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Auditor's Report

PCCPAAR [2024] No. 3538

To the Shareholders of Zhejiang Hangke Technology Incorporated Company:

I. Audit Opinion

We have audited the financial statements of Zhejiang Hangke Technology Incorporated Company (the "Company"), which comprise the consolidated and parent company balance sheets as at December 31, 2023, the consolidated and parent company income statements, consolidated and parent company cash flow statements, and consolidated and parent company statements of changes in equity for the year then ended, as well as notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year 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 of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not express a separate opinion on these matters.

(I) Revenue recognition

1. Key audit matters

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

In 2023, the operating revenue amounted to 3,931.72 million yuan, with a year-over-year growth of 13.38%, and was the important driver for performance growth. The Company's revenue mainly comes from sales of li-ion power cell charging and discharging equipment. Due to the significant impact of revenue growth on the financial statements and the inherent risks 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, so as to identify whether there are abnormal fluctuations in the current period and find out the reason;

(4) We selected specific items to check supporting documents related to revenue

recognition, including sales contracts, orders, sales invoices, bills of clearance, packing list, client acceptance receipts, etc.;

(5) We performed confirmation procedures on current sales amount, intercompany balances and the time point of contract acceptance of major customers, and confirmed 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 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 (XI) and III (XXIV) and V (I) 4, 9 and 17 of notes to the financial statements for details.

As of December 31, 2023, the book balance of accounts receivable and contract assets (including contract assets presented under other non-current assets, the same hereinafter) amounted to 2,745.79 million yuan, with provision for bad debts and impairment of 438.63 million yuan, and the carrying amount amounted to 2,307.16 million yuan, accounting for 22.56% of the total assets in the consolidated financial statements. As the amounts of accounts receivable and 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 the operation;

(2) We reviewed the actual write-off or reversal of accounts receivable with provision for bad debts made in previous periods, so as to assess the accuracy of historical estimations made by the Management;

(3) We reviewed the consideration of the Management on credit risk assessment and objective evidence, 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 checked them with acquired 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 debts of accounts receivable 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 (XII) and section V (I) 8 of notes to the financial statements for details.

As of December 31, 2023, the book balance of inventories amounted to 2,995.11 million yuan, with provision for inventory write-down of 93.63 million yuan, and the carrying amount amounted to 2,901.48 million yuan, accounting for 28.38% of the total assets in the consolidated financial statements. As the amount of inventories is significant and determination of net realizable value involves significant judgment of the Management, we have identified 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 the 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 selling price of inventories, estimated reusable value, further processing cost, transportation cost and sales taxes 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 stock age, and assessed whether the inventories with a longer stock 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 presented appropriately 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. Misstatements 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.

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

Pan-China Certified Public Accountants LLP	Chinese Certified Public Accountant:
	(Engagement Partner)
Hangzhou · China	Chinese Certified Public Accountant:
	Date of Report: April 25, 2024

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and financial performance and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

Zhejiang Hangke Technology Incorporated Company
Consolidated balance sheet as at December 31, 2023
(Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	December 31, 2022
Current assets:			
Cash and bank balances	1	3,263,149,304.07	2,204,980,109.77
Settlement funds			
Loans to other banks			
Held-for-trading financial assets	2	5,925,509.48	8,470,694.76
Derivative financial assets			
Notes receivable	3	90,155,576.33	58,049,060.67
Accounts receivable	4	1,902,796,347.12	1,673,164,923.92
Receivables financing	5	18,205,751.49	17,904,210.81
Advances paid	6	42,841,452.58	18,078,982.30
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserve receivable			
Other receivables	7	40,784,568.93	20,752,014.90
Financial assets under reverse repo			
Inventories	8	2,901,476,917.36	2,380,677,299.30
Contract assets	9	341,031,109.41	307,678,177.15
Assets held for sale			
Non-current assets due within one year			
Other current assets	10	10,470,636.02	22,209,690.01
Total current assets		8,616,837,172.79	6,711,965,163.59
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	11	1,264,096,156.79	954,337,911.33
Construction in progress	12		35,503,214.70
Productive biological assets			
Oil & gas assets			
Right-of-use assets	13	2,214,093.56	6,009,682.76
Intangible assets	14	184,872,136.46	175,501,531.02
Development expenditures			
Goodwill			
Long-term prepayments	15	11,181,004.43	7,003,767.94
Deferred tax assets	16	78,015,221.68	36,536,452.57
Other non-current assets	17	67,542,715.14	39,229,381.89
Total non-current assets		1,607,921,328.06	1,254,121,942.21
Total assets		10,224,758,500.85	7,966,087,105.80

Legal representative: Officer in charge of accounting: Head of accounting department:

Zhejiang Hangke Technology Incorporated Company
Consolidated balance sheet as at December 31, 2023 (continued)

(Expressed in Renminbi Yuan)

Liabilities & Equity	Note No.	Closing balance	December 31, 2022
Current liabilities:			
Short-term borrowings	19	14,516,000.00	
Central bank loans			
Loans from other banks			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable	20	1,015,562,136.25	1,316,903,913.74
Accounts payable	21	1,562,586,492.08	1,596,641,156.33
Advances received	22	560,000.00	560,000.00
Contract liabilities	23	2,239,109,626.13	1,501,881,384.48
Financial liabilities under repo			
Absorbing deposit and interbank deposit			
Deposits for agency security transaction			
Deposits for agency security underwriting			
Employee benefits payable	24	34,353,950.98	25,250,952.24
Taxes and rates payable	25	86,784,440.43	14,341,081.96
Other payables	26	8,469,552.89	3,002,923.42
Handling fees and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	27	2,028,014.09	3,840,678.51
Other current liabilities	28	117,860,346.15	125,660,270.00
Total current liabilities		5,081,830,559.00	4,588,082,360.68
Non-current liabilities:			
Insurance policy reserve			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	29		2,028,013.79
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income	30	23,863,491.77	28,438,576.97
Deferred tax liabilities	16		
Other non-current liabilities			
Total non-current liabilities		23,863,491.77	30,466,590.76
Total liabilities		5,105,694,050.77	4,618,548,951.44
Equity:			
Share capital	31	603,672,152.00	405,133,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	32	2,359,829,993.27	1,401,737,825.15
Less: Treasury shares			
Other comprehensive income	33	7,227,980.88	2,419,348.00
Special reserve	34	207,647.09	
Surplus reserve	35	271,191,623.48	191,755,852.88
General risk reserve			
Undistributed profit	36	1,876,935,053.36	1,346,492,128.33
Total equity attributable to the parent company		5,119,064,450.08	3,347,538,154.36
Non-controlling interest			
Total equity		5,119,064,450.08	3,347,538,154.36
Total liabilities & equity		10,224,758,500.85	7,966,087,105.80

Legal representative: Officer in charge of accounting: Head of accounting department:

Zhejiang Hangke Technology Incorporated Company

Parent company balance sheet as at December 31, 2023

(Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	December 31, 2022
Current assets:			
Cash and bank balances		2,663,712,048.69	1,991,810,568.64
Held-for-trading financial assets		5,925,509.48	8,470,694.76
Derivative financial assets			
Notes receivable		90,155,576.33	58,049,060.67
Accounts receivable	1	2,011,874,179.81	1,674,400,536.49
Receivables financing		18,205,751.49	17,904,210.81
Advances paid		39,559,933.04	16,560,508.62
Other receivables	2	102,004,409.49	97,885,479.26
Inventories		2,806,824,824.70	2,380,640,012.12
Contract assets		365,187,676.55	307,678,177.15
Assets held for sale			
Non-current assets due within one year			
Other current assets		8,029,806.34	21,186,453.88
Total current assets		8,111,479,715.92	6,574,585,702.40
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	3	132,131,762.24	64,699,481.59
Other equity instrument investments			
Other non-current financial assets			
Investment property			
Fixed assets		1,065,286,871.83	895,250,731.49
Construction in progress			18,204,314.48
Productive biological assets			
Oil & gas assets			
Right-of-use assets		2,214,093.56	6,009,682.76
Intangible assets		184,872,136.46	175,501,531.02
Development expenditures			
Goodwill			
Long-term prepayments		7,290,595.64	7,003,767.94
Deferred tax assets		78,937,135.18	36,577,923.82
Other non-current assets		67,542,715.14	37,292,942.20
Total non-current assets		1,538,275,310.05	1,240,540,375.30
Total assets		9,649,755,025.97	7,815,126,077.70

Legal representative: Officer in charge of accounting: Head of accounting department:

Zhejiang Hangke Technology Incorporated Company

Parent company balance sheet as at December 31, 2023 (continued)

(Expressed in Renminbi Yuan)

Liabilities & Equity	Note No.	Closing balance	December 31, 2022
Current liabilities:			
Short-term borrowings		14,516,000.00	
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable		1,015,562,136.25	1,316,903,913.74
Accounts payable		1,563,495,945.42	1,596,632,180.12
Advances received		560,000.00	560,000.00
Contract liabilities		1,727,824,779.19	1,385,308,395.26
Employee benefits payable		34,048,873.31	25,210,737.00
Taxes and rates payable		82,880,643.82	14,285,097.21
Other payables		5,438,390.26	2,860,728.64
Liabilities held for sale			
Non-current liabilities due within one year		2,028,014.09	3,840,678.51
Other current liabilities		114,154,402.27	125,660,270.00
Total current liabilities		4,560,509,184.61	4,471,262,000.48
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			2,028,013.79
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income		23,863,491.77	28,438,576.97
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		23,863,491.77	30,466,590.76
Total liabilities		4,584,372,676.38	4,501,728,591.24
Equity:			
Share capital		603,672,152.00	405,133,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		2,359,829,993.27	1,401,737,825.15
Less: Treasury shares			
Other comprehensive income			
Special reserve		207,647.09	
Surplus reserve		271,191,623.48	191,755,852.88
Undistributed profit		1,830,480,933.75	1,314,770,808.43
Total equity		5,065,382,349.59	3,313,397,486.46
Total liabilities & equity		9,649,755,025.97	7,815,126,077.70

Legal representative: Officer in charge of accounting: Head of accounting department:

Zhejiang Hangke Technology Incorporated Company
Consolidated income statement for the year ended December 31, 2023
(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Total operating revenue		3,931,719,031.47	3,454,133,088.43
Including: Operating revenue	1	3,931,719,031.47	3,454,133,088.43
Interest income			
Premiums earned			
Revenue from handling fees and commissions			
II. Total operating cost		2,861,591,049.80	2,851,819,410.11
Including: Operating cost	1	2,455,833,940.25	2,317,631,098.76
Interest expenses			
Handling fees and commissions			
Surrender value			
Net payment of insurance claims			
Net provision of insurance policy reserve			
Premium bonus expenditures			
Reinsurance expenses			
Taxes and surcharges	2	36,645,090.09	14,427,516.69
Selling expenses	3	114,572,405.05	91,331,383.72
Administrative expenses	4	169,164,040.99	306,671,645.62
R&D expenses	5	243,563,558.47	207,303,580.94
Financial expenses	6	-158,187,985.05	-85,545,815.62
Including: Interest expenses		582,725.77	670,804.78
Interest income		92,479,510.29	22,082,313.61
Add: Other income	7	121,310,244.30	64,727,784.32
Investment income (or less: losses)	8	-5,030,500.89	1,630,785.99
Including: Investment income from associates and joint ventures			
Gains from derecognition of financial assets at amortized cost		-131,234.45	-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)	9	-2,545,185.28	596,527.80
Credit impairment loss	10	-222,168,198.47	-78,607,822.14
Assets impairment loss	11	-52,699,448.38	-39,527,676.40
Gains on asset disposal (or less: losses)	12	670,184.65	-344,350.15
III. Operating profit (or less: losses)		909,665,077.60	550,788,927.74
Add: Non-operating revenue	13	7,447,819.83	3,121,912.20
Less: Non-operating expenditures	14	6,131,169.21	9,965,333.81
IV. Profit before tax (or less: total loss)		910,981,728.22	543,945,506.13
Less: Income tax expenses	15	101,891,222.53	53,351,094.28
V. Net profit (or less: net loss)		809,090,505.69	490,594,411.85
(I) Categorized by the continuity of operations			
1. Net profit from continuing operations (or less: net loss)		809,090,505.69	490,594,411.85
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)		809,090,505.69	490,594,411.85
2. Net profit attributable to non-controlling shareholders (or less: net loss)			
VI. Other comprehensive income after tax	16	4,808,632.88	5,052,708.15
Items attributable to the owners of the parent company		4,808,632.88	5,052,708.15
(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		4,808,632.88	5,052,708.15
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		4,808,632.88	5,052,708.15
7. Others			
Items attributable to non-controlling shareholders			
VII. Total comprehensive income		813,899,138.57	495,647,120.00
Items attributable to the owners of the parent company		813,899,138.57	495,647,120.00
Items attributable to non-controlling shareholders			
VIII. Earnings per share (EPS):			
(I) Basic EPS (yuan per share)		1.35	0.87
(II) Diluted EPS (yuan per share)		1.35	0.87

Legal representative: Officer in charge of accounting: Head of accounting department:

Zhejiang Hangke Technology Incorporated Company

Parent company income statement for the year ended December 31, 2023

(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Operating revenue	1	3,919,206,752.78	3,454,165,109.91
Less: Operating cost	1	2,455,888,742.10	2,318,157,417.85
Taxes and surcharges		33,640,000.56	13,907,661.88
Selling expenses		114,295,482.72	91,187,244.11
Administrative expenses		147,919,397.36	300,274,868.68
R&D expenses	2	243,563,558.47	207,303,580.94
Financial expenses		-140,462,594.21	-90,818,390.10
Including: Interest expenses		582,725.77	670,804.78
Interest income		82,002,596.57	22,082,313.61
Add: Other income		118,174,985.39	64,553,293.51
Investment income (or less: losses)	3	-2,189,394.54	4,656,262.29
Including: Investment income from associates and joint ventures			
Gains from derecognition of financial assets at amortized cost		-131,234.45	-3,330,905.47
Gains on net exposure to hedging risk (or less: losses)			
Gains on changes in fair value (or less: losses)		-2,545,185.28	596,527.80
Credit impairment loss		-237,795,435.73	-118,885,990.73
Assets impairment loss		-53,970,846.65	-39,527,676.40
Gains on asset disposal (or less: losses)		4,462,821.93	-344,350.15
II. Operating profit (or less: losses)		890,499,110.90	525,200,792.87
Add: Non-operating revenue		7,446,755.19	3,121,912.20
Less: Non-operating expenditures		6,130,683.59	9,963,808.90
III. Profit before tax (or less: total loss)		891,815,182.50	518,358,896.17
Less: Income tax expenses		97,457,476.52	53,266,797.35
IV. Net profit (or less: net loss)		794,357,705.98	465,092,098.82
(I) Net profit from continuing operations (or less: net loss)		794,357,705.98	465,092,098.82
(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		794,357,705.98	465,092,098.82
VII. Earnings per share (EPS):			
(I) Basic EPS (yuan per share)			
(II) Diluted EPS (yuan per share)			

Legal representative: Officer in charge of accounting: Head of accounting department:

Zhejiang Hangke Technology Incorporated Company

Consolidated cash flow statement for the year ended December 31, 2023

(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		4,422,964,222.52	3,647,124,800.61
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 fees and commissions			
Net increase of loans from others			
Net increase of repurchase			
Net cash receipts from agency security transaction			
Receipts of tax refund		140,985,247.47	80,384,198.43
Other cash receipts related to operating activities	2 (1)	340,918,881.23	280,166,290.43
Subtotal of cash inflows from operating activities		4,904,868,351.22	4,007,675,289.47
Cash payments for goods purchased and services received		3,274,466,153.51	2,325,184,864.21
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 fees and commissions			
Cash payments for policy bonus			
Cash paid to and on behalf of employees		572,008,449.65	512,098,241.99
Cash payments for taxes and rates		243,019,429.82	117,463,952.09
Other cash payments related to operating activities	2 (2)	600,408,440.61	357,205,413.26
Subtotal of cash outflows from operating activities		4,689,902,473.59	3,311,952,471.55
Net cash flows from operating activities		214,965,877.63	695,722,817.92
II. Cash flows from investing activities:			
Cash receipts from withdrawal of investments	1 (1)	272,439,369.87	1,543,023,120.39
Cash receipts from investment income			145,000.00
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		1,467,198.08	62,831.85
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		273,906,567.95	1,543,230,952.24
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	1 (2)	412,318,304.80	417,311,743.01
Cash payments for investments	1 (3)	270,000,000.00	1,535,000,000.00
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		682,318,304.80	1,952,311,743.01
Net cash flows from investing activities		-408,411,736.85	-409,080,790.77
III. Cash flows from financing activities:			
Cash receipts from absorbing investments		1,195,315,292.39	19,316,500.00
Including: Cash received by subsidiaries from non-controlling shareholders as investments			
Cash receipts from borrowings			
Other cash receipts related to financing activities	2 (3)	14,481,760.28	
Subtotal of cash inflows from financing activities		1,209,797,052.67	19,316,500.00
Cash payments for the repayment of borrowings			
Cash payments for distribution of dividends or profits and for interest expenses		199,211,810.06	92,712,188.31
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit			
Other cash payments related to financing activities	2 (4)	13,343,672.74	4,500,000.00
Subtotal of cash outflows from financing activities		212,555,482.80	97,212,188.31
Net cash flows from financing activities		997,241,569.87	-77,895,688.31
IV. Effect of foreign exchange rate changes on cash and cash equivalents		69,558,604.22	68,959,112.16
V. Net increase in cash and cash equivalents		873,354,314.87	277,705,451.00
Add: Opening balance of cash and cash equivalents		1,992,463,562.87	1,714,758,111.87
VI. Closing balance of cash and cash equivalents		2,865,817,877.74	1,992,463,562.87

Legal representative: Officer in charge of accounting: Head of accounting department:

Zhejiang Hangke Technology Incorporated Company

Parent company cash flow statement for the year ended December 31, 2023

(Expressed in Renminbi Yuan)

Items	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:		
Cash receipts from sale of goods and rendering of services	3,867,671,432.90	3,532,159,718.33
Receipts of tax refund	137,858,224.96	80,384,198.43
Other cash receipts related to operating activities	326,821,030.06	279,651,891.83
Subtotal of cash inflows from operating activities	4,332,350,687.92	3,892,195,808.59
Cash payments for goods purchased and services received	3,160,131,932.33	2,325,465,853.97
Cash paid to and on behalf of employees	566,979,962.74	510,258,498.88
Cash payments for taxes and rates	239,924,035.44	116,801,027.84
Other cash payments related to operating activities	579,442,165.44	422,055,016.68
Subtotal of cash outflows from operating activities	4,546,478,095.95	3,374,580,397.37
Net cash flows from operating activities	-214,127,408.03	517,615,411.22
II. Cash flows from investing activities:		
Cash receipts from withdrawal of investments	272,439,369.87	1,543,023,120.39
Cash receipts from investment income		145,000.00
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets	282,090.09	62,831.85
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	272,721,459.96	1,543,230,952.24
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	286,468,270.06	367,018,930.25
Cash payments for investments	337,433,066.57	1,586,065,481.59
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	623,901,336.63	1,953,084,411.84
Net cash flows from investing activities	-351,179,876.67	-409,853,459.60
III. Cash flows from financing activities:		
Cash receipts from absorbing investments	1,195,315,292.39	19,316,500.00
Cash receipts from borrowings		
Other cash receipts related to financing activities	14,481,760.28	
Subtotal of cash inflows from financing activities	1,209,797,052.67	19,316,500.00
Cash payments for the repayment of borrowings		
Cash payments for distribution of dividends or profits and for interest expenses	199,211,810.06	92,712,188.31
Other cash payments related to financing activities	13,343,672.74	4,500,000.00
Subtotal of cash outflows from financing activities	212,555,482.80	97,212,188.31
Net cash flows from financing activities	997,241,569.87	-77,895,688.31
IV. Effect of foreign exchange rate changes on cash and cash equivalents	55,152,315.45	64,592,173.78
V. Net increase in cash and cash equivalents	487,086,600.62	94,458,437.09
Add: Opening balance of cash and cash equivalents	1,779,294,021.74	1,684,835,584.65
VI. Closing balance of cash and cash equivalents	2,266,380,622.36	1,779,294,021.74

Legal representative: Officer in charge of accounting: Head of accounting department:

Zhejiang Hangke Technology Incorporated Company

Consolidated statement of changes in equity for the year ended December 31, 2023

(Expressed in Renminbi Yuan)

Items	Current period cumulative												
	Equity attributable to parent company											Non-controlling interest	Total equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
		Preferred shares	Perpetual bonds	Others									
I. Balance at the end of prior year	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
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	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
III. Current period increase (or less: decrease)	198,539,152.00				958,092,168.12		4,808,632.88	207,647.09	79,435,770.60		530,442,925.03		1,771,526,295.72
(I) Total comprehensive income							4,808,632.88				809,090,505.69		813,899,138.57
(II) Capital contributed or withdrawn by owners	26,061,394.00				1,130,569,926.12								1,156,631,320.12
1. Ordinary shares contributed by owners	26,061,394.00				1,155,811,356.09								1,181,872,750.09
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity					-25,241,429.97								-25,241,429.97
4. Others													
(III) Profit distribution									79,435,770.60		-278,647,580.66		-199,211,810.06
1. Appropriation of surplus reserve									79,435,770.60		-79,435,770.60		
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners											-199,211,810.06		-199,211,810.06
4. Others													
(IV) Internal carry-over within equity	172,477,758.00				-172,477,758.00								
1. Transfer of capital reserve to capital	172,477,758.00				-172,477,758.00								
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								207,647.09					207,647.09
1. Current period appropriation								6,064,165.11					6,064,165.11
2. Current period use								-5,856,518.02					-5,856,518.02
(VI) Others													
IV. Balance at the end of current period	603,672,152.00				2,359,829,993.27		7,227,980.88	207,647.09	271,191,623.48		1,876,935,053.36		5,119,064,450.08

Legal representative: Officer in charge of accounting: Head of accounting department:

Zhejiang Hangke Technology Incorporated Company

Consolidated statement of changes in equity for the year ended December 31, 2023 (continued)

(Expressed in Renminbi Yuan)

Items	Preceding period comparative												
	Equity attributable to parent company											Non-controlling interest	Total equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
		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. Current period appropriation													
2. Current period use													
(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: Officer in charge of accounting: Head of accounting department:

Zhejiang Hangke Technology Incorporated Company

Parent company statement of changes in equity for the year ended December 31, 2023

(Expressed in Renminbi Yuan)

Items	Current period cumulative										
	Share 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	405,133,000.00				1,401,737,825.15				191,755,852.88	1,314,770,808.43	3,313,397,486.46
Add: Cumulative changes of accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	405,133,000.00				1,401,737,825.15				191,755,852.88	1,314,770,808.43	3,313,397,486.46
III. Current period increase (or less: decrease)	198,539,152.00				958,092,168.12			207,647.09	79,435,770.60	515,710,125.32	1,751,984,863.13
(I) Total comprehensive income										794,357,705.98	794,357,705.98
(II) Capital contributed or withdrawn by owners	26,061,394.00				1,130,569,926.12						1,156,631,320.12
1. Ordinary shares contributed by owners	26,061,394.00				1,155,811,356.09						1,181,872,750.09
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity					-25,241,429.97						-25,241,429.97
4. Others											
(III) Profit distribution									79,435,770.60	-278,647,580.66	-199,211,810.06
1. Appropriation of surplus reserve									79,435,770.60	-79,435,770.60	
2. Appropriation of profit to owners										-199,211,810.06	-199,211,810.06
3. Others											
(IV) Internal carry-over within equity	172,477,758.00				-172,477,758.00						
1. Transfer of capital reserve to capital	172,477,758.00				-172,477,758.00						
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								207,647.09			207,647.09
1. Current period appropriation								6,064,165.11			6,064,165.11
2. Current period use								-5,856,518.02			-5,856,518.02
(VI) Others											
IV. Balance at the end of current period	603,672,152.00				2,359,829,993.27			207,647.09	271,191,623.48	1,830,480,933.75	5,065,382,349.59

Legal representative: Officer in charge of accounting: Head of accounting department:

Zhejiang Hangke Technology Incorporated Company

Parent company statement of changes in equity for the year ended December 31, 2023 (continued)

(Expressed in Renminbi Yuan)

Items	Preceding period comparative										
	Share 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	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. Current period appropriation											
2. Current period use											
(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: Officer in charge of accounting: Head of accounting department:

Zhejiang Hangke Technology Incorporated Company

Notes to Financial Statements

For the year ended December 31, 2023

Monetary unit: RMB Yuan

I. Company profile

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 603,672,152.00 yuan and total share of 603,672,152 shares (each with par value of one yuan), all of which are unrestricted outstanding A shares. 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-ion battery formation, testing equipment and charging and discharging equipment, lithium-ion battery protection plate products, lithium-ion battery automation production line, technical development of lithium-ion 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 were approved and authorized for issue by the 19th meeting of the third session of the Board of Directors dated April 25, 2024.

II. 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

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.

III. Significant accounting policies and estimates

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, construction in progress, 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, financial performance 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 currencies of subsidiaries engaged in overseas operations including CHR Japan Co., Ltd., Japan New Energy Equipment Co., Ltd., Hangke Electronics Co., Ltd., HK Power 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., HK Technology, Inc., Hangke Technology Germany GmbH and Hangke Technology Hungary Kft are the currencies of the primary economic environment in which they operate.

(V) Determination method and basis for selection of materiality

The Company prepares and discloses financial statements in compliance with the principle of materiality. The items disclosed in notes to the financial statements involving materiality judgements, determination method and basis for selection of materiality are as follows:

Disclosed items involving materiality judgements	Note No.	Determination method and basis for selection of materiality
Significant changes in construction in progress	V (I) 12 (2)	Changes in construction in progress in the current period in excess of 0.30% of total assets are identified as significant construction in progress.
Significant accounts payable with age over one year	V (I) 21 (2)	Accounts payable with closing balance in excess of 0.10% of total assets are identified as significant accounts payable.
Significant contract liabilities with age over one year	V (I) 23 (2)	Contract liabilities with closing balance in excess of 0.30% of total assets are identified as significant contract liabilities.
Significant cash flows from investing activities	V (III) 1	Cash flows from investing activities in excess of 4% of total assets are identified as significant cash flows from investing activities.

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

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.

(VII) Judgement criteria for control and compilation method of consolidated financial statements

1. Judgement of control

An investor controls an investee if and only if the investor has all the following: (1) power over the investee; (2) exposure, or rights, to variable returns from its involvement with the investee; and (3) the ability to use its power over the investee to affect the amount of the investor’s returns.

2. Compilation method of consolidated financial statements

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.

(VIII) Recognition criteria of cash and cash equivalents

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.

(IX) Foreign currency translation

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 exchange rate at the balance sheet date; the equity items, other than undistributed profit, are translated at the spot exchange 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 the aforementioned foreign currency translation is included in other comprehensive income.

(X) Financial instruments

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 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, they are measured at 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 for 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

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.

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.

(XI) Recognition criteria and accrual method for expected credit losses of receivables and contract assets

1. Receivables and contract assets with expected credit losses measured on a collective basis using similar credit risk features

Categories	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		
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 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.
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.
Other receivables – Portfolio grouped with deposits		
Other receivables – Portfolio grouped with petty cash		
Other receivables – Other portfolios		

2. Comparison table of ages and expected credit loss rate of portfolio grouped with ages

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

Ages of accounts receivables and contract assets are calculated from the month when such receivables are accrued.

3. Recognition criteria for receivables and contract assets with expected credit losses measured on an individual basis

For receivables and contract assets whose credit risk is significantly different from that of portfolios, the Company accrues expected credit losses on an individual basis.

(XII) Inventories

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, supplies, etc. to be consumed in the production process or in the rendering of services.

2. Accounting method for dispatched inventories

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

3. Inventory system

Perpetual inventory method is adopted.

4. 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.

5. Provision for inventory write-down

(1) Recognition criteria and accrual method of provision for inventory write-down

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 inventories 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.

(XIII) Long-term equity investments

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 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 determined 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) Judgement principles of "bundled transaction"

For disposal of a subsidiary in stages resulting in the Company's loss of control, the Company determines whether it is a "bundled transaction" based on the agreement terms for each stage, disposal consideration obtained separately, object of the equity sold, disposal method, disposal time point, etc. If the terms, conditions and economic effect of each transaction meet one or more of the following conditions, these transactions are usually considered as a "bundled transaction":

1) these transactions are entered into at the same time or in contemplation of each other;

2) these transactions form a single transaction designed to achieve an overall commercial effect;

3) the occurrence of one transaction is dependent on the occurrence of at least one other transaction; and

4) one transaction considered on its own is not economically justified, but it is economically justified when considered together with other transactions.

(2) Accounting treatments of non-bundled transactions

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

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.

(3) Accounting treatment of bundled transaction

1) Stand-alone financial statements

Stages as a whole are considered as one transaction resulting in loss of control in accounting treatment. However, before the Company loses control over a subsidiary, the difference between the disposal consideration at each stage and the carrying amount of long-term equity investments corresponding to the disposed investments is recognized as other comprehensive income at the stand-alone financial statements and reclassified as profit or loss in the period when the Company loses control over such subsidiary.

2) Consolidated financial statements

Stages as a whole are considered as one transaction resulting in loss of control in accounting treatment. However, before the Company loses control over a subsidiary, 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.

(XIV) Fixed assets

1. Recognition principles of fixed assets

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

Categories	Depreciation method	Useful life (years)	Residual value proportion (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	5-20	4-5	19.00-4.75
General equipment	Straight-line method	3-5	5	31.67-19.00
Special equipment	Straight-line method	3-10	5	31.67-9.50
Transport facilities	Straight-line method	3-5	5	31.67-19.00
Other equipment	Straight-line method	3-5	5	31.67-19.00

(XV) Construction in progress

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 is 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.

Categories	Standards and time point of transferring construction in progress to fixed assets
Buildings and structures	When the acceptance requirements or designed usable conditions are met
General equipment and special equipment	When the design requirements or standards specified in the contract are met after installation and commissioning
Transport facilities and other equipment	When the assets are received and ready for use

(XVI) Borrowing costs

1. Recognition principle of borrowing costs capitalization

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it is capitalized and included in the costs of relevant assets; other borrowing costs are recognized as expenses on the basis of the actual amount incurred, and are included in profit or loss.

2. Borrowing costs capitalization period

(1) The borrowing costs are not capitalized unless the following requirements are all met: 1) the asset disbursements have already incurred; 2) the borrowing costs have already incurred; and 3) the acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

(2) Suspension of capitalization: where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs is suspended; the borrowing costs incurred during such period are recognized as expenses, and are included in profit or loss, till the acquisition and construction or production of the asset restarts.

(3) Ceasing of capitalization: when the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs is ceased.

3. Capitalization rate and capitalized amount of borrowing costs

For borrowings exclusively for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests is determined in light of the actual interest expenses incurred (including amortization of premium or discount based on effective interest method) of the special borrowings in the current period less the interest income on the unused borrowings as a deposit in the bank or as a temporary investment; where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the Company calculates and determines the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the excess of the accumulative capital disbursements over the special borrowings by the capitalization rate of the general borrowing used.

(XVII) Intangible assets

1. Intangible assets include land use right, software, 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	Useful life and determination basis	Amortization method
Land use right	38 years, 50 years	Straight-line method
Software	3 years	Straight-line method

The useful life of intangible assets is based on expected economic life.

3. Permitted scope of R&D costs

(1) Personnel costs

Personnel costs include wages and salaries, basic endowment insurance premiums, basic medical insurance premiums, unemployment insurance premiums, occupational injuries premiums, maternity premiums and housing provident funds for the Company's R&D personnel, as well as labor costs for external R&D personnel.

(2) Direct input costs

Direct input costs refer to relevant expenses actually incurred by the Company for R&D activities, which include: 1) materials, fuel and power costs directly consumed by R&D activities; 2) development and manufacturing costs of molds and craft equipment used for intermediate tests and trial production, acquisition costs of samples, prototypes and general testing methods that do not constitute fixed assets, and inspection costs of trial production; and 3) operation and maintenance, adjustment, inspection, testing and repairing costs of instruments and equipment used for R&D activities.

(3) Depreciation and long-term prepayments

Depreciation refers to the depreciation of instruments, equipment and in-use buildings used for R&D activities.

For instruments, equipment and in-use buildings both used for R&D activities and non-R&D activities, necessary records shall be kept on their usage, and depreciation actually incurred is allocated between R&D expenses and production and operating expenses in a reasonable manner based on the actual working hours, the usable area, etc.

Long-term prepayments refer to those incurred during renovation, modification, decoration and repairing of R&D facilities, which are collected based on actual amount and amortized evenly over a specified period.

(4) Amortization of intangible assets

Amortization of intangible assets refer to the amortization of software, intellectual property, and non-patented technology (proprietary technology, licenses, design and calculation methods, etc.) used for R&D activities.

(5) Other expenses

Other expenses refer to expenses other than those mentioned above that are directly related to R&D activities, including business travelling fees, communication fees, etc.

4. 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.

(XVIII) Impairment of part of long-term assets

For long-term assets such as long-term equity investments, fixed assets, construction in progress, right-of-use assets, 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.

(XIX) Long-term prepayments

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.

(XX) Employee benefits

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

2. Short-term employee benefits

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.

3. Post-employment benefits

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.

4. Termination benefits

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.

5. Other long-term employee benefits

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.

(XXI) Share-based payment

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 counterparty completes a specified period of service or fulfills certain performance conditions, 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 or fulfills certain performance conditions, 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.

(XXII) Revenue

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 sales and transformation business of equipment and related accessories are performance obligations satisfied at a point in time. For equipment and relevant accessories that need to be commissioned and accepted, revenue is recognized when all the goods agreed in the contract are delivered to the customer according to the time, delivery method and delivery address as agreed, the delivered goods are installed, commissioned and verified for acceptance by customers, and the Company obtains the client acceptance receipts. For equipment and related accessories only need to be delivered and inspected, revenue 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.

(XXIII) Costs of obtaining a contract and costs to fulfill 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 fulfill 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.

(XXIV) Contract assets, contract liabilities

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance obligations and customers' payments. Contract assets and contract liabilities under the same contract shall offset each other and be presented on a net basis.

The Company presents an unconditional right to consideration (i.e., only the passage of time is required before the consideration is due) as a receivable, and presents a right to consideration in exchange for goods that it has transferred to a customer (which is conditional on something other than the passage of time) as a contract asset.

The Company presents an obligation to transfer goods to a customer for which the Company has received consideration (or the amount is due) from the customer as a contract liability.

(XXV) Government grants

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.

(XXVI) Deferred tax assets/Deferred tax liabilities

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 indicating 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.

5. Deferred tax assets and deferred tax liabilities shall offset each other and be presented on a net basis when the following conditions are all met: (1) the Company has the legal right to settle off current tax assets against current tax liabilities; (2) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same tax authority on either: 1) the same taxable entity; or 2) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(XXVII) Leases

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 liabilities; 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: 1) actual fixed payments; 2) amounts expected to be payable under residual value guarantees; 3) an index or a rate used to determine lease payments; 4) 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.

3. Sale and leaseback

(1) The Company as the lessee

In accordance with the "CASBE 14 – Revenues", the Company would assess and determine whether the transfer of an asset in the sale and leaseback transaction is accounted for as a sale of that asset.

If the transfer of an asset is accounted for as a sale of the asset, the Company measures the right-of-use asset arising from the leaseback at the proportion of the original carrying amount of the asset that relates to the right of use retained by the Company. Accordingly, the Company recognizes only the amount of any gain or loss that relates to the rights transferred to the lessor.

Otherwise, the Company continues the recognition of the transferred assets, and recognizes a financial liability equal to the amount of transfer income in accordance with the "CASBE 22 – Financial Instruments: Recognition and Measurement" at the same time.

(2) The Company as the lessor

In accordance with the "CASBE 14 – Revenues", the Company would assess and determine whether the transfer of an asset in the sale and leaseback transaction is accounted for as a sale of that asset.

If the transfer of an asset is accounted for as a sale of the asset, the Company accounts for the purchase of assets in accordance with other applicable standards, and accounts for the lease of assets in accordance with the "CASBE 21 – Leases".

Otherwise, the Company does not recognize the transferred asset, but recognizes a financial asset equal to the amount of transfer income in accordance with the "CASBE 22 – Financial Instruments: Recognition and Measurement".

(XXVIII) Work safety fund

The Company appropriates work safety fund in accordance with the "Circular on Management Measures on the Appropriation and Use of Work Safety Fund" (Cai Zi [2022] No. 136) issued by the Ministry of Finance and the Ministry of Emergency Management. Standard work safety fund is included in the cost or profit or loss, meanwhile accounted for under "special reserve". When work safety fund is used as an expense, it is to offset special reserve directly. When work safety fund is qualified to be included in the cost of fixed assets, it is accounted for under "construction in progress" and transferred to fixed assets when related safety projects reach the designed useful conditions; meanwhile, the cost included in fixed assets is to offset "special reserve", and accumulated depreciation shall be recognized at the same amount. Such fixed assets shall not be depreciated in future periods.

(XXIX) Segment reporting

Operating segments are determined based on the structure of the Company's internal organization, management requirements and internal reporting system. An operating segment is a component of the Company:

1. that engages in business activities from which it may earn revenues and incur expenses;

2. whose financial performance is regularly reviewed by the Management to make decisions about resource to be allocated to the segment and to assess its performance; and

3. for which accounting information regarding financial position, financial performance and cash flows is available through analysis.

(XXX) Changes in accounting policies arising from changes in CASBEs

The Company has adopted the regulations about accounting for deferred tax related to assets and liabilities arising from a single transaction to which the initial recognition exemption does not apply in the "Interpretation of China Accounting Standards for Business Enterprises No. 16" issued by the Ministry of Finance since January 1, 2023. Such change in accounting policies has no impact on the Company's financial statements.

IV. Taxes

(I) 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 rendering of services in accordance with the tax law, net of the input tax that is allowed to be deducted in the current period	13%, 9%, 6%; export goods enjoy the policy of “exemption, credit and refund”, and the tax refund rate is 13%
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%
Urban maintenance and construction tax	Turnover tax actually paid	7%
Education surcharge	Turnover tax actually paid	3%
Local education surcharge	Turnover tax actually paid	2%
Enterprise income tax	Taxable income	[Note 1]

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

Taxpayers	Income tax rate
The Company	15%
CHR Japan Co., Ltd., Japan New Energy Equipment Co., Ltd.	[Note 2]
Hangke Electronics Co., Ltd., HK Power Co., Ltd.	[Note 3]
Hangke E-commerce (Hong Kong) Co., Ltd.	8.25%, 16.50%
Honreck Equipment Technology Support Company Sdn. Bhd.	24%
Honreck Electronics Trading Sp. z o.o.	19%
Hangke Technology Inc.	[Note 4]
Hangke Technology Germany GmbH	15.825%
Hangke Technology Hungary Kft	9.00%
HK Technology, Inc.	[Note 5]

Note 2: 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%. CHR Japan Co., Ltd. and Japan New Energy Equipment Co., Ltd. suffered losses in the current period.

Note 3: 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. and HK Power Co., Ltd. suffered losses in the current period.

Note 4: The federal income tax rate is 21% and the California income tax rate is 8.84%.

Note 5: The federal income tax rate is 21% and the Georgia income tax rate is 5.75%.

(II) Tax preferential policies

1. Pursuant 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 (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%.

V. Notes to items of consolidated financial statements

(I) Notes to items of the consolidated balance sheet

1. Cash and bank balances

Items	Closing balance	Opening balance
Cash on hand	86,185.18	521,994.63
Cash in bank	2,969,651,114.24	2,036,446,354.70
Other cash and bank balances	293,412,004.65	168,011,760.44
Total	3,263,149,304.07	2,204,980,109.77
Including: Deposited overseas	605,379,573.29	212,671,971.26

2. Held-for-trading financial assets

Items	Closing balance	Opening balance
Financial assets classified as at fair value through profit or loss	5,925,509.48	8,470,694.76
Including: Equity instrument investments	5,925,509.48	8,470,694.76
Total	5,925,509.48	8,470,694.76

3. Notes receivable

(1) Details

Items	Closing balance	Opening balance
Bank acceptance	90,155,576.33	58,049,060.67
Total	90,155,576.33	58,049,060.67

(2) Provision for bad debts

1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision for bad debts made on a collective basis	90,155,576.33	100.00			90,155,576.33
Including: Bank acceptance	90,155,576.33	100.00			90,155,576.33
Total	90,155,576.33	100.00			90,155,576.33

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision for bad debts made on a collective basis	58,049,060.67	100.00			58,049,060.67
Including: Bank acceptance	58,049,060.67	100.00			58,049,060.67
Total	58,049,060.67	100.00			58,049,060.67

2) Notes receivable with provision for bad debts made on a collective basis

Items	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Bank acceptance portfolio	90,155,576.33		
Subtotal	90,155,576.33		

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

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	24,218,583.40	49,438,493.19
Subtotal	24,218,583.40	49,438,493.19

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.

4. Accounts receivable

(1) Ages

Ages	Closing book balance	Opening book balance
Within 1 year	1,001,227,757.49	1,455,151,487.70
1-2 years	1,015,547,518.83	317,522,055.35
2-3 years	202,298,540.92	29,824,662.23
Over 3 years	88,085,581.63	58,291,216.72
Total	2,307,159,398.87	1,860,789,422.00

(2) Provision for bad debts

1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	143,218,910.67	6.21	135,431,910.67	94.56	7,787,000.00
Receivables with provision made on a collective basis	2,163,940,488.20	93.79	268,931,141.08	12.43	1,895,009,347.12
Total	2,307,159,398.87	100.00	404,363,051.75	17.53	1,902,796,347.12

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	36,726,495.73	1.97	36,726,495.73	100.00	
Receivables 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
Total	1,860,789,422.00	100.00	187,624,498.08	10.08	1,673,164,923.92

2) Accounts receivable with provision made on an individual basis

Debtors	Opening balance		Closing balance			
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision proportion (%)	Basis for provision made
Jiangxi Weile Battery Co., Ltd.			12,590,000.00	9,442,500.00	75.00	It is less likely to recover due to the debtor's inadequacy of cash flows.
Wanxiang A123 Systems Co., Ltd.			15,465,000.00	10,825,500.00	70.00	It is estimated to be not fully recoverable.
JEVE Power Industry Jiaxing Co., Ltd.			955,000.00	955,000.00	100.00	It is less likely to recover due to the debtor's inadequacy of cash flows.
JEVE New Energy Technology (Huzhou) Co., Ltd.			2,792,000.00	2,792,000.00	100.00	It is less likely to recover due to the debtor's inadequacy of cash flows.
Tianjin JEVE Power Industry Co., Ltd.			24,618,860.54	24,618,860.54	100.00	It is less likely to recover due to the debtor's inadequacy of cash flows.
JEVE Power Industry Jiangsu Co., Ltd.			16,596,554.40	16,596,554.40	100.00	It is less likely to recover due to the debtor's inadequacy of cash flows.
Jiangsu Weifeng Power Industry Co., Ltd.			33,475,000.00	33,475,000.00	100.00	It is less likely to recover due to the debtor's inadequacy of cash flows.
Hubei Xingquan Machinery Equipment Co., Ltd.	36,726,495.73	36,726,495.73	36,726,495.73	36,726,495.73	100.00	It is less likely to recover due to the debtor's inadequacy of cash flows.
Subtotal	36,726,495.73	36,726,495.73	143,218,910.67	135,431,910.67	94.56	

3) Accounts receivable with provision made on a collective basis using age analysis method

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	987,648,937.49	49,382,446.86	5.00
1-2 years	980,532,869.26	147,079,930.39	15.00
2-3 years	176,128,453.74	52,838,536.12	30.00
Over 3 years	19,630,227.71	19,630,227.71	100.00
Subtotal	2,163,940,488.20	268,931,141.08	12.43

(3) Changes in provision for bad debts

Items	Opening balance	Increase/Decrease				Closing balance
		Accrual	Recovery or reversal	Write-off	Others	
Receivables with provision for impairment made on an individual basis	36,726,495.73	101,145,384.94		2,439,970.00		135,431,910.67
Receivables with provision for impairment made on a collective basis	150,898,002.35	118,033,138.73				268,931,141.08
Total	187,624,498.08	219,178,523.67		2,439,970.00		404,363,051.75

(4) Accounts receivable actually written off in the current period

1) Accounts receivable written off

Items	Amount written off
Accounts receivable actually written off	2,439,970.00

2) Significant accounts receivable written off in the current period

Debtors	Nature of receivables	Amount written off	Reasons for write-off	Write-off procedures performed	Whether arising from related party transactions
Apex (Wuxi) Co., Ltd.	Payments for goods	2,000,000.00	Irrecoverable as the supplementary agreement has been signed.	Approval of the Management	No
Sichuan Wankaifeng Rare Earth New Energy Technology Co., Ltd.	Payments for goods	368,500.00	Irrecoverable as the supplementary agreement has been signed.	Approval of the Management	No
Faluosi (Suzhou) Energy Technology Co., Ltd.	Payments for goods	71,470.00	Irrecoverable as the supplementary agreement has been signed.	Approval of the Management	No
Total		2,439,970.00			

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

Debtors	Closing book balance			Proportion to the total balance of accounts receivable and contract assets (including contract assets presented under other non-current assets) (%)	Provision for bad debts of accounts receivable and provision for impairment of contract assets
	Accounts receivable	Contract assets (including contracts assets presented under other non-current assets)	Subtotal		
No. 1	653,613,747.29	107,117,601.00	760,731,348.29	27.71	64,571,339.67
No. 2	539,291,867.96	18,055,000.00	557,346,867.96	20.30	82,152,431.16
No. 3	134,179,575.20	25,835,998.40	160,015,573.60	5.83	13,793,267.08
No. 4	107,939,998.40	15,780,000.00	123,719,998.40	4.51	12,245,999.76
No. 5	108,878,000.00	12,679,000.00	121,557,000.00	4.43	16,471,100.00
Subtotal	1,543,903,188.85	179,467,599.40	1,723,370,788.25	62.78	189,234,137.67

5. Receivables financing

(1) Details

Items	Closing balance	Opening balance
Bank acceptance	18,205,751.49	17,904,210.81
Total	18,205,751.49	17,904,210.81

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

Items	Closing balance derecognized
Bank acceptance	239,577,584.78
Subtotal	239,577,584.78

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.

6. Advances paid

(1) Age analysis

Ages	Closing balance				Opening balance			
	Book balance	% to total	Provision for impairment	Carrying amount	Book balance	% to total	Provision for impairment	Carrying amount
Within 1 year	35,503,770.40	82.87		35,503,770.40	12,673,297.22	70.10		12,673,297.22
1-2 years	4,773,270.22	11.15		4,773,270.22	3,874,682.83	21.43		3,874,682.83
2-3 years	1,815,309.52	4.23		1,815,309.52	1,075,985.52	5.95		1,075,985.52
Over 3 years	749,102.44	1.75		749,102.44	455,016.73	2.52		455,016.73
Total	42,841,452.58	100.00		42,841,452.58	18,078,982.30	100.00		18,078,982.30

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

Debtors	Book balance	Proportion to the total balance of advances paid (%)
No. 1	13,148,228.00	30.70
No. 2	3,630,000.00	8.47
No. 3	3,600,000.00	8.40
No. 4	3,012,780.00	7.03
No. 5	2,361,600.00	5.51
Subtotal	25,752,608.00	60.11

7. Other receivables

(1) Other receivables categorized by nature

Nature of receivables	Closing book balance	Opening book balance
Security deposits	41,052,652.37	16,798,375.10
Petty cash	5,195,171.77	5,318,575.33
Others	5,334,763.83	6,443,408.71
Total	51,582,587.97	28,560,359.14

(2) Age analysis

Ages	Closing book balance	Opening book balance
Within 1 year	34,921,335.65	12,308,372.13
1-2 years	3,458,720.60	8,651,898.38
2-3 years	6,670,553.64	2,435,639.64
Over 3 years	6,531,978.08	5,164,448.99
Total	51,582,587.97	28,560,359.14

(3) Provision for bad debts

1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	4,330,000.00	8.39	4,330,000.00	100.00	
Receivables with provision made on a collective basis	47,252,587.97	91.61	6,468,019.04	13.69	40,784,568.93
Total	51,582,587.97	100.00	10,798,019.04	20.93	40,784,568.93

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	4,330,000.00	15.16	4,330,000.00	100.00	
Receivables with provision made on a collective basis	24,230,359.14	84.84	3,478,344.24	14.36	20,752,014.90
Total	28,560,359.14	100.00	7,808,344.24	27.34	20,752,014.90

2) Significant other receivables with provision made on an individual basis

Debtors	Opening balance		Closing balance			
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision proportion (%)	Basis for provision made
Zhejiang Zhixin Holding Group Co., Ltd.	2,280,000.00	2,280,000.00	2,280,000.00	2,280,000.00	100.00	The collection of the balance is difficult as the debtor has stopped production, and has been unable to operate normally.
Zhejiang Aoyou Power System Co., Ltd.	2,050,000.00	2,050,000.00	2,050,000.00	2,050,000.00	100.00	The collection of the balance is difficult as the debtor has stopped production, and has been unable to operate normally.
Subtotal	4,330,000.00	4,330,000.00	4,330,000.00	4,330,000.00	100.00	

3) Other receivables with provision made on a collective basis

Portfolios	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio grouped with deposits	36,722,652.37	5,312,240.91	14.47
Portfolio grouped with petty cash	5,195,171.77	432,640.17	8.33
Other portfolios	5,334,763.83	723,137.96	13.56
Subtotal	47,252,587.97	6,468,019.04	13.69

(4) Changes in provision for bad debts

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	615,418.59	1,297,784.76	5,895,140.89	7,808,344.24
Opening balance in the current period	——	——	——	
--Transferred to stage 2	-172,936.03	172,936.03		
--Transferred to stage 3		-1,000,583.05	1,000,583.05	
--Reversed to stage 2				
--Reversed to stage 1				
Provision made in the current period	1,303,584.22	48,670.35	1,637,420.23	2,989,674.80
Provision recovered or reversed in the current period				
Provision written off in the current period				
Other changes				
Closing balance	1,746,066.78	518,808.09	8,533,144.17	10,798,019.04
Provision proportion (%)	5.00	15.00	64.63	20.93

Division basis for three stages: receivables with age within 1 year are in stage 1; receivables with age of 1 to 2 years are in stage 2; and receivables with age over 2 years and receivables with provision made on an individual basis are in stage 3.

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

Debtors	Nature of receivables	Closing book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
Tianshi Logistics Co., Ltd.	Deposits	21,248,100.00	Within 1 year	41.19	1,062,405.00
Pacific Global Logistics Inc.	Deposits	2,871,920.00	1-2 years	5.57	430,788.00
Fujiang Energy Technology Co., Ltd.	Deposits	2,384,920.00	Within 1 year	4.62	119,246.00
Zhejiang Zhixin Holding Group Co., Ltd.	Deposits	2,280,000.00	Over 3 years	4.42	2,280,000.00
Zhejiang Aoyou Power System Co., Ltd.	Deposits	2,050,000.00	Over 3 years	3.97	2,050,000.00
Subtotal		30,834,940.00		59.77	5,942,439.00

8. Inventories

(1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for write-down	Carrying amount	Book balance	Provision for write-down	Carrying amount
Raw materials	294,307,561.47		294,307,561.47	325,602,393.42		325,602,393.42
Work in process	487,770,519.39	7,928,894.74	479,841,624.65	730,734,350.62	633,908.93	730,100,441.69
Goods on hand	429,660,268.83	37,652,707.90	392,007,560.93	256,862,178.61	20,139,967.93	236,722,210.68
Goods dispatched	1,654,492,559.83	48,051,256.47	1,606,441,303.36	1,119,263,334.67	42,233,338.56	1,077,029,996.11
Costs to fulfill a contract	128,878,866.95		128,878,866.95	11,222,257.40		11,222,257.40
Total	2,995,109,776.47	93,632,859.11	2,901,476,917.36	2,443,684,514.72	63,007,215.42	2,380,677,299.30

(2) Provision for inventory write-down

Items	Opening balance	Increase		Decrease		Closing balance
		Accrual	Others	Reversal or write-off	Others	
Work in process	633,908.93	7,928,894.74		633,908.93		7,928,894.74
Goods on hand	20,139,967.93	18,080,881.56		568,141.59		37,652,707.9
Goods dispatched	42,233,338.56	10,223,460.47		4,405,542.56		48,051,256.47
Total	63,007,215.42	36,233,236.77		5,607,593.08		93,632,859.11

(3) Determination basis of net realizable value and reasons for the reversal or write-off of provision for inventory write-down

Items	Determination basis of net realizable value	Reasons for write-off of provision for inventory write-down
Work in process	Estimated selling price of relevant finished goods less costs to be incurred upon completion, estimated selling expenses, and relevant taxes and surcharges	Inventories with provision for inventory write-down made in the preceding period were used/sold in the current period.
Goods on hand	Estimated selling price of inventories less estimated selling expenses and relevant taxes and surcharges	
Goods dispatched		

(4) Costs to fulfill a contract

Items	Opening balance	Increase	Amortization	Provision for impairment in the current period	Closing balance
Freight and hoisting expenses	11,222,257.40	82,800,084.41	57,621,470.32		36,400,871.49
Tariff		92,477,995.46			92,477,995.46
Subtotal	11,222,257.40	175,278,079.87	57,621,470.32		128,878,866.95

9. Contract assets

(1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Quality guarantee deposits receivable	361,068,746.75	20,037,637.34	341,031,109.41	323,871,765.42	16,193,588.27	307,678,177.15
Total	361,068,746.75	20,037,637.34	341,031,109.41	323,871,765.42	16,193,588.27	307,678,177.15

(2) Details on provision for impairment

1) Details on categories

Categories	Closing balance				
	Book balance		Provision for impairment		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	3,036,000.00	0.84	2,136,000.00	70.36	900,000.00
Receivables with provision made on a collective basis	358,032,746.75	99.16	17,901,637.34	5.00	340,131,109.41
Total	361,068,746.75	100.00	20,037,637.34	5.55	341,031,109.41

(Continued)

Categories	Opening balance				
	Book balance		Provision for impairment		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis					
Receivables with provision made on a collective basis	323,871,765.42	100.00	16,193,588.27	5.00	307,678,177.15
Total	323,871,765.42	100.00	16,193,588.27	5.00	307,678,177.15

2) Contract assets with provision for impairment made on an individual basis

Debtors	December 31, 2022		Closing balance			
	Book balance	Provision for impairment	Book balance	Provision for impairment	Provision proportion (%)	Basis for provision made
Wanxiang A123 Systems Co., Ltd.			3,000,000.00	2,100,000.00	70.00	It is estimated to be not fully recoverable.
JEVE Power Industry Jiaxing Co., Ltd.			36,000.00	36,000.00	100.00	It was made based on the collection agreement.
Subtotal			3,036,000.00	2,136,000.00	70.36	

3) Contract assets with provision for impairment made on a collective basis

Items	Closing balance		
	Book balance	Provision for impairment	Provision proportion (%)
Portfolio grouped with ages	358,032,746.75	17,901,637.34	5.00
Within 1 year	358,032,746.75	17,901,637.34	5.00
Subtotal	358,032,746.75	17,901,637.34	5.00

(3) Changes in provision for impairment

Items	Opening balance	Increase/Decrease				Closing balance
		Accrual	Recovery or reversal	Write-off	Others	
Receivables with provision for impairment made on an individual basis		2,136,000.00				2,136,000.00
Receivables with provision for impairment made on a collective basis	16,193,588.27	1,708,049.07				17,901,637.34
Total	16,193,588.27	3,844,049.07				20,037,637.34

10. Other current assets

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Prepaid VAT	5,799,666.36		5,799,666.36	17,233,890.21		17,233,890.21

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Expenses for issuing GDRs				4,598,869.56		4,598,869.56
Prepaid enterprise income tax	83,846.29		83,846.29	47,907.04		47,907.04
Input VAT to be credited	2,356,983.39		2,356,983.39	329,023.20		329,023.20
Other prepayments	2,230,139.98		2,230,139.98			
Total	10,470,636.02		10,470,636.02	22,209,690.01		22,209,690.01

11. Fixed assets

(1) Details

Items	Buildings and structures	General equipment	Special equipment	Transport facilities	Other equipment	Total
Cost						
Opening 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
Increase	352,924,734.24	16,532,565.77	16,175,509.41	3,900,383.50	16,471,543.73	406,004,736.65
1) Acquisition	48,316,046.17	16,532,565.77	8,564,800.61	3,939,780.16	756,508.77	78,109,701.48
2) Transferred in from construction in progress	301,334,524.34		7,610,708.80		15,715,034.96	324,660,268.10
3) Translation reserve	3,274,163.73			-39,396.66		3,234,767.07
Decrease		1,060,442.47	11,545,517.50	382,535.58		12,988,495.55
1) Disposal/ scrapping		1,060,442.47	11,545,517.50	382,535.58		12,988,495.55
Closing balance	1,128,237,721.53	36,165,966.67	291,722,107.13	26,928,897.25	47,260,326.29	1,530,315,018.87
Accumulated depreciation						
Opening 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
Increase	44,946,637.56	3,376,848.14	27,194,161.23	4,027,197.06	8,611,679.30	88,156,523.29
1) Accrual	44,668,172.67	3,443,448.09	27,195,907.40	3,933,821.62	8,611,679.30	87,853,029.08
2) Translation reserve	278,464.89	-66,599.95	-1,746.17	93,375.44		303,494.21
Decrease		189,775.10	4,460,453.85	248,298.70		4,898,527.65
1) Disposal/ scrapping		189,775.10	4,460,453.85	248,298.70		4,898,527.65
Closing balance	122,759,099.31	12,272,609.38	92,155,387.85	16,382,904.10	22,648,861.44	266,218,862.08
Carrying amount						
Closing balance	1,005,478,622.22	23,893,357.29	199,566,719.28	10,545,993.15	24,611,464.85	1,264,096,156.79
Opening 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) Fixed assets leased out under operating leases

Items	Closing carrying amount
Buildings and structures	19,865,815.73
Subtotal	19,865,815.73

(3) Fixed assets with certificate of titles being unsettled

Items	Carrying amount	Reasons for unsettlement
Lithium-ion battery charging and discharging equipment capacity expansion project in No. 13 Road	181,132,630.33	Not applied, even though the project had been completed in the current period.
Lithium-ion battery production equipment intelligent manufacturing expansion project in No. 12 Road	180,402,259.02	Not applied, even though the project had been completed in the current period.
Subtotal	361,534,889.35	

12. Construction in progress

(1) Details

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 equipment capacity expansion project				18,204,314.48		18,204,314.48
Korea power plant project				17,298,900.22		17,298,900.22
Total				35,503,214.70		35,503,214.70

(2) Changes in significant projects

Projects	Budgets (in ten thousand yuan)	Opening balance	Increase	Transferred to fixed assets	Other decreases	Closing balance
Li-ion battery charging and discharging equipment capacity expansion project	118,268.99	18,204,314.48	176,903,773.76	195,108,088.24		
Korea power plant project	8,910.00	17,298,900.22	66,520,646.24	83,819,546.46		
Subtotal		35,503,214.70	243,424,420.00	278,927,634.70		

(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	16.50	20.00				Self-owned funds

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
Korea power plant project	94.07	100.00				Self-owned funds
Subtotal	——	——	——	——	——	

13. Right-of-use assets

Items	Buildings and structures	Total
Cost		
Opening balance	11,386,767.46	11,386,767.46
Increase		
Decrease		
Closing balance	11,386,767.46	11,386,767.46
Accumulated depreciation		
Opening balance	5,377,084.70	5,377,084.70
Increase	3,795,589.20	3,795,589.20
1) Accrual	3,795,589.20	3,795,589.20
Decrease		
Closing balance	9,172,673.90	9,172,673.90
Carrying amount		
Closing balance	2,214,093.56	2,214,093.56
Opening balance	6,009,682.76	6,009,682.76

14. Intangible assets

Items	Land use right	Software	Total
Cost			
Opening balance	187,924,390.46	12,104,872.33	200,029,262.79
Increase		16,143,850.82	16,143,850.82
1) Acquisition		16,143,850.82	16,143,850.82
Decrease			
Closing balance	187,924,390.46	28,248,723.15	216,173,113.61
Accumulated amortization			
Opening balance	14,967,005.76	9,560,726.01	24,527,731.77
Increase	4,067,881.80	2,705,363.58	6,773,245.38
1) Accrual	4,067,881.80	2,705,363.58	6,773,245.38
Decrease			
Closing balance	19,034,887.56	12,266,089.59	31,300,977.15

Items	Land use right	Software	Total
Carrying amount			
Closing balance	168,889,502.90	15,982,633.56	184,872,136.46
Opening balance	172,957,384.70	2,544,146.32	175,501,531.02

15. Long-term prepayments

Items	Opening balance	Increase	Amortization	Other decrease	Closing balance
Decoration expenses	7,003,767.94	8,399,666.79	4,222,430.30		11,181,004.43
Total	7,003,767.94	8,399,666.79	4,222,430.30		11,181,004.43

16. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offset

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	531,936,576.69	79,981,196.25	268,311,152.81	40,246,672.91
Changes in fair value	1,948,657.48	292,298.62		
Equity incentive expenses			27,990,831.90	4,198,624.79
Deferred income	23,863,491.77	3,579,523.77	28,438,576.97	4,265,786.55
Lease liabilities	2,169,004.49	325,350.67		
Total	559,917,730.43	84,178,369.31	324,740,561.68	48,711,084.25

(2) Deferred tax liabilities before offset

Items	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Changes in fair value			596,527.80	89,479.17
Equity incentive expenses	3,046,237.49	456,935.63		
Book-tax differences in depreciation of fixed assets	35,827,319.83	5,374,097.97	80,567,683.41	12,085,152.51
Book-tax differences in depreciation of right-of-use assets	2,214,093.56	332,114.03		
Total	41,087,650.88	6,163,147.63	81,164,211.21	12,174,631.68

(3) Deferred tax assets or liabilities after offset

Items	Closing balance		Opening balance	
	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	6,163,147.63	78,015,221.68	12,174,631.68	36,536,452.57
Deferred tax liabilities	6,163,147.63		12,174,631.68	

(4) Details of unrecognized deferred tax assets

Items	Closing balance	Opening balance
Deductible temporary difference	11,128,153.09	7,933,493.20
Deductible losses	41,717,362.30	28,071,434.81
Total	52,845,515.39	36,004,928.01

(5) Maturity years of deductible losses of unrecognized deferred tax assets

Maturity years	Closing balance	Opening balance	Remarks
Year 2027		50,997.39	
Year 2028		402,315.99	
Year 2029	714,849.78	951,989.85	
Year 2030	5,614,937.89	5,614,937.89	
Year 2031	8,133,964.16	8,200,270.08	
Year 2032	12,660,193.11	12,850,923.61	
After Year 2032	14,593,417.36		
Total	41,717,362.30	28,071,434.81	

17. Other non-current assets

(1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Prepayments for long-term assets	4,212,626.81		4,212,626.81	8,620,381.89		8,620,381.89
Contract assets	77,563,250.87	14,233,162.54	63,330,088.33	32,220,000.00	1,611,000.00	30,609,000.00
Total	81,775,877.68	14,233,162.54	67,542,715.14	40,840,381.89	1,611,000.00	39,229,381.89

(2) Contract assets

1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Quality guarantee deposits receivable	77,563,250.87	14,233,162.54	63,330,088.33	32,220,000.00	1,611,000.00	30,609,000.00
Subtotal	77,563,250.87	14,233,162.54	63,330,088.33	32,220,000.00	1,611,000.00	30,609,000.00

2) Details on provision for impairment of contract assets

a. Details on categories

Categories	Closing balance				
	Book balance		Provision for impairment		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
On an individual basis	10,900,000.00	14.05	10,900,000.00	100.00	
On a collective basis	66,663,250.87	85.95	3,333,162.54	5.00	63,330,088.33
Total	77,563,250.87	100.00	14,233,162.54	18.35	63,330,088.33

(Continued)

Categories	Opening balance				
	Book balance		Provision for impairment		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
On an individual basis					
On a collective basis	32,220,000.00	100.00	1,611,000.00	5.00	30,609,000.00
Total	32,220,000.00	100.00	1,611,000.00	5.00	30,609,000.00

b. Significant contract assets with provision for impairment made on an individual basis

Debtors	Opening balance		Closing balance			
	Book balance	Provision for impairment	Book balance	Provision for impairment	Provision proportion (%)	Basis for provision made
Jiangsu Weifeng Power Industry Co., Ltd.			10,900,000.00	10,900,000.00	100.00	It is difficult to recover due to the debtor's inadequacy of cash flows.
Subtotal			10,900,000.00	10,900,000.00	100.00	

c. Contract assets with provision for impairment made on a collective basis

Items	Closing balance		
	Book balance	Provision for impairment	Provision proportion (%)
Portfolio grouped with ages	66,663,250.87	3,333,162.54	5.00
Subtotal	66,663,250.87	3,333,162.54	5.00

3) Changes in provision for impairment

Items	Opening balance	Increase/Decrease				Closing balance
		Accrual	Recovery or reversal	Write-off	Others	
Receivables with provision made on an individual basis		10,900,000.00				10,900,000.00
Receivables with provision made on a collective basis	1,611,000.00	1,722,162.54				3,333,162.54
Total	1,611,000.00	12,622,162.54				14,233,162.54

18. Assets with title or use right restrictions

(1) Details on assets with restrictions at the balance sheet date

Items	Closing book balance	Closing carrying amount	Type of restrictions	Reasons for restrictions
Cash and bank balances	397,331,426.33	397,331,426.33	Pledged	Deposits for letters of guarantee and bank acceptance, and cash in bank pledged
Total	397,331,426.33	397,331,426.33	——	——

(2) Details on assets with restrictions at the beginning of the period

Items	Opening book balance	Opening carrying amount	Type of restrictions	Reasons for restrictions
Cash and bank balances	212,516,546.90	212,516,546.90	Pledged	Deposits for letters of guarantee and bank acceptance, and cash in bank pledged
Total	212,516,546.90	212,516,546.90	——	——

19. Short-term borrowings

Items	Closing balance	Opening balance
Discounted but undue bank acceptance	14,516,000.00	
Total	14,516,000.00	

20. Notes payable

Items	Closing balance	Opening balance
Bank acceptance	985,238,870.63	1,228,210,692.70
Trade acceptance	30,323,265.62	88,693,221.04
Total	1,015,562,136.25	1,316,903,913.74

21. Accounts payable

(1) Details

Items	Closing balance	Opening balance
Payments for materials	1,487,550,264.77	1,562,950,273.91
Payments for engineering and equipment	61,845,477.39	24,656,252.20
Others	13,190,749.92	9,034,630.22
Total	1,562,586,492.08	1,596,641,156.33

(2) Significant accounts payable with age over one year

Items	Closing balance	Reasons for unsettlement
Hefei Guosheng Battery Technology Co., Ltd.	17,699,115.04	Not yet settled
Shanghai New-Tronics M&E Co., Ltd.	10,503,133.87	Not yet settled
Subtotal	28,202,248.91	

22. Advances received

Items	Closing balance	Opening balance
Housing rents	560,000.00	560,000.00
Total	560,000.00	560,000.00

23. Contract liabilities

(1) Details

Items	Closing balance	Opening balance
Payments for goods	2,239,109,626.13	1,501,881,384.48
Total	2,239,109,626.13	1,501,881,384.48

(2) Significant contract liabilities with age over one year

Items	Closing balance	Reasons for unsettlement
TTI Parters SPC-MPV SPC-O Maples Corporate Services Limited	105,581,509.50	Not yet accepted
SVOLT (Ma’anshan) Co., Ltd.	67,725,600.00	Not yet accepted
SVOLT (Huzhou) Co., Ltd.	53,250,720.00	Not yet accepted
Tianneng New Energy (Huzhou) Co., Ltd.	52,260,000.00	Not yet accepted

Items	Closing balance	Reasons for unsettlement
SVOLT (Yancheng) Co., Ltd.	43,970,460.00	Not yet accepted
Subtotal	322,788,289.50	

24. Employee benefits payable

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	25,250,952.24	547,077,852.04	537,974,853.30	34,353,950.98
Post-employment benefits - defined contribution plan		34,456,162.02	34,456,162.02	
Total	25,250,952.24	581,534,014.06	572,431,015.32	34,353,950.98

(2) Details of short-term employee benefits

Items	Opening balance	Increase	Decrease	Closing balance
Wage, bonus, allowance and subsidy	25,250,952.24	496,402,801.37	487,306,121.21	34,347,632.40
Employee welfare fund		2,653,469.39	2,653,469.39	
Social insurance premium		25,575,111.41	25,568,792.83	6,318.58
Including: Medicare premium		23,864,184.74	23,857,866.16	6,318.58
Occupational injuries premium		1,710,926.67	1,710,926.67	
Housing provident fund		15,679,973.78	15,679,973.78	
Trade union fund and employee education fund		6,766,496.09	6,766,496.09	
Subtotal	25,250,952.24	547,077,852.04	537,974,853.30	34,353,950.98

(3) Details of defined contribution plan

Items	Opening balance	Increase	Decrease	Closing balance
Basic endowment insurance premium		33,268,018.50	33,268,018.50	
Unemployment insurance premium		1,188,143.52	1,188,143.52	
Subtotal		34,456,162.02	34,456,162.02	

25. Taxes and rates payable

Items	Closing balance	Opening balance
Enterprise income tax	75,189,390.31	8,731,076.49
Housing property tax	7,392,022.70	4,356,128.08
Stamp duty	1,779,737.23	
Urban maintenance and construction tax	957,920.52	698,770.71
Individual income tax withheld for tax authorities	478,550.42	55,984.75
Education surcharge	410,537.36	299,473.16

Items	Closing balance	Opening balance
VAT	302,078.31	
Local education surcharge	273,691.58	199,648.77
Land use tax	512.00	
Total	86,784,440.43	14,341,081.96

26. Other payables

Items	Closing balance	Opening balance
Security deposits	687,937.19	1,141,512.19
Expenses payable	2,503,407.60	1,255,644.85
Temporary receipts payable	941,634.74	605,766.38
Temporary receipts refundable	2,967,786.09	
Taxation overdue fines payable	1,368,787.27	
Total	8,469,552.89	3,002,923.42

27. Non-current liabilities due within one year

Items	Closing balance	Opening balance
Lease liabilities due within one year	2,028,014.09	3,840,678.51
Total	2,028,014.09	3,840,678.51

28. Other current liabilities

Items	Closing balance	Opening balance
Output VAT to be recognized	66,695,840.81	84,744,908.78
Endorsed but undue notes receivable (not derecognized)	34,922,493.19	26,970,439.07
Accrued expenses	16,242,012.15	13,944,922.15
Total	117,860,346.15	125,660,270.00

29. Lease liabilities

Items	Closing balance	Opening balance
Unpaid lease payments	2,142,857.14	6,428,571.44
Less: Unrecognized financing expenses	114,843.05	559,879.14
Reclassified to non-current liabilities due within one year	2,028,014.09	3,840,678.51
Total		2,028,013.79

30. Deferred income

Items	Opening balance	Increase	Decrease	Closing balance	Reasons for balance
Government grants	28,438,576.97		4,575,085.20	23,863,491.77	Government grants related to assets are amortized within useful life of assets.
Total	28,438,576.97		4,575,085.20	23,863,491.77	

31. Share capital

(1) Details

Items	Opening balance	Movements					Closing balance
		Issue of new shares	Bonus shares	Conversion of reserve to shares	Others	Subtotal	
Total shares	405,133,000.00	26,061,394.00		172,477,758.00		198,539,152.00	603,672,152.00

(2) Other remarks

1) Pursuant to resolutions of the 10th meeting of the third session of the Board of Directors and the fourth extraordinary shareholders' meeting of 2022, under the documents of approval numbered ZA11-000000005W1O7 issued by Prospectus Office of the SIX Exchange Regulation AG and the "Reply on Approval for the Initial Public Offering of Global Depositary Receipts and Listing on the SIX Swiss Exchange AG of Zhejiang Hangke Technology Incorporated Company" numbered Zheng Jian Xu Ke [2022] 3149 issued by the China Securities Regulatory Commission, the Company actually issued 12,625,697 GDRs to qualified investors, corresponding to 25,251,394 underlying A shares, with total raised funds of USD 172,845,791.93 (equivalent to 1,188,470,380.73 yuan), and the net raised funds were 1,159,379,050.09 yuan after deducting issuance expenses of 29,091,330.64 yuan, with 25,251,394.00 yuan included in share capital and 1,134,127,656.09 yuan included in capital reserve (share premium). Such capital increase had been verified by Pan-China Certified Public Accountants LLP, and a Capital Verification Report numbered PCCPACVR [2023] 75 was issued thereon.

2) Pursuant to the resolutions of the 20th meeting of the second session and the 13th meeting of the third session of the Board of Directors and the second extraordinary shareholders' meeting of 2021, the Company granted 810,000 class-II restricted RMB ordinary shares (A shares) to employees, with a par value of 1 yuan per share and grant price of 27.77 yuan per share. The total subscription amount was 22,493,700.00 yuan, of which, 810,000.00 yuan was included into share capital and 21,683,700.00 yuan was included in capital reserve (share premium). Such capital increase had been verified by Pan-China Certified Public Accountants LLP, and a Capital Verification Report numbered PCCPACVR [2023] 90 was issued thereon.

3) Pursuant to the resolution of shareholders' meeting of 2022, based on the total share capital of

431,194,394 shares, the Company distributed cash dividend of 0.35 yuan (tax inclusive) per share and increased shares by converting capital reserve in the proportion of 0.4 shares per share to all shareholders, with cash dividend totaling 150,918,037.90 yuan distributed and 172,477,758 shares increased. As a result, share capital was increased by 172,477,758.00 yuan. Such capital increase had been verified by Pan-China Certified Public Accountants LLP, and a Capital Verification Report numbered PCCPACVR [2023] 770 was issued thereon.

32. Capital reserve

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Share premium	1,291,603,017.41	1,232,661,617.30	181,277,735.18	2,342,986,899.53
Other capital reserve	110,134,807.74	10,986,113.76	104,277,827.76	16,843,093.74
Total	1,401,737,825.15	1,243,647,731.06	285,555,562.94	2,359,829,993.27

(2) Other remarks

1) Remarks on changes in share premium

a. Capital reserve (share premium) was increased by 1,134,127,656.09 yuan. Please refer to section V (I) 31 (2) 1) of notes to the financial statements for details.

b. Capital reserve (share premium) was increased by 21,683,700.00 yuan. Please refer to section V (I) 31 (2) 2) of notes to the financial statements for details.

c. In the first exercise of the Company’s 2021 equity incentive plan in the current period, equity incentive expenses of 76,850,261.21 yuan formerly recognized as other capital reserve were adjusted to share premium, and income tax impact of -8,799,977.18 yuan for the portion of tax-deductible amount less than the costs recognized in accordance with the CASBEs was included into share premium.

d. Capital reserve (share premium) was decreased by 172,477,758.00 yuan. Please refer to section V (I) 31 (2) 3) of notes to the financial statements for details.

2) Remarks on changes in other capital reserve

a. The Company implemented equity-settled share-based payment, and recognized expenses related to share-based payments of -27,427,566.55 yuan in the current period.

b. Current increase of 10,986,113.76 yuan refers to the income tax impact for the excess of tax-deductible amount over the costs recognized in accordance with the CASBEs in the current period.

c. Other capital reserve was decreased by 76,850,261.21 yuan in the current period. Please refer to section V (I) 32 (2) 1) c of notes to the financial statements for details.

33. Other comprehensive income (OCI)

Items	Opening balance	Current period cumulative						Closing balance
		Net OCI after tax					Less: OCI previously recognized but transferred to retained earnings in the current period (attributable to parent company after tax)	
		Current period cumulative before income tax	Less: OCI previously recognized but transferred to profit or loss in the current period	Less: Income tax expenses	Attributable to parent company	Attributable to non-controlling shareholders		
Items to be reclassified subsequently to profit or loss	2,419,348.00	4,808,632.88			4,808,632.88			7,227,980.88
Including: Translation reserve	2,419,348.00	4,808,632.88			4,808,632.88			7,227,980.88
Total	2,419,348.00	4,808,632.88			4,808,632.88			7,227,980.88

34. Special reserve

Items	Opening balance	Increase	Decrease	Closing balance
Work safety fund		6,064,165.11	5,856,518.02	207,647.09
Total		6,064,165.11	5,856,518.02	207,647.09

35. Surplus reserve

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	191,755,852.88	79,435,770.60		271,191,623.48
Total	191,755,852.88	79,435,770.60		271,191,623.48

(2) Other remarks

Current increase was due to the appropriation of statutory surplus reserve of 79,435,770.60 yuan at 10% of the net profit generated by the parent company in the current period.

36. Undistributed profit

Items	Current period cumulative	Preceding period comparative
Opening balance	1,346,492,128.33	995,119,114.67
Add: Net profit attributable to owners of the parent company	809,090,505.69	490,594,411.85
Less: Appropriation of statutory surplus reserve	79,435,770.60	46,509,209.88
Dividend payable on ordinary shares [Note]	199,211,810.06	92,712,188.31
Closing balance	1,876,935,053.36	1,346,492,128.33

Note: Pursuant to the resolution of the shareholders' meeting of 2022 dated May 24, 2023, the Company distributed cash dividend for 2022 of 0.35 yuan per share based on the total share capital of 431,194,394 shares, with cash dividend totaling 150,918,037.90 yuan distributed.

Pursuant to the resolution of the second extraordinary shareholders' meeting of 2023 dated November 11, 2023, the Company distributed cash dividend for the first three quarters of 2023 of 0.08 yuan per share based on the total share capital of 603,672,152 shares, with cash dividend totaling 48,293,772.16 yuan distributed. In the aggregate, cash dividend of 199,211,810.06 yuan was distributed.

(II) Notes to items of the consolidated income statement

1. Operating revenue/Operating cost

(1) Details

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	3,891,013,361.75	2,455,135,066.12	3,417,018,838.97	2,317,442,211.96
Other operations	40,705,669.72	698,874.13	37,114,249.46	188,886.80
Total	3,931,719,031.47	2,455,833,940.25	3,454,133,088.43	2,317,631,098.76
Including: Revenue from contracts with customers	3,928,241,961.22	2,455,642,934.29	3,453,279,183.23	2,317,444,124.13

(2) Breakdown of revenue

1) Breakdown of revenue from contracts with customers by goods or services

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Charging and discharging equipment	3,194,136,336.96	2,004,049,766.13	3,033,267,120.36	2,104,516,717.77
Other equipment	664,382,466.55	436,837,571.05	356,467,748.94	203,610,761.15
Accessories	32,494,558.24	14,247,728.94	27,283,969.67	9,314,733.04
Others	37,228,599.47	507,868.17	36,260,344.26	1,912.17
Subtotal	3,928,241,961.22	2,455,642,934.29	3,453,279,183.23	2,317,444,124.13

2) Breakdown of revenue from contracts with customers by operating regions

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Domestic	3,159,999,748.05	2,075,370,647.73	3,214,101,409.70	2,173,889,797.50
Overseas	768,242,213.17	380,272,286.56	239,177,773.53	143,554,326.63
Subtotal	3,928,241,961.22	2,455,642,934.29	3,453,279,183.23	2,317,444,124.13

3) Breakdown of revenue from contracts with customers by time of transferring goods or rendering services

Items	Current period cumulative	Preceding period comparative
Recognized at a point in time	3,928,241,961.22	3,453,279,183.23
Subtotal	3,928,241,961.22	3,453,279,183.23

(3) Contract liabilities with opening balance of 887,488,383.36 yuan were carried over to revenue in the current period.

2. Taxes and surcharges

Items	Current period cumulative	Preceding period comparative
Urban maintenance and construction tax	12,882,074.99	5,168,999.68
Housing property tax	10,343,197.45	4,999,444.64
Education surcharge	5,520,889.28	2,215,285.58
Stamp duty	4,197,748.54	1,085,965.12
Local education surcharge	3,680,592.88	1,476,857.05
Vehicle and vessel use tax	20,074.95	30,712.62
Land use tax	512.00	-561,335.00
Others		11,587.00
Total	36,645,090.09	14,427,516.69

3. Selling expenses

Items	Current period cumulative	Preceding period comparative
Employee benefits	51,568,800.63	46,691,743.60
After-sales service expenses	27,725,211.59	21,493,836.80
Business travelling expenses	13,864,328.00	10,561,591.58
Housing rents and utilities	8,163,475.06	5,102,998.50
Business entertainment expenses	5,471,551.99	5,232,136.00
Advertising and exhibition expenses	828,357.96	563,570.43
Office expenses	475,824.34	984,106.71
Others	6,474,855.48	701,400.10
Total	114,572,405.05	91,331,383.72

4. Administrative expenses

Items	Current period cumulative	Preceding period comparative
Employee benefits	87,939,418.32	82,854,553.00
Depreciation and amortization	34,301,669.03	25,013,625.85
Business travelling expenses	21,378,426.03	15,545,638.40
Office expenses	13,791,203.08	24,460,386.29
Agency expenses	12,770,043.65	14,523,197.30
Housing rents and utilities	6,870,441.23	4,095,661.75
Employment security funds for the disabled	5,621,704.03	3,645,200.73
Business entertainment expenses	4,676,823.26	3,683,526.75
Transportation and car costs	927,880.45	590,983.28
Share-based payments	-27,427,566.55	126,902,448.62
Others	8,313,998.46	5,356,423.65
Total	169,164,040.99	306,671,645.62

5. R&D expenses

Items	Current period cumulative	Preceding period comparative
Employee benefits	161,662,964.88	131,289,358.26
Materials and testing expenses	55,133,629.78	54,945,137.92
Business travelling expenses	20,742,031.93	16,899,481.04
Others	6,024,931.88	4,169,603.72
Total	243,563,558.47	207,303,580.94

6. Financial expenses

Items	Current period cumulative	Preceding period comparative
Interest income	-92,479,510.29	-22,082,313.61
Operating interest subvention	137,689.72	
Losses on foreign exchange	-70,434,610.77	-65,733,512.42
Handling fees	4,143,410.24	1,599,205.63
Unrecognized financing expenses	445,036.05	670,804.78
Total	-158,187,985.05	-85,545,815.62

7. Other income

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Government grants related to assets	4,575,085.20	4,084,889.12	
Government grants related to income	116,181,595.90	60,176,764.62	25,499,222.51
Refund of handling fees for withholding individual income tax	553,563.20	466,130.58	
Total	121,310,244.30	64,727,784.32	25,499,222.51

8. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from financial products	2,439,369.87	8,023,120.39
Losses on discounting of receivables financing	-2,025,381.87	-1,349,028.93
Losses on discounting of notes receivable	-131,234.45	
Losses from debt restructuring		-3,330,905.47
Investment income from options	-5,313,254.44	-1,712,400.00
Total	-5,030,500.89	1,630,785.99

9. Gains on changes in fair value

Items	Current period cumulative	Preceding period comparative
Held-for-trading financial assets	-2,545,185.28	596,527.80
Including: Gains on changes in fair value of financial assets classified as at fair value through profit or loss	-2,545,185.28	596,527.80
Total	-2,545,185.28	596,527.80

10. Credit impairment loss

Items	Current period cumulative	Preceding period comparative
Bad debts	-222,168,198.47	-78,607,822.14
Total	-222,168,198.47	-78,607,822.14

11. Assets impairment loss

Items	Current period cumulative	Preceding period comparative
Inventory write-down loss	-36,233,236.77	-35,164,912.88
Impairment loss of contract assets	-3,844,049.07	-4,689,764.32
Impairment loss of other	-12,622,162.54	327,000.80

Items	Current period cumulative	Preceding period comparative
non-current assets		
Total	-52,699,448.38	-39,527,676.40

12. Gains on asset disposal

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Gains on disposal of fixed assets	670,184.65	-344,350.15	670,184.65
Total	670,184.65	-344,350.15	670,184.65

13. Non-operating revenue

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Penalty income	1,518,043.04	2,333,437.19	1,518,043.04
Refund of GDR custody fees and handling fees	5,918,712.15		5,918,712.15
Gains on damage or retirement of non-current assets	10,000.00		10,000.00
Others	1,064.64	788,475.01	1,064.64
Total	7,447,819.83	3,121,912.20	7,447,819.83

14. Non-operating expenditures

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Penalty expenditures	3,422,878.53	9,710,333.81	3,422,878.53
External donations	280,000.00	255,000.00	280,000.00
Tax overdue fines	2,100,371.13		2,100,371.13
Others	327,919.55		327,919.55
Total	6,131,169.21	9,965,333.81	6,131,169.21

15. Income tax expenses

(1) Details

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	132,383,877.88	22,287,745.84
Deferred income tax expenses	-30,492,655.35	31,063,348.44
Total	101,891,222.53	53,351,094.28

(2) Reconciliation of accounting profit to income tax expenses

Items	Current period cumulative	Preceding period comparative
Profit before tax	910,981,728.22	543,945,506.13
Income tax expenses based on tax rate applicable to the parent company	136,647,259.21	81,591,825.92
Effect of different tax rate applicable to subsidiaries	-580,192.92	1,315,974.34
Effect of prior income tax reconciliation	3,559,532.61	55,955.74
Effect of non-taxable income	-426,165.95	
Effect of non-deductible costs, expenses and losses	1,650,063.31	823,889.29
Effect of utilization of deducible temporary differences or deductible losses not previously recognized as deferred tax assets	-308,388.82	
Effect of deducible temporary differences or deductible losses not recognized as deferred tax assets in the current period	3,583,939.13	515,500.98
Effect of extra deduction of R&D expenses	-36,187,217.55	-30,952,051.99
Effect of extra deduction on the acquisition of equipment by high-tech enterprises	-6,047,606.49	
Income tax expenses	101,891,222.53	53,351,094.28

16. Other comprehensive income, net of income tax

Please refer to section V (I) 33 of notes to the financial statements for details.

(III) Notes to items of the consolidated cash flow statement

1. Cash receipts or payments related to significant investing activities

(1) Cash receipts from withdrawal of investments

Items	Current period cumulative	Preceding period comparative
Redemption of financial products and investment income from financial products	272,439,369.87	1,543,023,120.39
Total	272,439,369.87	1,543,023,120.39

(2) Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets

Items	Current period cumulative	Preceding period comparative
Cash payment for the acquisition of fixed assets, construction in progress and other non-current assets	396,174,453.98	373,330,746.18

Items	Current period cumulative	Preceding period comparative
Cash payment for the acquisition of intangible assets	16,143,850.82	43,980,996.83
Subtotal	412,318,304.80	417,311,743.01

(3) Cash payments for investments

Items	Current period cumulative	Preceding period comparative
Purchase of financial products	270,000,000.00	1,535,000,000.00
Subtotal	270,000,000.00	1,535,000,000.00

2. Other cash receipts or payments related to operating activities, investing activities and financing activities

(1) Other cash receipts related to operating activities

Items	Current period cumulative	Preceding period comparative
Recovery of deposits for notes and letters of guarantee	167,925,760.44	135,438,885.90
Receipt of government grants	22,372,200.00	26,962,561.86
Matured time deposits pledged for notes	44,590,786.46	91,394,300.48
Bank interest income	92,938,387.27	21,454,507.15
Others	13,091,747.06	4,916,035.04
Total	340,918,881.23	280,166,290.43

(2) Other cash payments related to operating activities

Items	Current period cumulative	Preceding period comparative
Deposits for notes and letters of guarantee	293,412,004.65	167,925,760.44
Time deposits and demand deposits pledged for notes	104,368,298.66	43,877,028.40
Out of pocket expenses	173,388,310.65	137,749,218.04
Bid bond and performance bond	25,410,874.02	1,189,646.61
Others	3,828,952.63	6,463,759.77
Total	600,408,440.61	357,205,413.26

(3) Other cash receipts related to financing activities

Items	Current period cumulative	Preceding period comparative
Cash receipts from acceptance of notes	14,481,760.28	
Total	14,481,760.28	

(4) Other cash payments related to financing activities

Items	Current period cumulative	Preceding period comparative
Expenses for issuing GDRs	8,843,672.74	
Lease payments	4,500,000.00	4,500,000.00
Total	13,343,672.74	4,500,000.00

3. Supplementary information to the cash flow statement

Supplementary information	Current period cumulative	Preceding period comparative
(1) Reconciliation of net profit to cash flows from operating activities:		
Net profit	809,090,505.69	490,594,411.85
Add: Provision for assets impairment	274,867,646.85	118,135,498.54
Depreciation of fixed assets, oil and gas assets, productive biological assets	87,853,029.08	62,712,596.81
Depreciation of right-of-use assets	3,795,589.20	3,795,589.20
Amortization of intangible assets	6,773,245.38	6,247,205.82
Amortization of long-term prepayments	4,222,430.30	4,907,579.81
Losses on disposal of fixed assets, intangible assets and other long-term assets (Less: gains)	-670,184.65	344,350.15
Fixed assets retirement loss (Less: gains)	-10,000.00	
Losses on changes in fair value (Less: gains)	2,545,185.28	-596,527.80
Financial expenses (Less: gains)	-69,851,885.00	-65,062,707.64
Investment losses (Less: gains)	5,030,500.89	-1,630,785.99
Decrease of deferred tax assets (Less: increase)	-41,478,769.11	31,073,251.31
Increase of deferred tax liabilities (Less: decrease)		-9,902.87
Decrease of inventories (Less: increase)	-557,032,854.84	-993,155,668.75
Decrease of operating receivables (Less: increase)	-732,996,239.42	-787,221,846.23
Increase of operating payables (Less: decrease)	447,861,460.86	1,724,921,522.18
Others	-25,033,782.88	100,668,251.53
Net cash flows from operating activities	214,965,877.63	695,722,817.92
(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:		

Supplementary information	Current period cumulative	Preceding period comparative
Cash at the end of the period	2,865,817,877.74	1,992,463,562.87
Less: Cash at the beginning of the period	1,992,463,562.87	1,714,758,111.87
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	873,354,314.87	277,705,451.00

4. Composition of cash and cash equivalents

(1) Details

Items	Closing balance	Opening balance
1) Cash	2,865,817,877.74	1,992,463,562.87
Including: Cash on hand	86,185.18	521,994.63
Cash in bank on demand for payment	2,865,731,692.56	1,991,941,568.24
Other cash and bank balances on demand for payment		
2) Cash equivalents		
Including: Bond investments maturing within three months		
3) Cash and cash equivalents at the end of the period	2,865,817,877.74	1,992,463,562.87
Including: Cash and cash equivalents of parent company or subsidiaries with use restrictions	1,450,125,891.74	281,346,743.71

(2) Cash and cash equivalents with use restrictions

Items	Closing balance	Opening balance	Reasons for use restrictions and for considered as cash and cash equivalents
Cash in bank	850,726,594.14	68,674,772.45	Accounts with raised funds under supervision
Cash in bank	599,399,297.60	212,671,971.26	Cash of overseas operating subsidiaries subject to foreign exchange controls
Subtotal	1,450,125,891.74	281,346,743.71	

(3) Cash and bank balances not considered as cash and cash equivalents

Items	Closing balance	Opening balance	Reasons for not considered as cash and cash equivalents
Cash in bank – demand deposits	10,000.00	86,000.00	Cash in bank frozen
Cash in bank – demand deposits	97,224,408.20		Demand deposits pledged for notes
Cash in bank – Time deposits	6,685,013.48	44,504,786.46	Time deposits pledged for letters of guarantee and interest thereof
Other cash and bank balances - deposits for letters of	196,386,852.14	73,568,275.79	Deposits for letters of guarantee pledged

Items	Closing balance	Opening balance	Reasons for not considered as cash and cash equivalents
guarantee			
Other cash and bank balances - deposits for bank acceptance	97,025,152.51	94,357,484.65	Deposits for bank acceptance pledged
Subtotal	397,331,426.33	212,516,546.90	

5. Changes in liabilities related to financing activities

Items	Opening balance	Increase		Decrease		Closing balance
		Changes in cash	Changes in non-cash	Changes in cash	Changes in non-cash	
Short-term borrowings		14,481,760.28	34,239.72			14,516,000.00
Lease liabilities (including lease liabilities due within one year)	5,868,692.30			4,285,714.26	-445,036.05	2,028,014.09
Subtotal	5,868,692.30	14,481,760.28	34,239.72	4,285,714.26	-445,036.05	16,544,014.09

6. Amount of endorsed commercial acceptance not involving cash receipts and payments

Items	Current period cumulative	Preceding period comparative
Amount of endorsed commercial acceptance	201,808,311.29	271,255,132.13
Including: Payments for goods	197,804,808.98	263,225,231.49
Payments for acquisition of fixed assets and other long-term assets	4,003,502.31	8,029,900.64

(IV) Others

1. Monetary items in foreign currencies

(1) Details

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent at the end of the period
Cash and bank balances			
Subtotal			1,535,874,594.82
Including: USD	137,382,772.12	7.0827	973,040,960.09
EUR	68,762,732.91	7.8592	540,420,070.49
HKD	3,235.12	0.9062	2,931.67
HUF	362,758.15	0.0205	7,436.54
KRW	2,282,354,587.00	0.0055	12,552,950.23
JPY	189,178,162.00	0.0502	9,496,743.73
PLN	195,229.51	1.8107	353,502.07
Accounts receivable			
Subtotal			25,987,724.08
Including: USD	2,252,570.55	7.0827	15,954,281.43

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent at the end of the period
EUR	1,276,649.36	7.8592	10,033,442.65
Contract assets			
Subtotal			49,384,142.04
Including: USD	6,972,502.30	7.0827	49,384,142.04
Accounts payable			
Subtotal			85,184,723.04
Including: USD	12,009,728.03	7.0827	85,061,300.72
KRW	17,944,000.00	0.0055	98,692.00
PLN	13,657.88	1.8107	24,730.32
Other receivables			
Subtotal			21,736,700.48
Including: USD	3,010,410.00	7.0827	21,321,830.91
EUR	26,000.00	7.8592	204,339.20
KRW	19,931,390.00	0.0055	109,622.65
JPY	2,010,114.00	0.0502	100,907.72
Other payables			
Subtotal			2,986,928.40
Including: USD	2,767.75	7.0827	19,603.14
JPY	59,110,065.00	0.0502	2,967,325.26

(2) Remarks on foreign operations

Foreign operating entities	Main operating place	Functional currencies	Basis for selection of functional currencies
CHR Japan Co., Ltd.	Japan	JPY	The currency of the primary economic environment in which they operate
Hangke E-commerce (Hong Kong) Co., Ltd.	Hong Kong SAR	HKD	
Hangke Technology Germany GmbH	Germany	EUR	
HK Power Co., Ltd.	Korea	KRW	
Hangke Technology Inc.	USA	USD	
Hangke Technology Hungary Kft	Hungary	HUF	
HK Technology, Inc.	USA	USD	
Honreck Equipment Technology Support Company Sdn. Bhd.	Malaysia	MYR	
Honreck Electronics Trading Sp. z o.o.	Poland	PLN	
Japan New Energy Equipment Co., Ltd.	Japan	JPY	

Foreign operating entities	Main operating place	Functional currencies	Basis for selection of functional currencies
Hangke Electronics Co., Ltd.	Korea	KRW	

2. Leases

(1) The Company as lessee

1) Please refer to section V (I) 13 of notes to the financial statements for details on right-of-use assets.

2) Please refer to section III (XXVII) of notes to the financial statements for details on the Company's accounting policies on short-term leases and leases for which the underlying asset is of low value. The amounts of short-term leases and low-value asset leases included into profit or loss are as follows:

Items	Current period cumulative	Preceding period comparative
Expense relating to short-term leases	10,029,678.02	10,412,459.95
Expense relating to leases of low-value assets (excluding short-term leases)		
Total	10,029,678.02	10,412,459.95

3) Profit or loss and cash flows related to leases

Items	Current period cumulative	Preceding period comparative
Interest expenses on lease liabilities	445,036.05	670,804.78
Total cash outflows related to leases	12,495,157.66	15,849,581.35

4) Please refer to section IX (II) of notes to the financial statements for details on maturity analysis of lease liabilities and related liquidity risk management.

(2) The Company as lessor

1) Operating lease

a. Lease income

Items	Current period cumulative	Preceding period comparative
Lease income	3,477,070.25	853,905.20

b. Assets leased out under operating leases

Items	Closing balance	December 31, 2022
Fixed assets	19,865,815.73	1,597,084.13
Subtotal	19,865,815.73	1,597,084.13

Please refer to section V (I) 11 of notes to the financial statements for details on fixed assets leased out under operating leases.

VI. R&D costs

Items	Current period cumulative	Preceding period comparative
Employee benefits	161,662,964.88	131,289,358.26
Materials and testing expenses	55,133,629.78	54,945,137.92
Business travelling expenses	20,742,031.93	16,899,481.04
Others	6,024,931.88	4,169,603.72
Total	243,563,558.47	207,303,580.94
Including: R&D costs to be expensed	243,563,558.47	207,303,580.94
R&D costs to be capitalized		

VII. Interest in other entities

(I) Composition of the consolidation scope

1. The Company has brought 11 subsidiaries including CHR Japan Co., Ltd., Japan New Energy Equipment Co., Ltd., 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., Hangke Technology Hungary Kft and HK Technology, Inc. into the consolidation scope.

2. Basics information of subsidiaries

Subsidiaries	Registered capital	Main operating place and place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
CHR Japan Co., Ltd.	JPY 5.00 million	Japan	Business	100.00		Establishment
Japan New Energy Equipment Co., Ltd.	JPY 9.00 million	Japan	Business		100.00	Establishment
Hangke Electronics Co., Ltd.	KRW 0.10 billion	Korea	Business		100.00	Establishment
Honreck Equipment Technology Support Company Sdn. Bhd.	MYR 2	Malaysia	Business		100.00	Establishment
Hangke E-commerce (Hong Kong) Co., Ltd.	USD 5.00 million	Hong Kong SAR	Business	100.00		Establishment
Honreck Electronics Trading Sp. z o.o.	PLN 5,000	Poland	Business		100.00	Establishment
Hangke Technology Inc.	USD 10.00 million	USA	Business		100.00	Establishment
Hangke Technology Germany GmbH	EUR 2.50 million	Germany	Business	100.00		Establishment
HK Power Co., Ltd.	KRW 3.00 billion	Korea	Industrial		100.00	Establishment
Hangke Technology Hungary Kft	EUR 2.00 million	Hungary	Business		100.00	Establishment
HK Technology, Inc.	USD 1.00 million	USA	Business		100.00	Establishment

(II) Changes in the consolidation scope due to other reasons

Entities	Equity acquisition method	Equity acquisition date	Capital contribution	Holding proportion (%)
HK Power Co., Ltd.	Establishment	January 2023	KRW 3.00 billion	100.00
Hangke Technology Hungary Kft	Establishment	March 2023	EUR 2.00 million [Note]	100.00
HK Technology, Inc.	Establishment	March 2023	USD 1.00 million	100.00

Note: As of the balance sheet date, the Company has not paid any contribution.

VIII. Government grants

(I) Government grants increased in the current period

Items	Amount
Government grants related to income	116,181,595.90
Including: Included into other income	116,181,595.90
Total	116,181,595.90

(II) Liabilities related to government grants

Items	Opening balance	Increase	Amount included into other income	Amount included into non-operating revenue
Deferred income	28,438,576.97		4,575,085.20	
Subtotal	28,438,576.97		4,575,085.20	

(Continued)

Items	Amount offsetting costs	Amount offsetting assets	Other changes	Closing balance	Related to assets/Related to income
Deferred income				23,863,491.77	Related to assets
Subtotal				23,863,491.77	

(III) Government grants included into profit or loss

Items	Current period cumulative	Preceding period comparative
Government grants included into other income	120,756,681.10	64,261,653.74
Total	120,756,681.10	64,261,653.74

IX. Risks related to financial instruments

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 given default, and exposure to default risk. The Company develops a model of the probability of default, loss given 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 loss allowances 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 and contract assets

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, 2023, the Company has certain concentration of credit risk, and 62.78% (December 31, 2022: 62.92%) of the total accounts receivable and contract assets was due from the five largest customers of the Company. The Company held no collateral or other credit enhancement on balance of receivables and contract assets.

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
Short-term borrowing	14,516,000.00	14,516,000.00	14,516,000.00		
Notes payable	1,015,562,136.25	1,015,562,136.25	1,015,562,136.25		
Accounts payable	1,562,586,492.08	1,562,586,492.08	1,562,586,492.08		
Other payables	8,469,552.89	8,469,552.89	8,469,552.89		
Other current liabilities	51,164,505.34	51,164,505.34	51,164,505.34		
Non-current liabilities due within one year	2,028,014.09	2,142,857.14	2,142,857.14		
Lease liabilities					
Subtotal	2,654,326,700.65	2,654,441,543.70	2,654,441,543.70		

(Continued)

Items	December 31, 2022				
	Carrying amount	Contract amount not yet discounted	Within 1 year	1-3 years	Over 3 years
Short-term borrowing					
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	

(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 rates. 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) 1 of notes to the financial statements for details on foreign currency financial assets and liabilities at the balance sheet date.

X. Fair value disclosure

(I) Details of fair value of assets and liabilities at fair value at the balance sheet date

Items	Fair value as at the balance sheet date			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Recurring fair value measurement	5,925,509.48		18,205,751.49	24,131,260.97
1. Held-for-trading financial assets	5,925,509.48			5,925,509.48
2. Receivables financing			18,205,751.49	18,205,751.49
Total assets at recurring fair value measurement	5,925,509.48		18,205,751.49	24,131,260.97

(II) Basis for determining level 1 fair value at recurring and non-recurring fair value measurement

The fair value is determined based on the unadjusted quoted prices of identical assets or liabilities in the active market.

(III) Qualitative and quantitative information of valuation technique(s) and key input(s) for level 3 fair value at recurring and non-recurring fair value measurement

Receivables financing refers to bank acceptance, and its fair value is determined based on the par value.

XI. Related party relationships and transactions

(I) Related party relationships

1. Actual controllers

The natural person Cao Ji directly holds 43.51% of equity of the Company. As Hangzhou Hangke Intelligent Equipment Group Co., Ltd. (formerly known as Hangzhou Hangke Investment Co., Ltd.) holds 22.36% of equity of the Company, and Cao Ji holds 89.85% of equity of Hangzhou Hangke Intelligent Equipment Group Co., Ltd., he indirectly holds 20.09% of equity of the Company. In aggregate, Cao Ji directly and indirectly holds 63.60% of equity of the Company. As Cao Zheng, who holds 0.42% of the Company's shares, is Cao Ji's son, they are the actual controllers of the Company.

2. Please refer to section VII of notes to the financial statements for details on the Company's subsidiaries.

3. Other related parties of the Company

Related parties	Relationships with the Company
Hangzhou Tongce Communication Electronics Co., Ltd.	Under common control of the actual controllers
Zhejiang Hangke Instrument Co., Ltd.	Under common control of the actual controllers

(II) Related party transactions

1. Purchase and sale of goods, rendering and receiving of services

Purchase of goods and receiving of services

Related parties	Content of transactions	Current period cumulative	Preceding period comparative
Zhejiang Hangke Instrument Co., Ltd.	Purchase of fixed assets	4,179,116.80	

2. Related party leases

The Company as the lessee

<table>
<tr><th rowspan="3">Lessors</th><th rowspan="3">Types of assets leased</th><th colspan="4">Current period cumulative</th></tr>
<tr><th rowspan="2">Expenses for short-term leases and leases of low-value assets with simplified approach and variable lease payments not included in the measurement of lease liabilities</th><th colspan="3">Lease with right-of-use assets recognized</th></tr>
<tr><th>Lease expenses paid (excluding variable lease payments not included in the measurement of lease liabilities)</th><th>Increased principal of lease liabilities</th><th>Interest expenses recognized</th></tr>
<tr><td>Hangzhou Tongce Communication Electronics Co., Ltd.</td><td>Buildings and structures</td><td>9,423,040.36</td><td></td><td></td><td></td></tr>
</table>

(Continued)

<table>
<tr><th rowspan="3">Lessors</th><th rowspan="3">Types of assets leased</th><th colspan="4">Preceding period comparative</th></tr>
<tr><th rowspan="2">Expenses for short-term leases and leases of low-value assets with simplified approach and variable lease payments not included in the measurement of lease liabilities</th><th colspan="3">Lease with right-of-use assets recognized</th></tr>
<tr><th>Lease expenses paid (excluding variable lease payments not included in the measurement of lease liabilities)</th><th>Increased principal of lease liabilities</th><th>Interest expenses recognized</th></tr>
<tr><td>Hangzhou Tongce Communication Electronics Co., Ltd.</td><td>Buildings and structures</td><td>6,118,857.44</td><td></td><td></td><td></td></tr>
</table>

3. Key management's emoluments

Items	Current period cumulative	Preceding period comparative
Key management's emoluments	4.5454 million	5.5962 million
Senior executive equity incentive	0.0713 million	0.5432 million

4. Other related party transactions

As of December 31, 2023, balance of accounts receivable transferred in due to business combinations was 8,272,023.37 yuan. As its age was over 3 years, provision for bad debts has been fully made thereon.

XII. Share-based payment

(I) Overall information

1. Details

Objects	Quantity and amount of equity instruments							
	Granted in the current period		Vested in the current period		Unlocked in the current period		Expired in the current period	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Management personnel			35,000.00	971,982.55			114,500.00	3,179,771.49
R&D personnel			369,000.00	10,247,473.17			942,000.00	26,160,216.06
Sales personnel			69,000.00	1,916,194.17			157,500.00	4,373,921.48
Production personnel			337,000.00	9,358,803.41			562,500.00	15,621,148.12
Total			810,000.00	22,494,453.30			1,776,500.00	49,335,057.15

2. Share options and other equity instruments outstanding at the balance sheet date

Objects	Share options outstanding		Other equity instruments outstanding	
	Range of exercise prices	Remaining contractual life	Range of exercise prices	Remaining contractual life
Management personnel			27.77	45 months
R&D personnel			27.77	45 months
Sales personnel			27.77	45 months
Production personnel			27.77	45 months

3. Other remarks

(1) On September 27, 2021, the second extraordinary shareholders' meeting of 2021 of the Company 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 targets, 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 targets, accounting for 0.74% of the total share capital of 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 targets exercise the authorized share 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 Targets", and determined that the grant date was November 24, 2021.

(2) On April 6, 2022, the first extraordinary shareholders' meeting of 2022 of the Company deliberated and approved the "Proposal on 2022 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 3.20 million restricted shares to 245 incentive targets, including technical and business backbone personnel. The subject shares are RMB ordinary shares of 3.20 million shares issued by the Company to the incentive targets, accounting for 0.79% of the total share capital of 403.09 million shares when the draft incentive plan was announced. The validity period of restricted shares is 60 months from the date of grant. The grant price of each restricted share is 28 yuan. The incentive targets exercise the authorized share options in four 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; 4) 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. If the unlocking conditions of restricted shares stipulated in the plan are met, one-fourth 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 April 6, 2022, the third meeting of the third session of the Board of Directors of the Company deliberated and approved the "Proposal on the Initial Grant of Restricted Shares to Incentive Targets", and determined that the grant date was April 6, 2022.

(II) Equity-settled share-based payment

1. Details

Determination method and key parameters of grant-date fair value of equity instruments	Please refer to the following other remarks 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 the current period and preceding period	The performance conditions for 2023 were expected to be met in the preceding period, but actually failed in the current period.
Capital reserve accumulated due to equity-settled share-based payment	253,742,706.22

2. Other remarks

Pursuant 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) 2021 Restricted Shares Incentive Plan

The grant-date share price, exercise price, remaining period 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: 122.46 yuan.

Exercise price: 27.77 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 the remaining 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)			

Exercise period	Number of restricted shares ('0000) [Note]	Fair value per share	Fair value ('0000)
Total	81.00		7,685.03

Note: The original granted shares totaled 3.00 million shares. 0.81 million shares in the first batch (one third) were exercised on March 13, 2023 due to resignation, unqualified assessment, failure in payment or other reasons of incentive targets. Shares in the second batch (one third) and the third batch (one third) were invalid as exercise conditions were not satisfied.

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	-3,088.89	0.00	7,685.03

Note: The performance assessment goal of the third batch (one third) of 2021 Restricted Shares Incentive Plan at the company level is that the operating revenue in 2023 shall not be less than 300% of the operating revenue in 2020 or the net profit in 2023 shall not be less than 280% of the net profit in 2020. As the growth rate of operating revenue and net profit in 2023 are not satisfied for the exercise conditions of the granted shares, the part of restricted shares inventive is invalid. Pursuant to the related provisions of "CASBE 11 – Share-based Payment", in the current period, the Company offset administrative expenses of 30.89 million yuan with employee service fees received in exchange for equity-settled share-based payment for the third batch (one third) of 2021 Restricted Shares Incentive Plan that accumulatively recognized in previous periods, with capital reserve (other capital reserve) decreased accordingly.

(2) 2022 Restricted Shares Incentive Plan

The grant-date share price, exercise price, remaining period 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: 56.02 yuan.

Exercise price: 27.77 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 the remaining 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 2022 are calculated as follows:

Exercise period	Number of restricted shares ('0000) [Note]	Fair value per share	Fair value ('0000)
The first batch (one fourth)			
The second batch (one fourth)			
The third batch (one fourth)	70.10	30.47	2,135.95
The fourth batch (one fourth)	70.10	31.19	2,186.42
Total	140.20		4,322.37

Note: The original granted shares totaled 3.20 million shares. Shares in the first batch (one fourth) and the second batch (one fourth) were invalid as exercise conditions were not satisfied. 0.701 million shares in the third batch (one fourth) and the fourth batch (one fourth) are expected to be exercised respectively due to resignation of inventive objects.

After calculation, the fair value of restricted shares in the Company's 2022 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	346.14	1,258.56	734.50	144.31	4,322.37

Note: The performance assessment goal of the second batch (one fourth) of 2022 Restricted Shares Incentive Plan at the company level is that the operating revenue in 2023 shall not be less than 300% of the operating revenue in 2020 or the net profit in 2023 shall not be less than 280% of the net profit in 2020. As the growth rate of operating revenue and net profit in 2023 are not satisfied for the exercise conditions of the granted shares, the part of restricted shares inventive is invalid.

(III) Total share-based payments recognized in the current period

Unit: in ten thousand yuan

Objects	Equity-settled share-based payment	Cash-settled share-based payment
Management personnel	-109.27	
R&D personnel	-1,206.44	
Sales personnel	-220.91	

Objects	Equity-settled share-based payment	Cash-settled share-based payment
Production personnel	-1,206.13	
Total	-2,742.75	

XIII. Commitments and contingencies

(I) Significant commitments

As of the balance sheet date, outstanding balance of the Company's letters of guarantee was 438,775,323.73 yuan.

(II) Contingencies

As of the balance sheet date, the Company has no significant contingencies to be disclosed.

XIV. Events after the balance sheet date

(I) Profit distribution after the balance sheet date

Profit or dividend planned to be distributed	
Profit or dividend approved to be distributed	Cash dividend of 3.4 yuan per 10 shares (tax inclusive) will be distributed

1. Pursuant to the resolution of the 19th meeting of the third session of the Board of Directors dated April 25, 2024, the Company's Board of Directors applied to the shareholders' meeting for its authorization on approval of the Company's private placement of shares to specific objects with total amount of financing neither exceeding 300 million yuan nor exceeding 20% of the net assets at the end of the latest year. The authorization period is from the date of approval by the shareholders' meeting of 2023 to the date of the shareholders' meeting of 2024. This proposal still needs to be submitted to the shareholders' meeting for deliberation and approval.

2. Pursuant to the resolution of the 19th meeting of the third session of the Board of Directors dated April 25, 2024, the Company plans to use the remaining over-raised IPO funds of 69.94 million yuan (balance as of December 31, 2023, including interest income, and the actual amount is subject to the remaining amount after interest income is calculated on the date the funds are transferred out) to permanently replenish working capital and for business activities related to the Company's main business.

XV. Other significant events

Segment information

The Company's main business is manufacturing and sales of special equipment, with its operating results managed and evaluated on an integral basis. Therefore, the Company is not required to disclose segment information.

Please refer to section V (II) 1 of notes to the financial statements for details on the Company's breakdown of revenue.

XVI. Notes to items of parent company financial statements

(I) Notes to items of parent company balance sheet

1. Accounts receivable

(1) Ages

Ages	Closing book balance	Opening book balance
Within 1 year	1,115,408,880.85	1,455,718,635.41
1-2 years	1,016,260,184.13	318,341,846.22
2-3 years	202,298,540.92	29,824,662.23
Over 3 years	88,085,581.63	58,291,216.72
Subtotal	2,422,053,187.53	1,862,176,360.58

(2) Provision for bad debts

1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	143,218,910.67	5.91	135,431,910.67	94.56	7,787,000.00
Receivables with provision made on a collective basis	2,278,834,276.86	94.09	274,747,097.05	12.06	2,004,087,179.81
Total	2,422,053,187.53	100.00	410,179,007.72	16.94	2,011,874,179.81

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	36,726,495.73	1.98	36,726,495.73	100.00	
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
Total	1,862,176,360.58	100.00	187,775,824.09	10.08	1,674,400,536.49

3) Accounts receivable with provision made on an individual basis

Debtors	Opening balance		Closing balance			
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision proportion (%)	Basis for provision
JEVE Power Industry Jiaxing Co., Ltd.			955,000.00	955,000.00	100.00	It is less likely to recover due to the debtor's inadequacy of cash flows.

Debtors	Opening balance		Closing balance			
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision proportion (%)	Basis for provision
Jiangxi Weile Battery Co., Ltd.			12,590,000.00	9,442,500.00	75.00	It is less likely to recover due to the debtor's inadequacy of cash flows.
Wanxiang A123 Systems Co., Ltd.			15,465,000.00	10,825,500.00	70.00	It is estimated to be not fully recoverable.
JEVE New Energy Technology (Huzhou) Co., Ltd.			2,792,000.00	2,792,000.00	100.00	It is less likely to recover due to the debtor's inadequacy of cash flows.
Tianjin JEVE Power Industry Co., Ltd.			24,618,860.54	24,618,860.54	100.00	It is less likely to recover due to the debtor's inadequacy of cash flows.
JEVE Power Industry Jiangsu Co., Ltd.			16,596,554.40	16,596,554.40	100.00	It is less likely to recover due to the debtor's inadequacy of cash flows.
Jiangsu Weifeng Power Industry Co., Ltd.			33,475,000.00	33,475,000.00	100.00	It is less likely to recover due to the debtor's inadequacy of cash flows.
Hubei Xingquan Machinery Equipment Co., Ltd.	36,726,495.73	36,726,495.73	36,726,495.73	36,726,495.73	100.00	It is less likely to recover due to the debtor's inadequacy of cash flows.
Subtotal	36,726,495.73	36,726,495.73	143,218,910.67	135,431,910.67	94.56	

3) Accounts receivable with provision made on a collective basis using age analysis method

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	1,101,830,060.85	55,091,503.04	5.00
1-2 years	981,245,534.56	147,186,830.18	15.00
2-3 years	176,128,453.74	52,838,536.12	30.00
Over 3 years	19,630,227.71	19,630,227.71	100.00
Subtotal	2,278,834,276.86	274,747,097.05	12.06

(3) Changes in provision for bad debts

Items	Opening balance	Increase/Decrease				Closing balance
		Accrual	Recovery or reversal	Write-off	Others	
Receivables with provision for impairment made on an individual basis	36,726,495.73	101,145,384.94		2,439,970.00		135,431,910.67
Receivables with provision for impairment made on a collective basis	151,049,328.36	123,697,768.69				274,747,097.05
Total	187,775,824.09	224,843,153.63		2,439,970.00		410,179,007.72

(4) Accounts receivable actually written off in the current period

1) Accounts receivable written off

Items	Amount written off
Accounts receivable actually written off	2,439,970.00

2) Accounts receivable written off in the current period

Debtors	Nature of receivables	Amount written off	Reasons for write-off	Write-off procedures performed	Whether arising from related party transactions
Apex (Wuxi) Co., Ltd.	Payments for goods	2,000,000.00	Irrecoverable as the supplementary agreement has been signed.	Approval of the Management	No
Sichuan Wankaifeng Rare Earth New Energy Technology Co., Ltd.	Payments for goods	368,500.00	Irrecoverable as the supplementary agreement has been signed.	Approval of the Management	No
Faluosi (Suzhou) Energy Technology Co., Ltd.	Payments for goods	71,470.00	Irrecoverable as the supplementary agreement has been signed.	Approval of the Management	No
Subtotal		2,439,970.00			

(5) Details of the top 5 debtors with largest balances of accounts receivable and contract assets

Debtors	Closing book balance			Proportion to the total balance of accounts receivable and contract assets (including contracts assets presented under other non-current assets) (%)	Provision for bad debts of accounts receivable and provision for impairment of contract assets
	Accounts receivable	Contract assets (including contracts assets presented under other non-current assets)	Subtotal		
No. 1	653,613,747.29	107,117,601.00	760,731,348.29	26.36	64,571,339.67
No. 2	539,291,867.96	18,055,000.00	557,346,867.96	19.31	82,152,431.16
No. 3	134,179,575.20	25,835,998.40	160,015,573.60	5.54	13,793,267.08
No. 4	107,939,998.40	15,780,000.00	123,719,998.40	4.29	12,245,999.76
No. 5	96,141,445.61	25,427,965.41	121,569,411.02	4.21	6,078,470.55
Subtotal	1,531,166,634.46	192,216,564.81	1,723,383,199.27	59.71	178,841,508.22

2. Other receivables

(1) Other receivables categorized by nature

Nature of receivables	Closing book balance	Opening book balance
Balances due from related parties within the consolidation scope	149,279,012.46	138,570,759.92
Security deposits	19,536,647.50	11,701,473.50
Petty cash	5,178,512.18	5,318,575.33
Others	5,130,597.50	6,462,748.56
Total	179,124,769.64	162,053,557.31

(2) Age analysis

Ages	Closing book balance	Opening book balance
Within 1 year	28,327,924.37	89,448,865.63
1-2 years	80,841,396.90	11,143,333.51
2-3 years	9,110,991.38	4,910,319.19
Over 3 years	60,844,456.99	56,551,038.98
Total	179,124,769.64	162,053,557.31

(3) Provision for bad debts

1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	4,330,000.00	2.42	4,330,000.00	100.00	
Receivables with provision made on a collective basis	174,794,769.64	97.58	72,790,360.15	41.64	102,004,409.49
Total	179,124,769.64	100.00	77,120,360.15	43.05	102,004,409.49

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	4,330,000.00	2.67	4,330,000.00	100.00	
Receivables with provision made on a collective basis	157,723,557.31	97.33	59,838,078.05	37.94	97,885,479.26
Total	162,053,557.31	100.00	64,168,078.05	39.60	97,885,479.26

2) Other receivables with provision made on a collective basis

Portfolios	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio grouped with balances due from related parties	149,279,012.46	67,460,643.75	45.19
Portfolio grouped with deposits	15,206,647.50	4,184,988.25	27.52
Portfolio grouped with petty cash	5,178,512.18	431,807.19	8.34
Other portfolios	5,130,597.50	712,920.96	13.90
Subtotal	174,794,769.64	72,790,360.15	41.64

(4) Changes in provision for bad debts

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	4,472,443.29	1,671,500.02	58,024,134.74	64,168,078.05
Opening balance in the current period	——	——	——	
--Transferred to stage 2	-4,042,069.85	4,042,069.85		
--Transferred to stage 3		-1,366,648.71	1,366,648.71	
--Reversed to stage 2				
--Reversed to stage 1				
Provision made in the current period	986,022.77	7,779,288.38	4,186,970.95	12,952,282.10
Provision recovered or reversed in the current period				
Provision written off in the current period				
Other changes				
Closing balance	1,416,396.21	12,126,209.54	63,577,754.40	77,120,360.15
Provision proportion (%)	5.00	15.00	90.88	43.05

Division basis for three stages: receivables with age within 1 year are in stage 1; receivables with age of 1 to 2 years are in stage 2; and receivables with age over 2 years and receivables with provision made on an individual basis are in stage 3.

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

Debtors	Nature of receivables	Closing book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
Hangke E-commerce (Hong Kong) Co., Ltd.	Intercompany balances	11,181,000.00	Within 1 year	6.25	559,050.00
		69,646,000.00	1-2 years	38.88	10,446,900.00
Honreck Electronics Trading Sp. z o.o.	Call loans	3,785,906.35	Within 1 year	2.12	189,295.32
		7,736,676.30	1-2 years	4.32	1,160,501.45
		2,440,437.74	2-3 years	1.36	732,131.32
		54,366,648.49	Over 3 years	30.35	54,366,648.49
Pacific Global Logistics Inc.	Deposits	2,871,920.00	1-2 years	1.60	430,788.00
Fujiang Energy Technology Co., Ltd.	Deposits	2,384,920.00	Within 1 year	1.33	119,246.00
Zhejiang Zhixin Holding Group Co., Ltd.	Deposits	2,280,000.00	Over 3 years	1.27	2,280,000.00
Subtotal	——	156,693,508.88	——	87.48	70,284,560.58

3. Long-term equity investments

(1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	132,131,762.24		132,131,762.24	64,699,481.59		64,699,481.59
Total	132,131,762.24		132,131,762.24	64,699,481.59		64,699,481.59

(2) Investments in subsidiaries

Investees	Opening balance		Increase/Decrease				Closing balance	
	Carrying amount	Provision for impairment	Investments increased	Investments decreased	Provision for impairment	Others	Carrying amount	Provision for impairment
CHR Japan Co., Ltd.	55,078,400.00		14,354,400.00				69,432,800.00	
Hangke E-commerce (Hong Kong) Co., Ltd.	650,000.00						650,000.00	
Hangke Technology Germany GmbH	8,971,081.59		53,077,880.65				62,048,962.24	
Subtotal	64,699,481.59		67,432,280.65				132,131,762.24	

(II) Notes to items of the parent company income statement

1. Operating revenue/Operating cost

(1) Details

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	3,878,525,193.99	2,455,189,867.97	3,417,050,860.45	2,317,968,531.05
Other operations	40,681,558.79	698,874.13	37,114,249.46	188,886.80
Total	3,919,206,752.78	2,455,888,742.10	3,454,165,109.91	2,318,157,417.85
Including: Revenue from contracts with customers	3,915,729,682.53	2,455,697,736.14	3,453,311,204.71	2,317,970,443.22

(2) Breakdown of revenue

1) Breakdown of revenue from contracts with customers by goods or services

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Charging and discharging equipment	3,187,641,584.40	2,002,924,177.61	3,033,267,120.36	2,104,516,717.77
Other equipment	662,140,859.66	441,382,740.24	356,499,770.42	204,137,080.24
Accessories	28,742,749.93	10,882,950.12	27,283,969.67	9,314,733.04
Others	37,204,488.54	507,868.17	36,260,344.26	1,912.17

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Subtotal	3,915,729,682.53	2,455,697,736.14	3,453,311,204.71	2,317,970,443.22

2) Breakdown of revenue from contracts with customers by operating regions

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Domestic	3,159,999,748.05	2,075,370,647.73	3,214,101,409.70	2,173,889,797.50
Overseas	755,729,934.48	380,327,088.41	239,209,795.01	144,080,645.72
Subtotal	3,915,729,682.53	2,455,697,736.14	3,453,311,204.71	2,317,970,443.22

3) Breakdown of revenue from contracts with customers by time of transferring goods or rendering services

Items	Current period cumulative	Preceding period comparative
Recognized at a point in time	3,915,729,682.53	3,453,311,204.71
Subtotal	3,915,729,682.53	3,453,311,204.71

(3) Contract liabilities with opening balance of 770,915,394.14 yuan were carried over to revenue in the current period.

2. R&D expenses

Items	Current period cumulative	Preceding period comparative
Employee benefits	161,662,964.88	131,289,358.26
Materials and testing expenses	55,133,629.78	54,945,137.92
Business travelling expenses	20,742,031.93	16,899,481.04
Others	6,024,931.88	4,169,603.72
Total	243,563,558.47	207,303,580.94

3. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from financial products	2,439,369.87	8,023,120.39
Losses on discounting of receivables financing	-2,025,381.87	-1,349,028.93
Losses on debt restructuring		-3,330,905.47
Losses on discounting of notes receivable	-131,234.45	
Investment income from options	-5,313,254.44	-1,712,400.00
Interest income from intercompany balances and call loans	2,841,106.35	3,025,476.30
Total	-2,189,394.54	4,656,262.29

XVII. Other supplementary information

(I) Non-recurring profit or loss

1. Schedule of non-recurring profit or loss

Items	Amount	Remarks
Gains on disposal of non-current assets, including write-off of provision for impairment	680,184.65	
Government grants included in profit or loss (excluding those closely related to operating activities of the Company, satisfying government policies and regulations, enjoyed based on certain standards, and continuously affecting gains or losses of the Company)	25,499,222.51	
Gains on changes in fair value of financial assets and financial liabilities held by non-financial enterprises, and gains from disposal of financial assets and financial liabilities, excluding those arising from hedging business related to operating activities	-5,419,069.85	
Fund possession charge from non-financial entities and included in profit or loss		
Gains on assets consigned to the third party for investment or management		
Gains on designated loans		
Losses on assets incurred due to force majeure such as natural disasters		
Reversed provision for impairment of receivables based on impairment testing on an individual basis		
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		
Net profit on subsidiaries acquired through business combination under common control from the beginning of the period to the combination date		
Gains on non-cash assets exchange		
Gains on debt restructuring		
One-off expenses incurred due to the discontinuation of relevant operating activities, such as severance payments		
One-off effects on profit or loss due to amendments of laws and regulations on taxation, accounting, etc.		
Share-based payments recognized at one time due to cancellation or modification of equity incentive plan		
Gains arising from changes in the fair value of employee benefits payable after the vesting date for cash-settled share-based payment		
Gains on changes in fair value of investment properties with subsequent measurement using the fair value model		
Gains on transactions with unfair value		
Contingent gains on non-operating activities		
Management charges for consigned operations		
Other non-operating revenue or expenditures	1,306,650.62	
Other profit or loss satisfying the definition of non-recurring profit or loss		

Items	Amount	Remarks
Subtotal	22,066,987.93	
Less: Enterprise income tax affected	3,553,098.35	
Non-controlling interest affected (after tax)		
Net non-recurring profit or loss attributable to shareholders of the parent company	18,513,889.58	

2. Effect on non-recurring profit or loss in 2022 due to implementation of "Interpretation Pronouncement on Information Disclosure Criteria for Public Companies No. 1 – Non-Recurring Profit or Loss (2023 Edition)"

Items	Amount
Net non-recurring profit or loss attributable to the owner of the parent company in 2022	17,579,949.99
Net non-recurring profit or loss attributable to the owner of the parent company calculated based on the "Interpretation Pronouncement on Information Disclosure Criteria for Public Companies No. 1 – Non-Recurring Profit or Loss (2023 Edition)" in 2022	14,858,257.84
Difference	-2,721,692.15

(II) ROE and EPS

1. Details

Profit of the reporting period	Weighted average ROE (%)	EPS (yuan/share)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of ordinary shares	17.51	1.35	1.35
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	17.11	1.32	1.32

2. Calculation process of weighted average ROE

Items	Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	809,090,505.69
Non-recurring profit or loss	B	18,513,889.58
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	790,576,616.11
Opening balance of net assets attributable to shareholders of ordinary shares	D	3,347,538,154.36
Net assets attributable to shareholders of ordinary shares increased due to issuing GDRs	E1	1,159,379,050.09
Number of months counting from the next month when the net assets were increased to the end of the reporting period	F1	10.00
Net assets attributable to shareholders of ordinary shares increased due to equity incentives in March	E2	22,493,700.00
Number of months counting from the next month when the net assets were increased to the end of the reporting period	F2	9.00

Items		Symbols	Current period cumulative
Equity incentive expenses recognized for equity incentive plan of 2020		E3	
Number of months counting from the next month when the net assets were increased to the end of the reporting period		F3	
Equity incentive expenses recognized for equity incentive plan of 2021		E4	-32,429,070.59
Number of months counting from the next month when the net assets were increased to the end of the reporting period		F4	6.00
Equity incentive expenses recognized for equity incentive plan of 2022		E5	5,001,504.04
Number of months counting from the next month when the net assets were increased to the end of the reporting period		F5	6.00
Excess of the fair value of shares exercised in 2023 (the first batch of 2021 incentive plan) over the original equity incentive expenses		E6	-8,799,977.18
Number of months counting from the next month when the net assets were increased to the end of the reporting period		F6	9.00
Adjustment on deferred income tax assets related to equity incentive		E7	10,986,113.76
Number of months counting from the next month when the net assets were increased to the end of the reporting period		F7	
Changes in special reserve		E8	207,647.09
Number of months counting from the next month when the net assets were increased to the end of the reporting period		F8	6.00
No 1. net assets attributable to shareholders of ordinary shares decreased due to share repurchase or cash dividends appropriation		G1	150,918,037.90
Number of months counting from the next month when the net assets were decreased to the end of the reporting period		H1	7.00
No 2. net assets attributable to shareholders of ordinary shares decreased due to share repurchase or cash dividends appropriation		G2	48,293,772.16
Number of months counting from the next month when the net assets were decreased to the end of the reporting period		H2	2.00
Others	Translation reserve	I	4,808,632.88
	Number of months counting from the next month when net assets were increased or decreased to the end of the reporting period	J	6.00
Number of months in the reporting period		K	12.00
Weighted average net assets		L= D+A/2+ E×F/K-G×H/K±I× J/K	4,621,212,780.30
Weighted average ROE		M=A/L	17.51

Items	Symbols	Current period cumulative
Weighted average ROE after deducting non-recurring profit or loss	N=C/L	17.11

3. Calculation process of basic EPS and diluted EPS

(1) Calculation process of basic EPS

Items	Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	809,090,505.69
Non-recurring profit or loss	B	18,513,889.58
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	790,576,616.11
Opening balance of total shares	D	405,133,000.00
Number of shares increased due to conversion of reserve to share capital or share dividend appropriation	E	172,477,758.00
Numbers of shares attributable to shareholders of ordinary shares increased due to issuing GDRs	F1	25,251,394.00
Number of months counting from the next month when the shares were increased to the end of the reporting period	G1	10.00
Number of shares attributable to shareholders of ordinary shares increased due to equity incentives in March	F2	810,000.00
Number of months counting from the next month when the shares were increased to the end of the reporting period	G2	9.00
Number of shares decreased due to share repurchase	H	
Number of months counting from the next month when the shares were decreased to the end of the reporting period	I	
Number of shares decreased in the reporting period	J	
Number of months in the reporting period	K	12.00
Weighted average of outstanding ordinary shares	L=D+E+F×G/K-H×I/K-J	599,261,086.33
Basic EPS	M=A/L	1.35
Basic EPS after deducting non-recurring profit or loss	N=C/L	1.32

(2) Calculation process of diluted EPS

As the sum of the Company’s share-based payment expenses per share and exercise prices was higher than the average share price of ordinary shares in 2023, restricted shares had an anti-dilution effect, and the calculation process of diluted EPS was the same as that of basic EPS.

Zhejiang Hangke Technology Incorporated Company

April 25, 2024