities	670,804.78	239,691.46
Variable lease payments not included in the measurement of lease liabilities included in the current period profit or loss		
Income from sublease of right-to-use assets		
Total cash outflow related to leases	15,849,581.35	2,250,000.00

(4) The maturity analysis of the lease liabilities and the corresponding liquidity risk management are detailed in Note VIII(II) to these financial statements.

2. The Company as lessor

(1) Operating lease

1) Lease income

Item	Amount in this period	Amount in same period last year
Lease income	853,905.20	660,017.03

2) Operating leased assets

Item	Amount in this period	Amount in same period last year
Fixed assets	1,597,084.13	1,823,811.99
Subtotal	1,597,084.13	1,823,811.99

For details of fixed assets leased from operations, please refer to Note V(I)11 of these financial statements.

XVII. Notes to items in parent company financial statements

1. Accounts receivable

(1) Age analysis

☒ Applicable ☐ Not Applicable

Unit: Yuan

Currency: RMB

Ages	Book balance
Within 1 year	
Where: within 1 year	
Within 1 year	1,455,718,635.41
Within 1 year	1,455,718,635.41
1-2 years	318,341,846.22
2-3 years	29,824,662.23
Over 3 years	58,291,216.72
3-4 years	
4-5 years	
Over 5 years	
Sub-total	1,862,176,360.58

(2) Details on categories

√ Applicable □ Not Applicable

Unit: Yuan

Currency: RMB

Categories	Closing balance					Beginning balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	% to total	Amount	Provision proportion (%)		Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	36,726,495.73	1.98	36,726,495.73	100	0.00	186,953,205.37	15.85	106,511,538.61	56.97	80,441,666.76
Where:										
Receivables with provision made on an individual basis	36,726,495.73	1.98	36,726,495.73	100	0.00	186,953,205.37	15.85	106,511,538.61	56.97	80,441,666.76
Receivables with provision made on a collective basis	1,825,449,864.85	98.02	151,049,328.36	8.27	1,674,400,536.49	992,760,468.22	84.15	83,688,731.37	8.43	909,071,736.85
In which:										
Accounts receivable with provision for bad debts based on a combination of credit risk characteristics	1,825,449,864.85	98.02	151,049,328.36	8.27	1,674,400,536.49	992,760,468.22	84.15	83,688,731.37	8.43	909,071,736.85
Total	1,862,176,360.58	/	187,775,824.09	/	1,674,400,536.49	1,179,713,673.59	/	190,200,269.98	/	989,513,403.61

Provision made on an individual basis:

√ Applicable □ Not applicable

Unit: Yuan

Currency: RMB

Name	Closing balance			
	Book balance	Provision for bad debts	Provision proportion (%)	Reasons
Hubei Xingquan Machinery Equipment	36,726,495.73	36,726,495.73	100.00	Customer capital flow is tight, and the

Co., Ltd.				possibility of payment recovery is small
Total	36,726,495.73	36,726,495.73	100.00	/

Explanation on provision made on an individual basis:

☐ Applicable ☒ Not applicable

Provision made on a collective basis:

☒ Applicable ☐ Not applicable

Provision made on a collective basis: Accounts receivable with provision for bad debts based on a combination of credit risk characteristics

Unit: Yuan Currency: RMB

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	1,455,718,635.41	72,785,931.77	5.00
1-2 years	318,341,846.22	47,751,276.93	15.00
2-3 years	29,824,662.23	8,947,398.67	30.00
Over 3 years	21,564,720.99	21,564,720.99	100.00
Total	1,825,449,864.85	151,049,328.36	8.27

Confirmation standards and explanation on bad debt provision made on a collective basis:

☐ Applicable ☒ Not applicable

If the provision for bad debts is based on the general model of expected credit losses, please refer to the disclosure of other receivables as follows:

☐ Applicable ☒ Not applicable

(3) Changes in provision for bad debts

Unit: Yuan Currency: RMB

Items	Opening balance	Change				Closing balance
		Accrual	Reversal	Write-off	Others	
Receivables with provision made on an individual basis	106,511,538.61	20,314,711.60	8,098,790.60	82,000,963.88		36,726,495.73
Receivables with provision made on a	83,688,731.37	67,360,596.99				151,049,328.36

collec tive basis						
Total	190,200,269.98	87,675,308.59	8,098,790.60	82,000,963.88		187,775,824.09

Significant provisions collected or reversed

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Debtors	Amount collected or reversed	Ways of collection
Lixin (Jiangsu) Energy Technology Co., Ltd	1,200,591.60	Reversal of current receivables
Union Lithplus Energy (Liaoning) Corp.	6,898,199.00	Reversal of current receivables
Subtotal	8,098,790.60	

Other notes

None

(4). Accounts receivable actually written off during the reporting period

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Written off amount
Accounts receivable actually written off during the reporting period	82,000,963.88

Significant accounts receivable written off in the current period

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Debtors	Nature of receivables	Amount written off	Reasons for write-off	Write-off procedures performed	Whether arising from related party transactions
Zhengzhou BAK Battery Co., Ltd.	Payment for goods	29,722,288.31	Payment has been agreed to be waived	Board approval	NO
Shenzhen BAK Power Battery Co., Ltd.	Payment for goods	9,391,843.87	Payment has been agreed to be waived	Board approval	NO
Lixin (Jiangsu) Energy Technology Co., Ltd	Payment for goods	17,708,021.22	Payment expected to be unrecoverable since Company has been bankrupt and reorganized	Board approval	NO
Far East Battery Co., Ltd.	Payment for goods	13,560,470.08	Payment expected to be unrecoverable	Board approval	NO
Shandong Jade New Energy Technology Co., Ltd.	Payment for goods	11,618,340.40	Payment expected to be unrecoverable since Company has been reorganized	Board approval	NO

Debtors	Nature of receivables	Amount written off	Reasons for write-off	Write-off procedures performed	Whether arising from related party transactions
Subtotal		82,000,963.87			

Explanation on accounts receivables:

☐ Applicable ☒ Not Applicable

(5) Details of the top 5 debtors with largest balances

☐ Applicable ☒ Not Applicable

Unit: Yuan

Currency: RMB

Debtors	Book balance	Proportion to the total balance of accounts receivable (%)	Provision for bad debts
First (YiWei)	448,518,859.80	24.09	22,751,051.64
Second (BYD)	403,262,902.35	21.66	29,355,346.62
Third (GuoXuan)	128,489,335.72	6.9	9,072,226.15
Forth (ZhuHai GuanYu)	108,014,000.00	5.8	8,940,100.00
Fifth (XinWangDa)	82,572,953.00	4.43	4,623,486.65
Subtotal	1,170,858,050.87	62.88	74,742,211.06

Other notes

None

(6). Derecognition of receivables due to transfer of financial assets

☐ Applicable ☒ Not applicable

(7). Amount of assets and liabilities formed by transferring accounts receivable and continuing to be involved

☐ Applicable ☒ Not applicable

Other notes:

☒ Applicable ☐ Not applicable

None

2. Other receivables

Details

☒ Applicable ☐ Not applicable

		Unit: Yuan	Currency: RMB
Item	Closing balance	Beginning balance	
Interest receivable			
Dividend receivable			
Other receivables	97,885,479.26	59,157,136.09	
Total	97,885,479.26	59,157,136.09	

Other notes:

☐ Applicable ☒ Not applicable

Interest receivable

(1). Classification of interest receivable

☐ Applicable ☒ Not applicable

(2). Significant overdue interest

☐ Applicable ☒ Not applicable

(3). Provision for bad debts

☐ Applicable ☒ Not applicable

Other notes:

☐ Applicable ☒ Not applicable

Dividends receivable

(4). Dividends receivable

☐ Applicable ☒ Not applicable

(5). Significant dividends receivable with an age of more than one year

☐ Applicable ☒ Not applicable

(6). Provision for bad debts

☐ Applicable ☒ Not applicable

Other notes:

☐ Applicable ☒ Not applicable

Other receivables

(1) Age analysis

☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Closing book balance
Within 1 year	
Where: Within 1 year	
Within 1 year	89,448,865.63

Within 1 year	89,448,865.63
1-2 years	11,143,333.51
2-3 years	4,910,319.19
Over 3 years	56,551,038.98
3-4 years	
4-5 years	
Above 5 years	
Total	162,053,557.31

(2) Other receivables categorized by nature

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Nature of receivables	Closing book balance	Book balance on December 31, 2021
Balances due from related parties	134,240,759.92	56,930,787.02
Security deposits	16,031,473.50	17,206,834.61
Petty cash	5,318,575.33	6,106,796.81
Others	6,462,748.56	3,771,322.96
Subtotal	162,053,557.31	84,015,741.40

(3) Changes in provision for bad debts

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Stage 1	Stage 2	Stage 3	Subtotal
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Opening balance	917,437.24	860,307.65	23,080,860.42	24,858,605.31
Opening balance in the current period	—	—	—	
--Transferred to stage 2	-557,166.68	557,166.68		
--Transferred to stage 3		-736,547.88	736,547.88	
--Reversed to stage 2				
--Reversed to stage 1				
Provision made in the current period	4,112,172.72	990,573.58	34,206,726.44	39,309,472.74
Reversal during the period				
Transferred during the period				
Write-offs during the period				
Other changes				
Closing balance	4,472,443.28	1,671,500.03	58,024,134.74	64,168,078.05

Description of significant changes in the carrying amount of other receivables for which changes in provision for losses occurred during the period:

☐ Applicable ☒ Not applicable

The amount of provision for bad debts for the period and the basis used to assess whether the credit risk of financial instruments has increased significantly:

☐ Applicable ☒ Not applicable

(4). Provision for bad debts

☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Change				Closing balance
		Accrual	Reversal	Write-off	Others	
Receivables with provision made on an individual basis	4,330,000.00					4,330,000.00
Receivables with provision made on a collective basis	20,528,605.31	39,309,472.74				59,838,078.05
Total	24,858,605.31	39,309,472.74				64,168,078.05

Significant provisions collected or reversed

☒ Applicable ☐ Not applicable

(5). Other receivable actually written off during the reporting period

☐ Applicable ☒ Not applicable

(6) Details of the top 5 debtors with largest balances

☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
Hangke E-commerce (Hong Kong) Co.	Related party	69,646,000.00	Within 1 year	42.98	3,482,300.00

	transactions				
HONRECK ELECTRONICS TRADING SPÓŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Related party transactions	64,543,762.53	Within 7,736,676.30 1 year 1-2 years 2,440,437.74 2-3 years 2,455,305.19 Over 3 years 51,911,343.30	39.83	53,400,834.33
PACIFIC GLOBAL LOGISTICS INC	Security deposit	2,785,840.00	Within 1 year	1.72	139,292.00
Zhejiang Zhixin Holding Group Co., Ltd.	Security deposit	2,280,000.00	Over 3 years	1.41	2,280,000.00
Zhejiang Aoyou Power System Co., Ltd	Security deposit	2,050,000.00	Over 3 years	1.27	2,050,000.00
Subtotal		141,305,602.53		87.21	61,352,426.33

(7). Receivables involving government grants
☐Applicable ☒Not applicable
(8). Other receivables derecognized due to transfer of financial assets
☐Applicable ☒Not applicable
(9). Amount of assets and liabilities formed by transferring other receivables and continuing to be involved
☐Applicable ☒Not applicable

Other notes:

☐Applicable ☒Not applicable
3. Long-term equity investments
☒Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance			Beginning balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	64,699,481.59		64,699,481.59	13,634,000.00		13,634,000.00
Investment in associates and joint ventures						
Total	64,699,481.59		64,699,481.59	13,634,000.00		13,634,000.00

(1) Investments in subsidiaries
☒Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Investees	Opening balance	Increase	Decrease	Closing balance	Provision for impairment made in the current period	Closing balance of provision for impairment
Honreck Electronic Trade (Japan) Co., Ltd.	12,984,000.00	42,094,400.00		55,078,400.00		
Hangke E-commerce (Hong Kong) Co., Ltd.	650,000.00			650,000.00		
Hangke Technology Germany GmbH		8,971,081.59		8,971,081.59		
Subtotal	13,634,000.00	51,065,481.59		64,699,481.59		

(2) Investment in associates and joint ventures

☐Applicable ☒Not applicable

Other notes:

None

4. Operating revenue/Operating cost

(1) Operating revenue/Operating cost

☒Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	3,417,050,860.45	2,317,968,531.05	2,453,001,756.71	1,823,319,941.42
Other operations	37,114,249.46	188,886.80	27,432,513.80	7,231,967.83
Total	3,454,165,109.91	2,318,157,417.85	2,480,434,270.51	1,830,551,909.25

(2) Breakdown of revenue from contracts with customers by main categories

☒Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Contract type	Revenue from main operating business revenue	Revenue from other operating business	Total
By commodity type			
Charging and discharging equipment	3,033,267,120.36		3,033,267,120.36
Other equipment	356,499,770.42		356,499,770.42
Accessories	27,283,969.67		27,283,969.67
Others		36,260,344.26	36,260,344.26
By operating regions			
Domestic	3,177,841,065.44	36,260,344.26	3,214,101,409.70
Overseas	239,209,795.01		239,209,795.01
By market or customer type			
Contract type			

By time of transferring goods or rendering services			
Recognized at a point in time	3,417,050,860.45	36,260,344.26	3,453,311,204.71
By contract term			
By sales channel			
Subtotal	3,417,050,860.45	36,260,344.26	3,453,311,204.71

Description of revenue generated by the contract:

☐ Applicable ☒ Not applicable

(3). Description of performance obligations

☐ Applicable ☒ Not applicable

(4). Description of the apportionment to the remaining performance obligations

☐ Applicable ☒ Not applicable

Other notes:

None

5. Investment income

☒ Applicable ☐ Not applicable

Unit: Yuan

Currency: RMB

Items	Current period cumulative	Preceding comparative period
Income from long-term equity investments accounted for under the cost method		
Income from long-term equity investments accounted for under the equity method		
Investment income from disposal of long-term equity investments		
Investment income from financial assets held for trading during the period		
Dividend income from investments in other equity instruments during the holding period		
Interest income earned on debt investments during the holding period		
Interest income earned on other debt investments during the holding period		

Investment income from disposal of trading financial assets		
Investment income from disposal of investments in other equity instruments		
Investment income from disposal of debt investments		
Investment income from disposal of other debt investments		
Gain on debt restructuring		
Option investment income	-1,712,400.00	
Investment income from financial products	8,023,120.39	8,162,597.69
Gains or losses on derecognition of financial assets	-3,330,905.47	
Interest income from current accounts and call loans	3,025,476.30	2,422,765.94
Losses on discounted financing of receivables	-1,349,028.93	
Total	4,656,262.29	10,585,363.63

Other notes:

None

6. Others☐ Applicable ☒ Not Applicable**XVIII. Other supplementary information****1. Non-recurring profit or loss**☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Amount	Remarks
Gains on disposal of non-current assets, including write-off of provision for impairment	-344,350.15	
Tax refund, credit or exemption approved beyond the power of authorities, without formal documents, or with occasionality		
Government grants included in profit or loss (excluding those closely related to operating activities of the Company, satisfying government policies and regulations, and continuously enjoyed with certain quantity/quota based on certain standards)	17,513,581.56	
Fund possession charge from non-financial entities and included in profit or loss		
Gains on acquisition of subsidiaries, joint ventures and associates due to the surplus of acquisition-date fair value of net identifiable assets in acquiree over the acquisition cost		
Gains on non-cash assets exchange		
Gains on assets consigned to the third party for investment or management		

Assets impairment loss incurred due to force majeure such as natural disasters		
Gains on debt restructuring	-3,330,905.47	
Entity restructuring expenses, such as staffing and integrating expenses		
Gains on transactions with unfair value		
Net profit on subsidiaries acquired through business combination under common control from the beginning of the period to the combination date		
Contingent gains on non-operating activities		
Gains on changes in fair value of financial assets and liabilities at fair value through profit or loss and investment income from disposal of financial assets and liabilities at fair value through profit or loss, and available-for-sale financial assets, excluding those arising from hedging business related to operating activities	5,558,219.26	
The reversed provision for impairment of receivables based on impairment testing on an individual basis	8,098,790.60	
Gains on designated loans		
Gains on changes in fair value of investment properties with subsequent measurement at the fair value mode		
Gains on reconciliation of current period profit or loss following legal and regulative requirements on taxation, accounting, etc.		
Management charges for consigned operations		
Other non-operating revenue or expenditures	-6,843,421.61	
Other profit or loss satisfying the definition of non-recurring profit or loss		
Subtotal		
Less: Enterprise income tax affected	-3,071,964.20	
Non-controlling interest affected (after tax)		
Net non-recurring profit or loss attributable to shareholders of the parent company	17,579,949.99	

For items defined as non-recurring gain or loss by the Company in accordance with *Interpretive Announcement No. 1 on Information Disclosure of Companies Offering Securities to the Public - Non-Recurring Profit and Loss*, and for items defined as recurring gain or loss by the Company instead of non-recurring gain or loss in *Interpretive Announcement No. 1 on Information Disclosure of Companies Offering Securities to the Public - Non-Recurring Profit and Loss*, the reasons should be explained.

Applicable ☒ Not applicable

2. ROE and EPS

☒ Applicable ☐ Not applicable

Profit of the reporting period	Weighted average ROE (%)	EPS (Yuan/share)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of ordinary shares	15.90	1.21	1.21
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	15.33	1.17	1.17

3. Accounting data difference under domestic and overseas accounting rules

☐ Applicable ☒ Not Applicable

4. Other

☐ Applicable ☒ Not Applicable

Chairman: Yan Lei

Date sent by the Board of Directors for approval April 27, 2023