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Auditor's Report

PCCPAAR [2025] No. 8842

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, 2024, 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, 2024, 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 2024, the operating revenue amounted to 2,981.15 million yuan, a decrease of 24.18% from 2023. 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,

delivery receipt, self-picking receipt, 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 certain major 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, 2024, the book balance of accounts receivable and contract assets (including contract assets presented under other non-current assets, the same hereinafter) amounted to 2,648.19 million yuan, with provision for bad debts and impairment of 566.07 million yuan, and the carrying amount of 2,082.11 million yuan, accounting for 21.31% 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 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;

(3) For accounts receivable and contract assets with expected credit losses measured on an individual basis, we reviewed the Management's estimations on the expected future cash flows, assessed the appropriateness of significant assumptions and the appropriateness, relevance and reliability of data adopted in the estimations and checked them with acquired external evidence;

(4) 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; we assessed the reasonableness of expected credit loss rate of accounts receivable and contract assets determined by the Management, including the appropriateness of significant assumptions and the appropriateness, relevance and reliability of data used; we tested whether the Management's calculation of provision for bad debts and provision for impairment was accurate;

(5) We checked the subsequent actual write-off, recovery or reversal of accounts receivable with provision for bad debts made in previous years, and assessed the accuracy of forecasts made by the Management in previous years;

(6) We assessed the reasonableness of provision for bad debts and provision for impairment made by the Management in combination with the confirmation procedures and subsequent collection of accounts receivable and contract assets;

(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, 2024, the book balance of inventories amounted to 3,014.21 million yuan, with provision for inventory write-down of 101.10 million yuan, and the

carrying amount of 2,913.11 million yuan, accounting for 29.82% 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 reviewed the outcome of the Management's previous estimates on the net realizable value or their subsequent re-estimations;
- (3) 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 estimated selling price of inventories, estimated usable value, further processing cost, transportation cost and sales taxes on the provision for inventory write-down;
- (4) 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;
- (5) We identified whether there existed situations such as inventories with long stock age, inventories damaged, abnormal operation of customers or project stagnation, etc. in combination with stocktaking, and assessed the reasonableness of estimations on net realizable value of inventories made by the Management; and
- (6) 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 28, 2025

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, 2024
(Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	December 31, 2023
Current assets:			
Cash and bank balances	1	3,071,813,662.90	3,263,149,304.07
Settlement funds			
Loans to other banks			
Held-for-trading financial assets	2	3,318,338.14	5,925,509.48
Derivative financial assets			
Notes receivable	3	74,768,516.00	90,155,576.33
Accounts receivable	4	1,814,808,970.22	1,902,796,347.12
Receivables financing	5	16,649,074.05	18,205,751.49
Advances paid	6	37,550,117.90	42,841,452.58
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserve receivable			
Other receivables	7	28,593,110.97	40,784,568.93
Financial assets under reverse repo			
Inventories	8	2,913,112,944.10	2,901,476,917.36
Contract assets	9	215,231,131.71	341,031,109.41
Assets held for sale			
Non-current assets due within one year			
Other current assets	10	5,920,050.57	10,470,636.02
Total current assets		8,181,765,916.56	8,616,837,172.79
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	1,168,467,242.98	1,264,096,156.79
Construction in progress	12	59,296,921.42	
Productive biological assets			
Oil & gas assets			
Right-of-use assets	13	351,259.28	2,214,093.56
Intangible assets	14	197,060,570.91	184,872,136.46
Development expenditures			
Goodwill			
Long-term prepayments	15	7,952,097.02	11,181,004.43
Deferred tax assets	16	100,807,940.15	78,015,221.68
Other non-current assets	17	53,773,626.28	67,542,715.14
Total non-current assets		1,587,709,658.04	1,607,921,328.06
Total assets		9,769,475,574.60	10,224,758,500.85

Legal representative:



Officer in charge of accounting:



Head of accounting department:



Zhejiang Hangke Technology Incorporated Company
Consolidated balance sheet as at December 31, 2024 (continued)
(Expressed in Renminbi Yuan)

Liabilities & Equity	Note No.	Closing balance	December 31, 2023
Current liabilities:			
Short-term borrowings	19	7,460,020.44	14,516,000.00
Central bank loans			
Loans from other banks			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable	20	871,912,290.66	1,015,562,136.25
Accounts payable	21	1,077,903,223.20	1,562,586,492.08
Advances received	22	584,600.00	560,000.00
Contract liabilities	23	2,441,110,317.38	2,239,109,626.13
Financial liabilities under repo			
Absorbing deposit and interbank deposit			
Deposits for agency security transaction			
Deposits for agency security underwriting			
Employee benefits payable	24	31,722,475.94	34,353,950.98
Taxes and rates payable	25	35,922,939.17	86,784,440.43
Other payables	26	9,963,259.86	8,469,552.89
Handling fees and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	27		2,028,014.09
Other current liabilities	28	88,187,086.64	117,860,346.15
Total current liabilities		4,564,766,213.29	5,081,830,559.00
Non-current liabilities:			
Insurance policy reserve			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	29		
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income	30	39,911,270.42	23,863,491.77
Deferred tax liabilities	16		
Other non-current liabilities			
Total non-current liabilities		39,911,270.42	23,863,491.77
Total liabilities		4,604,677,483.71	5,105,694,050.77
Equity:			
Share capital	31	603,672,152.00	603,672,152.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	32	2,353,714,511.15	2,359,829,993.27
Less: Treasury shares			
Other comprehensive income	33	4,530,095.90	7,227,980.88
Special reserve	34	70,769.06	207,647.09
Surplus reserve	35	301,836,076.00	271,191,623.48
General risk reserve			
Undistributed profit	36	1,900,974,486.78	1,876,935,053.36
Total equity attributable to the parent company		5,164,798,090.89	5,119,064,450.08
Non-controlling interest			
Total equity		5,164,798,090.89	5,119,064,450.08
Total liabilities & equity		9,769,475,574.60	10,224,758,500.85

Legal representative:



Officer in charge of accounting:



Head of accounting department:



Zhejiang Hangke Technology Incorporated Company
Parent company balance sheet as at December 31, 2024
(Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	December 31, 2023
Current assets:			
Cash and bank balances		2,267,062,205.78	2,663,712,048.69
Held-for-trading financial assets		3,318,338.14	5,925,509.48
Derivative financial assets			
Notes receivable		74,768,516.00	90,155,576.33
Accounts receivable	1	1,821,844,369.16	2,011,874,179.81
Receivables financing		16,649,074.05	18,205,751.49
Advances paid		36,702,990.72	39,559,933.04
Other receivables	2	60,647,598.28	102,004,409.49
Inventories		2,681,383,153.56	2,806,824,824.70
Contract assets		211,507,189.74	365,187,676.55
Assets held for sale			
Non-current assets due within one year			
Other current assets		157,442.33	8,029,806.34
Total current assets		7,174,040,877.76	8,111,479,715.92
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	3	188,951,762.24	132,131,762.24
Other equity instrument investments			
Other non-current financial assets			
Investment property			
Fixed assets		988,226,254.43	1,065,286,871.83
Construction in progress		59,296,921.42	
Productive biological assets			
Oil & gas assets			
Right-of-use assets		351,259.28	2,214,093.56
Intangible assets		197,060,570.91	184,872,136.46
Development expenditures			
Goodwill			
Long-term prepayments		3,703,411.87	7,290,595.64
Deferred tax assets		101,389,205.24	78,937,135.18
Other non-current assets		52,074,699.50	67,542,715.14
Total non-current assets		1,591,054,084.89	1,538,275,310.05
Total assets		8,765,094,962.65	9,649,755,025.97

Legal representative:



Officer in charge of accounting:



Head of accounting department:



Zhejiang Hangke Technology Incorporated Company
Parent company balance sheet as at December 31, 2024 (continued)
(Expressed in Renminbi Yuan)

Liabilities & Equity	Note No.	Closing balance	December 31, 2023
Current liabilities:			
Short-term borrowings		7,460,020.44	14,516,000.00
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable		871,912,290.66	1,015,562,136.25
Accounts payable		1,103,832,612.81	1,563,495,945.42
Advances received		584,600.00	560,000.00
Contract liabilities		1,444,320,863.71	1,727,824,779.19
Employee benefits payable		31,527,059.64	34,048,873.31
Taxes and rates payable		34,377,652.60	82,880,643.82
Other payables		6,992,800.18	5,438,390.26
Liabilities held for sale			
Non-current liabilities due within one year			2,028,014.09
Other current liabilities		82,994,041.23	114,154,402.27
Total current liabilities		3,584,001,941.27	4,560,509,184.61
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income		39,911,270.42	23,863,491.77
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		39,911,270.42	23,863,491.77
Total liabilities		3,623,913,211.69	4,584,372,676.38
Equity:			
Share capital		603,672,152.00	603,672,152.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		2,353,714,511.15	2,359,829,993.27
Less: Treasury shares			
Other comprehensive income			
Special reserve		70,769.06	207,647.09
Surplus reserve		301,836,076.00	271,191,623.48
Undistributed profit		1,881,888,242.75	1,830,480,933.75
Total equity		5,141,181,750.96	5,065,382,349.59
Total liabilities & equity		8,765,094,962.65	9,649,755,025.97

Legal representative:



Officer in charge of accounting:



Head of accounting department:

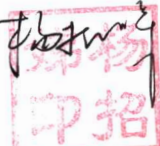


Zhejiang Hangke Technology Incorporated Company
Consolidated income statement for the year ended December 31, 2024
(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Total operating revenue		2,981,154,434.54	3,931,719,031.47
Including: Operating revenue	1	2,981,154,434.54	3,931,719,031.47
Interest income			
Premiums earned			
Revenue from handling fees and commissions			
II. Total operating cost		2,519,522,799.21	2,861,591,049.80
Including: Operating cost	1	2,047,340,862.94	2,483,559,151.84
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	36,344,112.68	36,645,090.09
Selling expenses	3	69,640,839.76	86,847,193.46
Administrative expenses	4	193,119,311.09	169,164,040.99
R&D expenses	5	257,146,092.32	243,563,558.47
Financial expenses	6	-84,068,419.58	-158,187,985.05
Including: Interest expenses		1,111,895.14	582,725.77
Interest income		98,833,845.76	92,479,510.29
Add: Other income	7	51,249,600.43	121,310,244.30
Investment income (or less: losses)	8	673,597.92	-5,030,500.89
Including: Investment income from associates and joint ventures			
Gains from derecognition of financial assets at amortized cost			-131,234.45
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	-1,419,171.34	-2,545,185.28
Credit impairment loss	10	-125,920,220.17	-222,168,198.47
Assets impairment loss	11	-49,976,214.92	-52,699,448.38
Gains on asset disposal (or less: losses)	12	23,185.30	670,184.65
III. Operating profit (or less: losses)		336,262,412.55	909,665,077.60
Add: Non-operating revenue	13	4,311,136.47	7,447,819.83
Less: Non-operating expenditures	14	3,095,832.43	6,131,169.21
IV. Profit before tax (or less: total loss)		337,477,716.59	910,981,728.22
Less: Income tax expenses	15	11,141,362.25	101,891,222.53
V. Net profit (or less: net loss)		326,336,354.34	809,090,505.69
(I) Categorized by the continuity of operations			
1. Net profit from continuing operations (or less: net loss)		326,336,354.34	809,090,505.69
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)		326,336,354.34	809,090,505.69
2. Net profit attributable to non-controlling shareholders (or less: net loss)			
VI. Other comprehensive income after tax	16	-2,697,884.98	4,808,632.88
Items attributable to the owners of the parent company		-2,697,884.98	4,808,632.88
(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		-2,697,884.98	4,808,632.88
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		-2,697,884.98	4,808,632.88
7. Others			
Items attributable to non-controlling shareholders			
VII. Total comprehensive income		323,638,469.36	813,899,138.57
Items attributable to the owners of the parent company		323,638,469.36	813,899,138.57
Items attributable to non-controlling shareholders			
VIII. Earnings per share (EPS):			
(I) Basic EPS (yuan per share)		0.54	1.35
(II) Diluted EPS (yuan per share)		0.54	1.35

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, 2024
(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Operating revenue	1	2,874,338,911.82	3,919,206,752.78
Less: Operating cost	1	1,967,566,067.99	2,483,613,953.69
Taxes and surcharges		35,782,039.34	33,640,000.56
Selling expenses		72,329,168.45	86,570,271.13
Administrative expenses		160,098,747.07	147,919,397.36
R&D expenses	2	257,146,092.32	243,563,558.47
Financial expenses		-54,970,878.40	-140,462,594.21
Including: Interest expenses		1,111,895.14	582,725.77
Interest income		66,406,544.19	82,002,596.57
Add: Other income		50,632,323.66	118,174,985.39
Investment income (or less: losses)	3	2,952,439.30	-2,189,394.54
Including: Investment income from associates and joint ventures			
Gains from derecognition of financial assets at amortized cost			-131,234.45
Gains on net exposure to hedging risk (or less: losses)			
Gains on changes in fair value (or less: losses)		-1,419,171.34	-2,545,185.28
Credit impairment loss		-74,034,785.00	-237,795,435.73
Assets impairment loss		-48,508,819.70	-53,970,846.65
Gains on asset disposal (or less: losses)		29,244.47	4,462,821.93
II. Operating profit (or less: losses)		366,038,906.44	890,499,110.90
Add: Non-operating revenue		4,311,065.78	7,446,755.19
Less: Non-operating expenditures		3,095,832.43	6,130,683.59
III. Profit before tax (or less: total loss)		367,254,139.79	891,815,182.50
Less: Income tax expenses		13,549,909.87	97,457,476.52
IV. Net profit (or less: net loss)		353,704,229.92	794,357,705.98
(I) Net profit from continuing operations (or less: net loss)		353,704,229.92	794,357,705.98
(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		353,704,229.92	794,357,705.98

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, 2024
(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:			
Cash receipts from sale of goods or rendering of services		3,286,660,374.33	4,422,964,222.52
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		59,189,515.68	140,985,247.47
Other cash receipts related to operating activities	2 (1)	543,675,354.75	340,918,881.23
Subtotal of cash inflows from operating activities		3,889,525,244.76	4,904,868,351.22
Cash payments for goods purchased and services received		2,482,044,835.08	3,274,466,153.51
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		535,172,739.86	572,008,449.65
Cash payments for taxes and rates		180,807,782.55	243,019,429.82
Other cash payments related to operating activities	2 (2)	522,229,308.98	600,408,440.61
Subtotal of cash outflows from operating activities		3,720,254,666.47	4,689,902,473.59
Net cash flows from operating activities		169,270,578.29	214,965,877.63
II. Cash flows from investing activities:			
Cash receipts from withdrawal of investments	1 (1)	152,952,929.50	272,439,369.87
Cash receipts from investment income			
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		94,117.94	1,467,198.08
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		153,047,047.44	273,906,567.95
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	1 (2)	105,980,172.71	412,318,304.80
Cash payments for investments	1 (3)	150,000,000.00	270,000,000.00
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		255,980,172.71	682,318,304.80
Net cash flows from investing activities		-102,933,125.27	-408,411,736.85
III. Cash flows from financing activities:			
Cash receipts from absorbing investments			1,195,315,292.39
Including: Cash received by subsidiaries from non-controlling shareholders as investments			
Cash receipts from borrowings			
Other cash receipts related to financing activities	2 (3)	48,680,470.26	14,481,760.28
Subtotal of cash inflows from financing activities		48,680,470.26	1,209,797,052.67
Cash payments for the repayment of borrowings			
Cash payments for distribution of dividends or profits and for interest expenses		271,652,468.40	199,211,810.06
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit			
Other cash payments related to financing activities	2 (4)	4,500,000.00	13,343,672.74
Subtotal of cash outflows from financing activities		276,152,468.40	212,555,482.80
Net cash flows from financing activities		-227,471,998.14	997,241,569.87
IV. Effect of foreign exchange rate changes on cash and cash equivalents		6,836,593.83	69,558,604.22
V. Net increase in cash and cash equivalents		-154,297,951.29	873,354,314.87
Add: Opening balance of cash and cash equivalents		2,865,817,877.74	1,992,463,562.87
VI. Closing balance of cash and cash equivalents		2,711,519,926.45	2,865,817,877.74

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, 2024
(Expressed in Renminbi Yuan)

Items	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:		
Cash receipts from sale of goods or rendering of services	2,853,480,268.28	3,867,671,432.90
Receipts of tax refund	47,617,533.81	137,858,224.96
Other cash receipts related to operating activities	511,127,100.78	326,821,030.06
Subtotal of cash inflows from operating activities	3,412,224,902.87	4,332,350,687.92
Cash payments for goods purchased and services received	2,250,005,783.85	3,160,131,932.33
Cash paid to and on behalf of employees	524,019,512.20	566,979,962.74
Cash payments for taxes and rates	179,042,756.77	239,924,035.44
Other cash payments related to operating activities	434,112,362.26	579,442,165.44
Subtotal of cash outflows from operating activities	3,387,180,415.08	4,546,478,095.95
Net cash flows from operating activities	25,044,487.79	-214,127,408.03
II. Cash flows from investing activities:		
Cash receipts from withdrawal of investments	152,952,929.50	272,439,369.87
Cash receipts from investment income		
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets	52,000.00	282,090.09
Net cash receipts from the disposal of subsidiaries & other business units		
Other cash receipts related to investing activities	80,608,510.26	
Subtotal of cash inflows from investing activities	233,613,439.76	272,721,459.96
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	97,620,871.21	286,468,270.06
Cash payments for investments	206,820,000.00	337,433,066.57
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	304,440,871.21	623,901,336.63
Net cash flows from investing activities	-70,827,431.45	-351,179,876.67
III. Cash flows from financing activities:		
Cash receipts from absorbing investments		1,195,315,292.39
Cash receipts from borrowings		
Other cash receipts related to financing activities	48,680,470.26	14,481,760.28
Subtotal of cash inflows from financing activities	48,680,470.26	1,209,797,052.67
Cash payments for the repayment of borrowings		
Cash payments for distribution of dividends or profits and for interest expenses	271,652,468.40	199,211,810.06
Other cash payments related to financing activities	4,500,000.00	13,343,672.74
Subtotal of cash outflows from financing activities	276,152,468.40	212,555,482.80
Net cash flows from financing activities	-227,471,998.14	997,241,569.87
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-9,615,557.44	55,152,315.45
V. Net increase in cash and cash equivalents	-282,870,499.24	487,086,600.62
Add: Opening balance of cash and cash equivalents	2,266,380,622.36	1,779,294,021.74
VI. Closing balance of cash and cash equivalents	1,983,510,123.12	2,266,380,622.36

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, 2024
(Expressed in Renminbi Yuan)

Items	Current period cumulative												
	Equity attributable to parent company										Non-controlling interest	Total equity	
	Share capital	Preferred shares	Other equity instruments Perpetual bonds Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit			
I. Balance at the end of prior year	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
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	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
III. Current period increase (or less: decrease)					-6,115,482.12		-2,697,884.98	-136,878.03	30,644,452.52		24,039,433.42		45,733,640.81
(I) Total comprehensive income							-2,697,884.98				326,336,354.34		323,638,469.36
(II) Capital contributed or withdrawn by owners					-6,115,482.12								-6,115,482.12
1. Ordinary shares contributed by owners													
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity					-6,115,482.12								-6,115,482.12
4. Others													
(III) Profit distribution									30,644,452.52		-302,296,920.92		-271,652,468.40
1. Appropriation of surplus reserve									30,644,452.52		-30,644,452.52		
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners											-271,652,468.40		-271,652,468.40
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								-136,878.03					-136,878.03
1. Current period appropriation								6,529,206.75					6,529,206.75
2. Current period use								-6,666,084.78					-6,666,084.78
(VI) Others													
IV. Balance at the end of current period	603,672,152.00				2,353,714,511.15		4,530,095.90	70,769.06	301,836,076.00		1,900,974,486.78		5,164,798,090.89

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, 2024 (continued)
(Expressed in Renminbi Yuan)

Items	Preceding period comparative												Non-controlling interest	Total equity
	Equity attributable to parent company													
	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	

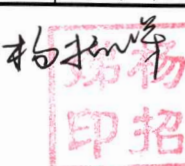
Legal representative:



Officer in charge of accounting:



Head of accounting department:



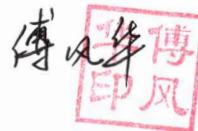
Zhejiang Hangke Technology Incorporated Company
Parent company statement of changes in equity for the year ended December 31, 2024
(Expressed in Renminbi Yuan)

Items	Share capital	Other equity instruments			Capital reserve	Current period cumulative					Total equity
		Preferred shares	Perpetual bonds	Others		Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	
I. Balance at the end of prior year	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
Add: Cumulative changes of accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	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
III. Current period increase (or less: decrease)					-6,115,482.12			-136,878.03	30,644,452.52	51,407,309.00	75,799,401.37
(I) Total comprehensive income										353,704,229.92	353,704,229.92
(II) Capital contributed or withdrawn by owners					-6,115,482.12						-6,115,482.12
1. Ordinary shares contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity					-6,115,482.12						-6,115,482.12
4. Others											
(III) Profit distribution									30,644,452.52	-302,296,920.92	-271,652,468.40
1. Appropriation of surplus reserve									30,644,452.52	-30,644,452.52	
2. Appropriation of profit to owners										-271,652,468.40	-271,652,468.40
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								-136,878.03			-136,878.03
1. Current period appropriation								6,529,206.75			6,529,206.75
2. Current period use								-6,666,084.78			-6,666,084.78
(VI) Others											
IV. Balance at the end of current period	603,672,152.00				2,353,714,511.15			70,769.06	301,836,076.00	1,881,888,242.75	5,141,181,750.96

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, 2024 (continued)

(Expressed in Renminbi Yuan)

Items	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

Notes to Financial Statements

For the year ended December 31, 2024

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 manufacturing industry of special equipment for new energy sector 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 24th meeting of the third session of the Board of Directors dated April 28, 2025.

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

(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 is Renminbi (RMB) Yuan, while the functional currencies of 15 subsidiaries engaged in overseas operations including CHR Japan Co., Ltd., Hangke E-commerce (Hong Kong) Co., Ltd., HK Power Co., Ltd., Hangke Electronics Co., Ltd., Japan New Energy Equipment Co., Ltd., Hangke Electronics Technology (Singapore) Pte. Ltd., Honreck Equipment Technology Support Company Sdn. Bhd., Honreck Electronics Trading Sp. z o.o., Hangke Technology Inc., HK Technology, Inc., Hangke Technology Hungary Kft, Hangke Technology UK Limited, Canada Hangke Technology Ltd., Hangke Technology Germany GmbH and Starlink Electronic Technology Malaysia Sdn. Bhd. 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	Determination method and basis for selection of materiality
Significant provisions for impairment of contact assets collected or reversed	With individual balance exceeding 0.30% of total assets
Significant contact assets written off	With individual balance exceeding 0.30% of total assets
Contract assets with significant changes in carrying amount	With changes exceeding 0.30% of total assets
Significant advances paid with age over one year	With individual balance exceeding 0.30% of total assets
Significant construction in progress	With individual construction investment exceeding 0.3% of total assets
Significant accounts payable with age over one year	With individual balance exceeding 0.30% of total assets
Significant other payables with age over one year	With individual balance exceeding 0.30% of total assets

Disclosed items involving materiality judgements	Determination method and basis for selection of materiality
Significant advances received with age over one year or overdue	With individual balance exceeding 0.30% of total assets
Significant contract liabilities with age over one year	With individual balance exceeding 0.30% of total assets
Contract liabilities with significant changes in carrying amount	With changes exceeding 0.30% of total assets
Significant cash flows from investing activities	With individual balance exceeding 1.00% of total assets

(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.

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

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

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 to obtain a contract and costs to fulfill a contract

The Company recognizes as an asset the incremental costs to obtain a contract if those costs are expected to be recovered. The costs to obtain 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), costs 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 the 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 the 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

1. The Company has adopted the regulations about classification of liabilities as current or non-current in the “Interpretation of China Accounting Standards for Business Enterprises No. 17” issued by the Ministry of Finance since January 1, 2024. Such change in accounting policies has no impact on the Company’s financial statements.

2. The Company has adopted the regulations about disclosure of supplier finance arrangements in the “Interpretation of China Accounting Standards for Business Enterprises No. 17” issued by the Ministry of Finance since January 1, 2024.

3. The Company has adopted the regulations about accounting treatment of sale and leaseback transactions in the “Interpretation of China Accounting Standards for Business Enterprises No. 17” issued by the Ministry of Finance since January 1, 2024. Such change in accounting policies has no impact on the Company’s financial statements.

4. The Company has adopted the regulations about accounting treatment of the assurance-type warranty not considered a separate performance obligation in the “Interpretation of China Accounting Standards for Business Enterprises No. 18” issued by the Ministry of Finance since January 1, 2024, and makes retrospective adjustments on the comparative information as follows:

Financial statement items significantly affected	Amounts affected	Remarks
Items of income statement of 2023		
Operating cost	27,725,211.59	
Selling expenses	-27,725,211.59	

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	[Note 1]
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%

Taxes	Tax bases	Tax rates
Local education surcharge	Turnover tax actually paid	2%
Enterprise income tax	Taxable income	[Note 2]

Note 1: Different VAT rates applicable to different taxpayers:

Taxpayers	VAT rate
The Company	13%, 9%, 6%; export goods enjoy the policy of “exemption, credit and refund”, and the tax refund rate is 13%
CHR Japan Co., Ltd.	10%
HK Power Co., Ltd.	10%
Hangke Electronics Co., Ltd.	10%
Honreck Electronics Trading Sp. z o.o.	23%
Hangke Technology Germany GmbH	19%
Hangke Electronics Technology (Singapore) Pte. Ltd.	7%

Note 2: 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 3]
Hangke Electronics Co., Ltd., HK Power Co., Ltd.	[Note 4]
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 5]
Hangke Technology Germany GmbH	15.825%
Hangke Technology Hungary Kft	9.00%
HK Technology, Inc.	[Note 6]
Hangke Technology UK Limited	[Note 7]
Canada Hangke Technology Ltd.	[Note 8]
Hangke Electronics Technology (Singapore) Pte. Ltd.	17%
Starlink Electronic Technology Malaysia Sdn. Bhd.	24%

Note 3: 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 4: 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 5: The federal income tax rate is 21% and the California income tax rate is 8.84%.

Note 6: The federal income tax rate is 21% and the Georgia income tax rate is 5.75%.

Note 7: In UK, enterprises with taxable income more than GBP 250,000 are subject to the tax rate of 25%, enterprises with taxable income less than GBP 50,000 are subject to the tax rate of 19%, enterprises with taxable income more than GBP 50,000 but less than GBP 250,000 are subject to marginal relief, with effective tax rate between 19% and 25%. The taxable income of Hangke Technology UK Limited was zero in the current period.

Note 8: The federal income tax rate is 38% and the Ontario income tax rate is 11.5%. The taxable income of Canada Hangke Technology Ltd. was zero in the current period.

(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 2024 to 2026). The Company's enterprise income tax is levied at the rate of 15%.

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

3. Pursuant to the "Announcement on the VAT Extra Deduction Policy for Advanced Manufacturing Enterprises" (Announcement of the Ministry of Finance and the State Taxation Administration [2023] No. 43), from January 1, 2023 to December 31, 2027, advanced manufacturing enterprises are entitled to enjoy a 5% extra deduction of creditable input VAT for the current period from their VAT payable.

4. Hangke E-commerce (Hong Kong) Co., Ltd., a subsidiary of the Company, is a Hong Kong registered company, and its offshore income can be exempt from profits tax after being filed

according to the Hong Kong Inland Revenue Ordinance.

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	1,520,259.81	86,185.18
Cash in bank	2,883,606,468.69	2,969,651,114.24
Other cash and bank balances	186,686,934.40	293,412,004.65
Total	3,071,813,662.90	3,263,149,304.07
Including: Deposited overseas	810,783,447.10	605,379,573.29

2. Held-for-trading financial assets

Items	Closing balance	Opening balance
Financial assets classified as at fair value through profit or loss	3,318,338.14	5,925,509.48
Including: Equity instrument investments	3,318,338.14	5,925,509.48
Total	3,318,338.14	5,925,509.48

3. Notes receivable

(1) Details

Items	Closing balance	Opening balance
Bank acceptance	74,768,516.00	90,155,576.33
Total	74,768,516.00	90,155,576.33

(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 a collective basis	74,768,516.00	100.00			74,768,516.00
Including: Bank acceptance	74,768,516.00	100.00			74,768,516.00
Total	74,768,516.00	100.00			74,768,516.00

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision 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

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	74,768,516.00		
Subtotal	74,768,516.00		

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

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	10,000,000.00	28,255,395.34
Subtotal	10,000,000.00	28,255,395.34

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) Age analysis

Ages	Closing balance	Opening balance
Within 1 year	775,505,913.56	1,001,227,757.49
1-2 years	810,492,407.46	1,015,547,518.83
2-3 years	599,629,257.57	202,298,540.92
Over 3 years	174,490,740.88	88,085,581.63
Book balance	2,360,118,319.47	2,307,159,398.87
Less: Provision for bad debts	545,309,349.25	404,363,051.75
Carrying amount	1,814,808,970.22	1,902,796,347.12

(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	132,389,049.13	5.61	129,617,871.73	97.91	2,771,177.40
Receivables with provision made on a collective basis	2,227,729,270.34	94.39	415,691,477.52	18.66	1,812,037,792.82
Total	2,360,118,319.47	100.00	545,309,349.25	23.11	1,814,808,970.22

(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	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

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
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.
Jiangsu Weifeng Power Industry Co., Ltd.	33,475,000.00	33,475,000.00	44,145,000.00	44,145,000.00	100.00	It is less likely to recover due to the debtor's inadequacy of cash flows.
JEVE Power Industry Jiaying	955,000.00	955,000.00	991,000.00	991,000.00	100.00	It is less likely to recover due to the debtor's

Debtors	Opening balance		Closing balance			
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision proportion (%)	Basis for provision made
Co., Ltd.						inadequacy of cash flows.
JEVE Power Industry Jiangsu Co., Ltd.	16,596,554.40	16,596,554.40	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.
JEVE New Energy Technology (Huzhou) Co., Ltd.	2,792,000.00	2,792,000.00	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	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.
Tianjin Risesun Mengguli New Energy Science & Technology Co., Ltd.			3,279,138.46	3,279,138.46	100.00	The case was settled through litigation mediation. The client has no executable property and the funds are not expected to be recovered.
Wanxiang A123 Systems Co., Ltd.	15,465,000.00	10,825,500.00	3,240,000.00	468,822.60	14.47	It is estimated to be not fully recoverable.
Jiangxi Weile Battery Co., Ltd.	12,590,000.00	9,442,500.00				It is less likely to recover due to the debtor's inadequacy of cash flows.
Subtotal	143,218,910.67	135,431,910.67	132,389,049.13	129,617,871.73	97.91	

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	775,505,913.56	38,775,295.68	5.00
1-2 years	808,877,587.46	121,331,638.12	15.00
2-3 years	553,944,608.00	166,183,382.40	30.00
Over 3 years	89,401,161.32	89,401,161.32	100.00
Subtotal	2,227,729,270.34	415,691,477.52	18.66

(3) Changes in provision for bad debts

1) Details

Items	Opening balance	Increase/Decrease				Closing balance
		Accrual	Recovery or reversal	Write-off	Others [Note]	
Receivables with provision made on an individual basis	135,431,910.67	1,544,961.06	10,500,000.00	9,665,000.00	12,806,000.00	129,617,871.73
Receivables with provision made on a collective basis	268,931,141.08	131,144,801.92			15,615,534.52	415,691,477.52
Total	404,363,051.75	132,689,762.98	10,500,000.00	9,665,000.00	28,421,534.52	545,309,349.25

Note: Transferred in from contract assets and other non-current assets.

2) Provision for bad debts collected or reversed in the current period

Debtors	Amount collected or reversed	Reasons for reversal	Ways of collection	Basis and reasonableness for recognition of original provision for bad debts
Wanxiang A123 Systems Co., Ltd.	10,500,000.00		Bank transfer	The original provision for bad debts was made based on the preliminary negotiations with the debtor. The supplementary agreement was actually signed and the payment was received in the current period.
Subtotal	10,500,000.00			

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

1) Accounts receivable written off

Items	Amount written off
Accounts receivable actually written off	9,665,000.00

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
Jiangxi Weile Battery Co., Ltd.	Payments for goods	9,440,000.00	Part of payment for goods was exempted due to litigation settlement	Approval of the Management	No
Wanxiang A123 Systems Co., Ltd.	Payments for goods	225,000.00	Part of payment for goods was exempted due to litigation settlement	Approval of the Management	No
Subtotal		9,665,000.00			

(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 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 contract assets presented under other non-current assets)	Subtotal		
No. 1	462,474,979.70	18,294,000.00	480,768,979.70	18.15	130,749,616.19
No. 2	462,001,713.40	15,481,076.18	477,482,789.58	18.03	72,663,408.33
No. 3	172,782,432.69	17,812,771.83	190,595,204.52	7.20	17,210,789.31
No. 4	131,159,277.00	14,236,900.00	145,396,177.00	5.49	17,127,041.20
No. 5	124,842,315.72	19,258,000.00	144,100,315.72	5.44	36,149,447.98
Subtotal	1,353,260,718.51	85,082,748.01	1,438,343,466.52	54.31	273,900,303.01

5. Receivables financing

(1) Details

Items	Closing balance	Opening balance
Bank acceptance	16,649,074.05	18,205,751.49
Total	16,649,074.05	18,205,751.49

(2) Details on provision for impairment

1) Details on categories

Categories	Closing balance				
	Cost		Accumulated provision for credit impairment		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
On a collective basis	16,649,074.05	100.00			16,649,074.05
Including: Bank acceptance	16,649,074.05	100.00			16,649,074.05
Total	16,649,074.05	100.00			16,649,074.05

(Continued)

Categories	Opening balance				
	Cost		Accumulated provision for credit impairment		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
On a collective basis	18,205,751.49	100.00			18,205,751.49
Including: Bank acceptance	18,205,751.49	100.00			18,205,751.49
Total	18,205,751.49	100.00			18,205,751.49

2) Receivables financing with provision made on a collective basis

Items	Closing balance		
	Cost	Accumulated provision for credit impairment	Provision proportion (%)
Bank acceptance portfolio	16,649,074.05		
Subtotal	16,649,074.05		

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

Items	Closing balance derecognized
Bank acceptance	102,252,411.34
Subtotal	102,252,411.34

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	28,815,742.24	76.74		28,815,742.24	35,503,770.40	82.87		35,503,770.40
1-2 years	4,760,818.17	12.68		4,760,818.17	4,773,270.22	11.15		4,773,270.22
2-3 years	1,738,689.72	4.63		1,738,689.72	1,815,309.52	4.23		1,815,309.52
Over 3 years	2,234,867.77	5.95		2,234,867.77	749,102.44	1.75		749,102.44
Total	37,550,117.90	100.00		37,550,117.90	42,841,452.58	100.00		42,841,452.58

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

Debtors	Book balance	Proportion to the total balance of advances paid (%)
No. 1	3,295,424.78	8.78
No. 2	2,282,667.17	6.08
No. 3	1,980,000.00	5.27
No. 4	1,495,186.79	3.98
No. 5	1,386,177.00	3.69
Subtotal	10,439,455.74	27.80

7. Other receivables

(1) Details

Nature of receivables	Closing balance	Opening balance
Security deposits	38,199,021.79	41,052,652.37
Petty cash	2,818,755.41	5,195,171.77
Others	2,103,810.00	5,334,763.83
Book balance	43,121,587.20	51,582,587.97
Less: Provision for bad debts	14,528,476.23	10,798,019.04
Carrying amount	28,593,110.97	40,784,568.93

(2) Age analysis

Ages	Closing balance	Opening balance
Within 1 year	5,129,016.21	34,921,335.65
1-2 years	25,367,878.29	3,458,720.60
2-3 years	3,082,641.46	6,670,553.64
Over 3 years	9,542,051.24	6,531,978.08
Book balance	43,121,587.20	51,582,587.97
Less: Provision for bad debts	14,528,476.23	10,798,019.04
Carrying amount	28,593,110.97	40,784,568.93

(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	4,099,602.41	9.51	4,099,602.41	100.00	
Receivables with provision made on a collective basis	39,021,984.79	90.49	10,428,873.82	26.73	28,593,110.97
Total	43,121,587.20	100.00	14,528,476.23	33.69	28,593,110.97

(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	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

2) 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	1,568,102.41	1,568,102.41	100.00	The collection of the balance is difficult as the debtor has stopped production, and has been unable to operate normally.
Tianjin Risesun Mengguli New			251,500.00	251,500.00	100.00	The case was settled through litigation

Debtors	Opening balance		Closing balance			
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision proportion (%)	Basis for provision made
Energy Science & Technology Co., Ltd.						mediation. The client has no executable property and the funds are not expected to be recovered.
Subtotal	4,330,000.00	4,330,000.00	4,099,602.41	4,099,602.41	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	34,099,419.38	9,862,557.00	28.92
Portfolio grouped with petty cash	2,818,755.41	237,050.49	8.41
Other portfolios	2,103,810.00	329,266.33	15.65
Subtotal	39,021,984.79	10,428,873.82	26.73

(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	1,746,066.78	518,808.09	8,533,144.17	10,798,019.04
Opening balance in the current period	—	—	—	
--Transferred to stage 2	-1,268,393.91	1,268,393.91		
--Transferred to stage 3		-462,396.22	462,396.22	
--Reversed to stage 2				
--Reversed to stage 1				
Provision made in the current period	-221,222.06	2,480,375.96	1,953,200.88	4,212,354.78
Provision recovered or reversed in the current period			481,897.59	481,897.59
Provision written off in the current period				
Other changes				
Closing balance	256,450.81	3,805,181.74	10,466,843.68	14,528,476.23
Provision proportion (%)	5.00	15.00	82.91	33.69

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 at the balance sheet date
Tianshi Logistics Co., Limited	Deposits	21,565,200.00	1-2 years	50.01	3,234,780.00
Pacific Global Logistics Inc.	Deposits	2,871,920.00	2-3 years	6.66	861,576.00
Fujian Energy Technology Co., Ltd.	Deposits	2,384,920.00	1-2 years	5.53	357,738.00
Zhejiang Zhixin Holding Group Co., Ltd.	Deposits	2,280,000.00	Over 3 years	5.29	2,280,000.00
Hengdian Group DMEGC Magnetics Co., Ltd.	Deposits	1,800,000.00	Over 3 years	4.17	1,800,000.00
Subtotal		30,902,040.00		71.66	8,534,094.00

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	382,050,138.81	2,282,039.37	379,768,099.44	294,307,561.47		294,307,561.47
Work in process	144,482,174.46	22,545,537.03	121,936,637.43	487,770,519.39	7,928,894.74	479,841,624.65
Goods on hand	546,374,262.17	36,287,028.84	510,087,233.33	429,660,268.83	37,652,707.90	392,007,560.93
Goods dispatched	1,669,464,535.63	39,983,932.47	1,629,480,603.16	1,654,492,559.83	48,051,256.47	1,606,441,303.36
Costs to fulfill a contract	271,840,370.74		271,840,370.74	128,878,866.95		128,878,866.95
Total	3,014,211,481.81	101,098,537.71	2,913,112,944.10	2,995,109,776.47	93,632,859.11	2,901,476,917.36

(2) Provision for inventory write-down

Items	Opening balance	Increase		Decrease		Closing balance
		Accrual	Others	Reversal or transfer-out	Others	
Raw materials		2,282,039.37				2,282,039.37
Work in process	7,928,894.74	14,616,642.29				22,545,537.03
Goods on hand	37,652,707.90	10,081,378.87		11,447,057.93		36,287,028.84
Goods dispatched	48,051,256.47	8,083,454.95		16,150,778.95		39,983,932.47
Total	93,632,859.11	35,063,515.48		27,597,836.88		101,098,537.71

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

Items	Determination basis of net realizable value	Reasons for transfer-out of provision for inventory write-down
Raw materials	Estimated selling price of relevant finished goods less cost to be incurred upon completion, estimated selling expenses, and relevant taxes and surcharges	Inventories with provision for inventory write-down made in preceding period were used/sold in the current period.
Work in process		
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	Closing balance
Freight, hoisting and storage fees	36,400,871.49	104,882,391.72	44,313,804.81		96,969,458.40
Tariff	92,477,995.46	139,056,226.00	56,663,309.12		174,870,912.34
Subtotal	128,878,866.95	243,938,617.72	100,977,113.93		271,840,370.74

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 deposit receivable	226,559,086.01	11,327,954.30	215,231,131.71	361,068,746.75	20,037,637.34	341,031,109.41
Total	226,559,086.01	11,327,954.30	215,231,131.71	361,068,746.75	20,037,637.34	341,031,109.41

(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 (%)	
On an individual basis					
On a collective basis	226,559,086.01	100.00	11,327,954.30	5.00	215,231,131.71
Total	226,559,086.01	100.00	11,327,954.30	5.00	215,231,131.71

(Continued)

Categories	Opening balance				
	Book balance		Provision for impairment		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
On an individual basis	3,036,000.00	0.84	2,136,000.00	70.36	900,000.00
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

2) 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
Wanxiang A123 Systems Co., Ltd.	3,000,000.00	2,100,000.00				
JEVE Power Industry Jiaying Co., Ltd.	36,000.00	36,000.00				
Subtotal	3,036,000.00	2,136,000.00				

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	226,559,086.01	11,327,954.30	5.00
Within 1 year	226,559,086.01	11,327,954.30	5.00
Subtotal	226,559,086.01	11,327,954.30	5.00

(3) Changes in provision for impairment

Items	Opening balance	Increase/Decrease				Closing balance
		Accrual	Recovery or reversal	Transfer-out/Write-off	Others [Note]	
On an individual basis	2,136,000.00				-2,136,000.00	
On a collective basis	17,901,637.34	9,041,851.48			-15,615,534.52	11,327,954.30
Total	20,037,637.34	9,041,851.48			-17,751,534.52	11,327,954.30

Note: Transferred into accounts receivable.

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
Prepaid individual income tax	330,349.00		330,349.00			
Prepaid enterprise income tax	80,791.34		80,791.34	83,846.29		83,846.29
Input VAT to be credited	5,508,910.23		5,508,910.23	2,356,983.39		2,356,983.39
Other prepayments				2,230,139.98		2,230,139.98
Total	5,920,050.57		5,920,050.57	10,470,636.02		10,470,636.02

11. Fixed assets

(1) Details

Items	Buildings and structures	General equipment	Special equipment	Transport facilities	Other equipment	Total
Cost						
Opening 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
Increase	11,713,380.39	868,957.41	1,335,398.22	4,007,630.44	2,159,037.08	20,084,403.54
1) Acquisition	4,834,532.45	868,957.41	1,335,398.22	3,989,041.76	2,158,979.38	13,186,909.22
2) Transferred in from construction in progress	6,878,847.94					6,878,847.94
3) Translation reserve				18,588.68	57.70	18,646.38
Decrease	13,564,301.64	1,474,545.48	153,367.12	706,661.33		15,898,875.57
1) Disposal/scrapping			55,164.63	501,214.50		556,379.13
2) Translation reserve	13,564,301.64	1,474,545.48	98,202.49	205,446.83		15,342,496.44
Closing balance	1,126,386,800.28	35,560,378.60	292,904,138.23	30,229,866.36	49,419,363.37	1,534,500,546.84
Accumulated depreciation						
Opening 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
Increase	55,323,482.79	5,175,842.44	26,913,397.22	3,910,101.44	10,032,436.09	101,355,259.98
1) Accrual	55,323,482.79	5,175,842.44	26,913,397.22	3,910,101.44	10,032,425.44	101,355,249.33
2) Translation reserve					10.65	10.65
Decrease	849,912.25	137,659.47	11,652.08	541,594.40		1,540,818.20
1) Disposal/scrapping			6,987.52	476,153.78		483,141.30
2) Translation reserve	849,912.25	137,659.47	4,664.56	65,440.62		1,057,676.90
Closing balance	177,232,669.85	17,310,792.35	119,057,132.99	19,751,411.14	32,681,297.53	366,033,303.86

Items	Buildings and structures	General equipment	Special equipment	Transport facilities	Other equipment	Total
Carrying amount						
Closing carrying amount	949,154,130.43	18,249,586.25	173,847,005.24	10,478,455.22	16,738,065.84	1,168,467,242.98
Opening carrying amount	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

2) Fixed assets leased out under operating leases

Items	Closing carrying amount
Buildings and structures	16,992,238.42
Subtotal	16,992,238.42

12. Construction in progress

(1) Details

Projects	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Construction of No. 9 Hangke intelligent factory and automated logistics production line	57,139,416.93		57,139,416.93			
Payment for sporadic equipment	2,157,504.49		2,157,504.49			
Total	59,296,921.42		59,296,921.42			

(2) Changes in significant projects

Projects	Budgets (in ten thousand yuan)	Opening balance	Increase	Transferred to fixed assets	Other decreases	Closing balance
Construction of No. 9 Hangke intelligent factory and automated logistics production line	11,193.00		57,139,416.93			57,139,416.93
Subtotal	11,193.00		57,139,416.93			57,139,416.93

(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 (%)	Source of funds
Construction of No. 9 Hangke intelligent factory and automated logistics production line	51.05	60.00				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	2,107,555.58	2,107,555.58
1) Leased in	2,107,555.58	2,107,555.58
Decrease		
Closing balance	13,494,323.04	13,494,323.04
Accumulated depreciation		
Opening balance	9,172,673.90	9,172,673.90
Increase	3,970,389.86	3,970,389.86
1) Accrual	3,970,389.86	3,970,389.86
Decrease		
Closing balance	13,143,063.76	13,143,063.76
Carrying amount		
Closing carrying amount	351,259.28	351,259.28
Opening carrying amount	2,214,093.56	2,214,093.56

14. Intangible assets

(1) Details

Items	Land use right	Software	Total
Cost			
Opening balance	187,924,390.46	28,248,723.15	216,173,113.61
Increase	22,360,000.00	171,681.42	22,531,681.42
1) Acquisition	22,360,000.00	171,681.42	22,531,681.42
Decrease			
Closing balance	210,284,390.46	28,420,404.57	238,704,795.03
Accumulated amortization			
Opening balance	19,034,887.56	12,266,089.59	31,300,977.15
Increase	6,454,927.57	3,888,319.40	10,343,246.97
1) Accrual	6,454,927.57	3,888,319.40	10,343,246.97
Decrease			
Closing balance	25,489,815.13	16,154,408.99	41,644,224.12
Carrying amount			
Closing carrying amount	184,794,575.33	12,265,995.58	197,060,570.91
Opening carrying amount	168,889,502.90	15,982,633.56	184,872,136.46

(2) Land use right with certificate of titles being unsettled

Items	Carrying amount	Reasons for unsettlement
Land for construction of No. 9 Hangke intelligent factory and automated logistics production line	22,099,133.33	Construction of No. 9 Hangke intelligent factory and automated logistics production line has not yet completed
Subtotal	22,099,133.33	

15. Long-term prepayments

Items	Opening balance	Increase	Amortization	Other decreases	Closing balance
Decoration expenses	7,694,246.43	946,375.50	3,215,902.35	327,034.56 [Note]	5,097,685.02
Others	3,486,758.00		632,346.00		2,854,412.00
Total	11,181,004.43	946,375.50	3,848,248.35	327,034.56	7,952,097.02

Note: It was due to the impact of foreign currency translation.

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	666,971,398.26	99,829,963.26	531,936,576.69	79,981,196.25
Changes in fair value	2,179,828.82	326,974.32	1,948,657.48	292,298.62
Deferred income	39,911,270.42	5,986,690.56	23,863,491.77	3,579,523.77
Lease liabilities	140,990.35	21,148.55	2,169,004.49	325,350.67
Total	709,203,487.85	106,164,776.69	559,917,730.43	84,178,369.31

(2) Deferred tax liabilities before offset

Items	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Equity incentive expenses	4,752,325.34	712,848.80	3,046,237.49	456,935.63
Book-tax differences in depreciation of fixed assets	30,608,658.97	4,591,298.85	35,827,319.83	5,374,097.97
Book-tax differences in depreciation of right-of-use assets	351,259.28	52,688.89	2,214,093.56	332,114.03
Total	35,712,243.59	5,356,836.54	41,087,650.88	6,163,147.63

(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	5,356,836.54	100,807,940.15	6,163,147.63	78,015,221.68
Deferred tax liabilities	5,356,836.54		6,163,147.63	

(4) Details of unrecognized deferred tax assets

Items	Closing balance	Opening balance
Deductible temporary difference	14,726,929.73	11,128,153.09
Deductible losses	58,990,505.56	41,717,362.30
Total	73,717,435.29	52,845,515.39

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

Maturity years	Closing balance	Opening balance	Remarks
Year 2029	103,789.03	714,849.78	
Year 2030	5,614,937.89	5,614,937.89	
Year 2031	8,133,964.16	8,133,964.16	
Year 2032	12,660,193.11	12,660,193.11	
After Year 2032	32,477,621.37	14,593,417.36	
Total	58,990,505.56	41,717,362.30	

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	1,698,926.78		1,698,926.78	4,212,626.81		4,212,626.81
Contract assets	61,508,710.00	9,434,010.50	52,074,699.50	77,563,250.87	14,233,162.54	63,330,088.33
Total	63,207,636.78	9,434,010.50	53,773,626.28	81,775,877.68	14,233,162.54	67,542,715.14

(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 deposit receivable	61,508,710.00	9,434,010.50	52,074,699.50	77,563,250.87	14,233,162.54	63,330,088.33
Subtotal	61,508,710.00	9,434,010.50	52,074,699.50	77,563,250.87	14,233,162.54	63,330,088.33

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	230,000.00	0.37	230,000.00	100.00	
On a collective basis	61,278,710.00	99.63	9,204,010.50	15.02	52,074,699.50
Total	61,508,710.00	100.00	9,434,010.50	15.34	52,074,699.50

(Continued)

Categories	Opening 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

b. 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	230,000.00	230,000.00	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	230,000.00	230,000.00	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	61,278,710.00	9,204,010.50	15.02
Subtotal	61,278,710.00	9,204,010.50	15.02

3) Changes in provision for impairment

Items	Opening balance	Increase/Decrease				Closing balance
		Accrual	Recovery or reversal	Transfer-out/Write-off	Others [Note]	
On an individual basis	10,900,000.00				-10,670,000.00	230,000.00
On a collective basis	3,333,162.54	5,870,847.96				9,204,010.50
Total	14,233,162.54	5,870,847.96			-10,670,000.00	9,434,010.50

Note: Transferred into accounts receivable.

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	360,293,736.45	360,293,736.45	Pledged	Deposits for letters of guarantee and bank acceptance, and cash in bank pledged or frozen
Total	360,293,736.45	360,293,736.45	—	—

(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	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	—	—

19. Short-term borrowings

Items	Closing balance	Opening balance
Discounted but undue bank acceptance	7,460,020.44	14,516,000.00
Total	7,460,020.44	14,516,000.00

20. Notes payable

Items	Closing balance	Opening balance
Bank acceptance	839,556,159.82	985,238,870.63
Trade acceptance	32,356,130.84	30,323,265.62
Total	871,912,290.66	1,015,562,136.25

21. Accounts payable

(1) Details

Items	Closing balance	Opening balance
Payments for materials	1,026,202,685.32	1,487,550,264.77
Payments for engineering and equipment	43,594,899.86	61,845,477.39
Others	8,105,638.02	13,190,749.92
Total	1,077,903,223.20	1,562,586,492.08

(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
Jiangsu Huayi Zhongheng Metal Technology Development Co., Ltd.	11,558,433.63	Not yet settled
Shanghai New-Tronics M&E Co., Ltd.	10,503,133.87	Not yet settled
Subtotal	39,760,682.54	

22. Advances received

Items	Closing balance	Opening balance
Housing rents	584,600.00	560,000.00
Total	584,600.00	560,000.00

23. Contract liabilities

(1) Details

Items	Closing balance	Opening balance
Payments for goods	2,441,110,317.38	2,239,109,626.13
Total	2,441,110,317.38	2,239,109,626.13

(2) Significant contract liabilities with age over one year

Items	Closing balance	Reasons for unsettlement
Blue Oval SK Co., Ltd.	260,211,211.17	Not yet accepted
Jiangyin Ruitai Electronic Technology Co., Ltd.	140,976,542.09	Not yet accepted
SVOLT (Ma'an Shan) Co., Ltd.	59,934,159.29	Not yet accepted
Shandong Huitong Financial Leasing Co., Ltd.	46,113,769.91	Not yet accepted
Exide Energy Solutions	45,256,533.30	Not yet accepted
SVOLT (Yancheng) Co., Ltd.	38,911,911.50	Not yet accepted
Subtotal	591,404,127.26	Not yet accepted

24. Employee benefits payable

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	34,353,950.98	495,038,980.24	497,670,455.28	31,722,475.94
Post-employment benefits - defined contribution plan		36,770,773.01	36,770,773.01	
Total	34,353,950.98	531,809,753.25	534,441,228.29	31,722,475.94

(2) Details of short-term employee benefits

Items	Opening balance	Increase	Decrease	Closing balance
Wage, bonus, allowance and subsidy	34,347,632.40	441,622,474.67	444,253,771.83	31,716,335.24
Employee welfare fund		4,290,901.21	4,290,901.21	
Social insurance premium	6,318.58	27,062,807.28	27,062,985.16	6,140.70
Including: Medicare premium	6,318.58	25,236,948.21	25,237,126.09	6,140.70
Occupational injuries premium		1,825,859.07	1,825,859.07	
Housing provident fund		16,823,217.28	16,823,217.28	
Trade union fund and employee education fund		5,239,579.80	5,239,579.80	
Subtotal	34,353,950.98	495,038,980.24	497,670,455.28	31,722,475.94

(3) Details of defined contribution plan

Items	Opening balance	Increase	Decrease	Closing balance
Basic endowment insurance premium		35,502,815.32	35,502,815.32	
Unemployment insurance premium		1,267,957.69	1,267,957.69	
Subtotal		36,770,773.01	36,770,773.01	

25. Taxes and rates payable

Items	Closing balance	Opening balance
Enterprise income tax	13,634,051.33	75,189,390.31
VAT	11,783,585.43	302,078.31
Housing property tax	8,910,699.08	7,392,022.70
Land use tax	1,038,249.33	512.00
Urban maintenance and construction tax	290,942.66	957,920.52
Education surcharge	124,689.71	410,537.36
Local education surcharge	83,126.47	273,691.58
Individual income tax withheld for tax authorities	57,595.16	478,550.42
Stamp duty		1,779,737.23
Total	35,922,939.17	86,784,440.43

26. Other payables

Items	Closing balance	Opening balance
Expenses payable	5,487,222.81	2,503,407.60
Temporary receipts refundable	3,224,527.54	2,967,786.09
Security deposits	848,011.90	687,937.19
Temporary receipts payable	403,497.61	941,634.74

Items	Closing balance	Opening balance
Taxation overdue fines payable		1,368,787.27
Total	9,963,259.86	8,469,552.89

27. Non-current liabilities due within one year

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

28. Other current liabilities

Items	Closing balance	Opening balance
Output VAT to be recognized	52,173,384.41	66,695,840.81
Endorsed but undue notes receivable (not derecognized)	20,795,374.90	34,922,493.19
Accrued expenses	15,218,327.33	16,242,012.15
Total	88,187,086.64	117,860,346.15

29. Lease liabilities

Items	Closing balance	Opening balance
Unpaid lease payments		2,142,857.14
Less: Unrecognized financing expenses		114,843.05
Reclassified to non-current liabilities due within one year		2,028,014.09
Total		

30. Deferred income

Items	Opening balance	Increase	Decrease	Closing balance	Reasons for balance
Government grants	23,863,491.77	22,571,001.26	6,523,222.61	39,911,270.42	Government grants related to assets are amortized within useful life of assets.
Total	23,863,491.77	22,571,001.26	6,523,222.61	39,911,270.42	

31. Share capital

Items	Opening balance	Movements					Closing balance
		Issue of new shares	Bonus shares	Conversion of reserve to shares	Others	Subtotal	
Total shares	603,672,152.00						603,672,152.00

32. Capital reserve

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Share premium	2,342,986,899.53			2,342,986,899.53
Other capital reserve	16,843,093.74	778,128.40	6,893,610.52	10,727,611.62
Total	2,359,829,993.27	778,128.40	6,893,610.52	2,353,714,511.15

(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 -6,893,610.52 yuan in the current period.

b. Current increase of 778,128.40 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.

33. Other comprehensive income (OCI)

Items	Opening balance	Current period cumulative						Closing balance
		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	7,227,980.88	-2,697,884.98			-2,697,884.98			4,530,095.90
Including: Translation reserve	7,227,980.88	-2,697,884.98			-2,697,884.98			4,530,095.90
Total	7,227,980.88	-2,697,884.98			-2,697,884.98			4,530,095.90

34. Special reserve

Items	Opening balance	Increase	Decrease	Closing balance
Work safety fund	207,647.09	6,529,206.75	6,666,084.78	70,769.06
Total	207,647.09	6,529,206.75	6,666,084.78	70,769.06

35. Surplus reserve

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	271,191,623.48	30,644,452.52		301,836,076.00
Total	271,191,623.48	30,644,452.52		301,836,076.00

(2) Other remarks

Current increase was due to the appropriation of statutory surplus reserve at 10% of the net profit generated by the parent company in the current period. Accumulated statutory surplus reserve exceeding 50% of the registered capital will not be appropriated.

36. Undistributed profit

Items	Current period cumulative	Preceding period comparative
Opening balance	1,876,935,053.36	1,346,492,128.33
Add: Net profit attributable to owners of the parent company	326,336,354.34	809,090,505.69
Less: Appropriation of statutory surplus reserve	30,644,452.52	79,435,770.60
Dividend payable on ordinary shares [Note]	271,652,468.40	199,211,810.06
Closing balance	1,900,974,486.78	1,876,935,053.36

Note: Pursuant to the resolution of the shareholders' meeting of 2023 dated May 17, 2024, the Company distributed cash dividend for 2023 of 0.34 yuan (tax inclusive) per share, with cash dividend totaling 205,248,531.68 yuan distributed. Pursuant to the resolution of the first extraordinary shareholders' meeting of 2024 dated September 19, 2024, the Company distributed cash dividend for the first half of 2024 of 0.11 yuan (tax inclusive) per share, with cash dividend totaling 66,403,936.72 yuan distributed. In the aggregate, cash dividend of 271,652,468.40 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	2,956,528,398.34	2,046,397,289.21	3,891,013,361.75	2,482,860,277.71
Other operations	24,626,036.20	943,573.73	40,705,669.72	698,874.13
Total	2,981,154,434.54	2,047,340,862.94	3,931,719,031.47	2,483,559,151.84
Including: Revenue from contracts with customers	2,976,461,824.49	2,046,397,289.21	3,928,241,961.22	2,483,368,145.88

(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	2,584,475,593.04	1,775,713,131.49	3,194,136,336.96	2,031,774,977.72
Other equipment	349,195,306.90	259,864,390.38	664,382,466.55	436,837,571.05
Accessories	22,857,498.40	10,819,767.34	32,494,558.24	14,247,728.94
Others	19,933,426.15		37,228,599.47	507,868.17
Subtotal	2,976,461,824.49	2,046,397,289.21	3,928,241,961.22	2,483,368,145.88

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

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Domestic	2,021,327,665.99	1,450,598,069.56	3,159,999,748.05	2,097,673,668.40
Overseas	955,134,158.50	595,799,219.65	768,242,213.17	385,694,477.48
Subtotal	2,976,461,824.49	2,046,397,289.21	3,928,241,961.22	2,483,368,145.88

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	2,976,461,824.49	3,928,241,961.22
Subtotal	2,976,461,824.49	3,928,241,961.22

(3) Information related to performance obligations

Items	Time of fulfilling performance obligations	Significant payment terms	Nature of goods or services that the Company has promised to transfer	Whether the Company is a principal	Amount expected to be returned to the customer	Type of warranties and related obligations
Sales of goods	Upon rendering of acceptance	Advance payment, payment before shipment, acceptance payment, quality guarantee payment	Charging and discharging equipment and other equipment	Yes	None	Warranty-type quality guarantee
Rendering of services	Upon completion of services	The payment is generally made after the service is provided	Maintenance and renovation service	Yes	None	None

(4) Contract liabilities with opening balance of 1,417,772,144.35 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	13,446,004.80	12,882,074.99
Housing property tax	9,528,752.10	10,343,197.45
Education surcharge	5,762,573.48	5,520,889.28
Local education surcharge	3,841,715.64	3,680,592.88
Land use tax	2,015,226.81	512.00
Stamp duty	1,725,147.40	4,197,748.54
Vehicle and vessel use tax	24,692.45	20,074.95
Total	36,344,112.68	36,645,090.09

3. Selling expenses

Items	Current period cumulative	Preceding period comparative
Employee benefits	46,048,451.96	51,568,800.63
Business travelling expenses	9,410,636.39	13,864,328.00
Housing rents and utilities	6,368,412.35	8,163,475.06
Business entertainment expenses	2,717,141.25	5,471,551.99
Advertising and exhibition expenses	437,844.03	828,357.96
Office expenses	416,093.07	475,824.34
Others	4,242,260.71	6,474,855.48
Total	69,640,839.76	86,847,193.46

4. Administrative expenses

Items	Current period cumulative	Preceding period comparative
Employee benefits	81,841,611.99	87,939,418.32
Depreciation and amortization	45,556,581.55	34,301,669.03
Office expenses	18,640,163.20	13,791,203.08
Business travelling expenses	15,743,724.05	21,378,426.03
Agency expenses	14,802,212.60	12,770,043.65
Housing rents and utilities	5,349,254.20	6,870,441.23
Business entertainment expenses	1,552,665.27	4,676,823.26
Transportation and car costs	1,141,232.58	927,880.45
Employment security funds for the disabled	445,509.87	5,621,704.03
Share-based payments	-6,893,610.52	-27,427,566.55
Others	14,939,966.30	8,313,998.46

Items	Current period cumulative	Preceding period comparative
Total	193,119,311.09	169,164,040.99

5. R&D expenses

Items	Current period cumulative	Preceding period comparative
Employee benefits	176,514,141.23	161,662,964.88
Business travelling expenses	38,029,174.12	20,742,031.93
Materials and testing expenses	32,674,840.88	55,133,629.78
Others	9,927,936.09	6,024,931.88
Total	257,146,092.32	243,563,558.47

6. Financial expenses

Items	Current period cumulative	Preceding period comparative
Interest income	-98,833,845.76	-92,479,510.29
Losses on foreign exchange	11,484,772.11	-70,434,610.77
Handling fees	2,168,758.93	4,143,410.24
Operating interest subvention	961,750.54	137,689.72
Unrecognized financing expenses	150,144.60	445,036.05
Total	-84,068,419.58	-158,187,985.05

7. Other income

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Government grants related to assets	6,523,222.61	4,575,085.20	
Government grants related to income	35,951,164.37	102,575,333.51	6,091,696.66
VAT extra deductions	7,837,431.41	13,606,262.39	
Refund of handling fees for withholding individual income tax	937,782.04	553,563.20	
Total	51,249,600.43	121,310,244.30	6,091,696.66

8. Investment income

Items	Current period cumulative	Preceding period comparative
Losses on discounting of receivables financing	-1,174,872.58	-2,025,381.87
Investment income from financial products	1,009,726.03	2,439,369.87
Investment income from disposal of held-for-trading	755,203.47	

Items	Current period cumulative	Preceding period comparative
financial assets		
Investment income from options	83,541.00	-5,313,254.44
Losses on discounting of notes receivable		-131,234.45
Total	673,597.92	-5,030,500.89

9. Gains on changes in fair value

Items	Current period cumulative	Preceding period comparative
Held-for-trading financial assets	-1,419,171.34	-2,545,185.28
Including: Gains on changes in fair value of financial assets classified as at fair value through profit or loss	-1,419,171.34	-2,545,185.28
Total	-1,419,171.34	-2,545,185.28

10. Credit impairment loss

Items	Current period cumulative	Preceding period comparative
Bad debts	-125,920,220.17	-222,168,198.47
Total	-125,920,220.17	-222,168,198.47

11. Assets impairment loss

Items	Current period cumulative	Preceding period comparative
Inventory write-down loss	-35,063,515.48	-36,233,236.77
Impairment loss of contract assets	-9,041,851.48	-3,844,049.07
Impairment loss of other non-current assets	-5,870,847.96	-12,622,162.54
Total	-49,976,214.92	-52,699,448.38

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	23,185.30	670,184.65	23,185.30
Total	23,185.30	670,184.65	23,185.30

13. Non-operating revenue

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Penalty income	4,311,065.78	1,518,043.04	4,311,065.78
Refund of GDR custody fees and handling fees		5,918,712.15	
Gains on damage or retirement of non-current assets		10,000.00	
Others	70.69	1,064.64	70.69
Total	4,311,136.47	7,447,819.83	4,311,136.47

14. Non-operating expenditures

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Penalty expenditures	2,666,172.16	3,422,878.53	2,666,172.16
Tax overdue fines	310,921.36	2,100,371.13	310,921.36
Losses on damage or retirement of non-current assets	8,287.50		8,287.50
Donation expenditures		280,000.00	
Others	110,451.41	327,919.55	110,451.41
Total	3,095,832.43	6,131,169.21	3,095,832.43

15. Income tax expenses

(1) Details

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	33,155,170.72	132,383,877.88
Deferred income tax expenses	-22,013,808.47	-30,492,655.35
Total	11,141,362.25	101,891,222.53

(2) Reconciliation of accounting profit to income tax expenses

Items	Current period cumulative	Preceding period comparative
Profit before tax	337,477,716.59	910,981,728.22
Income tax expenses based on tax rate applicable to the parent company	50,621,657.49	136,647,259.21
Effect of different tax rate applicable to subsidiaries	-3,018,785.39	-580,192.92
Effect of prior income tax reconciliation	-3,123,230.45	3,559,532.61
Effect of non-taxable income		-426,165.95
Effect of non-deductible costs, expenses and losses	415,306.41	1,650,063.31

Items	Current period cumulative	Preceding period comparative
Effect of utilization of deductible losses not previously recognized as deferred tax assets	-512,130.31	-308,388.82
Effect of deductible temporary differences or deductible losses not recognized as deferred tax assets in the current period	2,379,192.33	3,583,939.13
Effect of extra deduction of R&D expenses	-35,620,647.83	-36,187,217.55
Effect of extra deduction on the acquisition of equipment by high-tech enterprises		-6,047,606.49
Income tax expenses	11,141,362.25	101,891,222.53

16. Other comprehensive income after 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	151,009,726.03	272,439,369.87
Cash recovered from sales of shares	1,943,203.47	
Total	152,952,929.50	272,439,369.87

(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, long-term prepayments and other non-current assets	83,438,190.40	396,174,453.98
Cash payment for the acquisition of intangible assets	22,541,982.31	16,143,850.82
Total	105,980,172.71	412,318,304.80

(3) Cash payments for investments

Items	Current period cumulative	Preceding period comparative
Purchase of financial products	150,000,000.00	270,000,000.00
Total	150,000,000.00	270,000,000.00

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	293,412,004.65	167,925,760.44
Matured time deposits pledged for notes	103,899,421.68	44,590,786.46
Bank interest income	98,900,931.37	92,938,387.27
Receipt of government grants	28,662,697.92	22,372,200.00
Others	18,800,299.13	13,091,747.06
Total	543,675,354.75	340,918,881.23

(2) Other cash payments related to operating activities

Items	Current period cumulative	Preceding period comparative
Deposits for notes and letters of guarantee	183,922,449.14	293,412,004.65
Out of pocket expenses	155,282,804.36	173,388,310.65
Funds frozen during the confirmation period for the purchase of structured deposits	150,043,989.37	
Time deposits and demand deposits pledged for notes	14,330,077.48	104,368,298.66
ETC deposits and judicially frozen funds	11,243,056.67	
Bid bond and performance bond	840,781.48	25,410,874.02
Others	6,566,150.48	3,828,952.63
Total	522,229,308.98	600,408,440.61

(3) Other cash receipts related to financing activities

Items	Current period cumulative	Preceding period comparative
Cash receipts from discounting of notes	48,680,470.26	14,481,760.28
Total	48,680,470.26	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	4,500,000.00	13,343,672.74

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	326,336,354.34	809,090,505.69
Add: Provision for assets impairment	49,976,214.92	52,699,448.38
Provision for credit impairment	125,920,220.17	222,168,198.47
Depreciation of fixed assets, right-of-use assets, oil and gas assets, productive biological assets	105,325,639.19	91,648,618.28
Amortization of intangible assets	10,082,380.30	6,773,245.38
Amortization of long-term prepayments	3,848,248.35	4,222,430.30
Losses on disposal of fixed assets, intangible assets and other long-term assets (Less: gains)	-23,185.30	-670,184.65
Fixed assets retirement loss (Less: gains)	8,287.50	-10,000.00
Losses on changes in fair value (Less: gains)	1,419,171.34	2,545,185.28
Financial expenses (Less: gains)	12,596,667.25	-69,851,885.00
Investment losses (Less: gains)	-673,597.92	5,030,500.89
Decrease of deferred tax assets (Less: increase)	-22,792,718.47	-41,478,769.11
Increase of deferred tax liabilities (Less: decrease)		
Decrease of inventories (Less: increase)	-46,699,542.22	-557,032,854.84
Decrease of operating receivables (Less: increase)	121,287,456.49	-732,996,239.42
Increase of operating payables (Less: decrease)	-511,088,657.50	447,861,460.86
Others	-6,252,360.15	-25,033,782.88
Net cash flows from operating activities	169,270,578.29	214,965,877.63
(2) Significant investing and financing activities not related to cash receipts and payments:		
Conversion of debt into capital		
Convertible bonds due within one year		
Right-of-use assets increased in the current period		
(3) Net changes in cash and cash equivalents:		
Cash at the end of the period	2,711,519,926.45	2,865,817,877.74
Less: Cash at the beginning of the period	2,865,817,877.74	1,992,463,562.87
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	-154,297,951.29	873,354,314.87

4. Composition of cash and cash equivalents

(1) Details

Items	Closing balance	Opening balance
1) Cash	2,711,519,926.45	2,865,817,877.74
Including: Cash on hand	1,520,259.81	86,185.18
Cash in bank on demand for payment	2,708,056,430.78	2,865,731,692.56
Other cash and bank balances on demand for payment	1,943,235.86	
Central bank deposit on demand for payment		
Deposit in other banks		
Loans to other banks		
2) Cash equivalents		
Including: Bond investments maturing within three months		
3) Cash and cash equivalents at the end of the period	2,711,519,926.45	2,865,817,877.74
Including: Cash and cash equivalents of parent company or subsidiaries with use restrictions	831,810,117.41	1,450,125,891.74

(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	103,836,515.54	850,726,594.14	Accounts with raised funds under supervision
Cash in bank	727,973,601.87	599,399,297.60	Cash of overseas operating subsidiaries subject to foreign exchange controls
Subtotal	831,810,117.41	1,450,125,891.74	

(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	11,243,056.67	10,000.00	Cash in bank frozen
Cash in bank – demand deposits		97,224,408.20	Demand deposits pledged for notes
Cash in bank – Time deposits	14,262,991.87	6,685,013.48	Time deposits pledged for letters of guarantee and interest thereof
Cash in bank - structured deposits	150,043,989.37		Funds frozen during the confirmation period for the purchase of structured deposits
Other cash and bank balances - deposits for letters of guarantee	125,834,258.34	196,386,852.14	Deposits for letters of guarantee pledged
Other cash and bank balances - deposits	58,909,440.20	97,025,152.51	Deposits for bank acceptance pledged

Items	Closing balance	Opening balance	Reasons for not considered as cash and cash equivalents
for bank acceptance			
Subtotal	360,293,736.45	397,331,426.33	

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	14,516,000.00	48,680,470.26	314,550.18		56,051,000.00	7,460,020.44
Lease liabilities (including lease liabilities due within one year)	2,028,014.09		2,257,700.18	4,285,714.27		
Subtotal	16,544,014.09	48,680,470.26	2,572,250.36	4,285,714.27	56,051,000.00	7,460,020.44

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

Items	Current period cumulative	Preceding period comparative
Amount of endorsed commercial acceptance	132,202,467.10	201,808,311.29
Including: Payments for goods	131,661,062.10	197,804,808.98
Payments for acquisition of fixed assets and other long-term assets	541,405.00	4,003,502.31

(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			
Including: USD	211,557,848.46	7.1884	1,520,762,437.87
EUR	59,410,296.89	7.5257	447,104,071.31
JPY	240,291,629.00	0.0462	11,101,473.26
KRW	1,194,810,295.00	0.0049	5,854,570.45
PLN	4,635,629.24	1.7597	8,157,316.77
HKD	2,661,640.81	0.9260	2,464,679.39
SGD	26,010.64	5.3214	138,413.02
MYR	2,500,000.00	1.6199	4,049,750.00
HUF	1,373,288.00	0.0183	25,131.17
GBP	6,921.60	9.0765	62,823.90
CAD	4,861.06	5.4531	26,507.85
Accounts receivable			

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent at the end of the period
Including: USD	15,501,168.96	7.1884	111,428,602.95
EUR	42,100.86	7.5257	316,838.44
JPY	94,648,537.99	0.0462	4,372,762.46
KRW	20,518,034.00	0.0049	100,538.37
Contract assets			
Including: USD	7,256,954.85	7.1884	52,165,894.24
Other receivables			
Including: USD	3,010,410.00	7.1884	21,640,031.24
EUR	13,450.00	7.5257	101,220.67
JPY	2,010,114.00	0.0462	92,867.27
KRW	60,003,520.00	0.0049	294,017.25
Accounts payable			
Including: USD	2,411,133.53	7.1884	17,332,192.27
KRW	2,011,795,811.00	0.0049	9,857,799.47
PLN	13,657.88	1.7597	24,033.77
Other payables			
Including: USD	27,000.00	7.1884	194,086.80
JPY	59,166,679.00	0.0462	2,733,500.57
KRW	8,225,878.00	0.0049	40,306.80
SGD	56.79	5.3214	302.20

(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	
HK Power Co., Ltd.	Korea	KRW	
Hangke Electronics Co., Ltd.	Korea	KRW	
Japan New Energy Equipment Co., Ltd.	Japan	JPY	
Hangke Electronics Technology (Singapore) Pte. Ltd.	Singapore	SGD	
Honreck Equipment Technology Support Company Sdn. Bhd.	Malaysia	MYR	
Honreck Electronics Trading Sp. z o.o.	Poland	PLN	
Hangke Technology Inc.	USA	USD	
HK Technology, Inc.	USA	USD	
Hangke Technology Hungary Kft	Hungary	HUF	

Foreign operating entities	Main operating place	Functional currencies	Basis for selection of functional currencies
Hangke Technology UK Limited	UK	GBP	
Canada Hangke Technology Ltd.	Canada	CAD	
Hangke Technology Germany GmbH	Germany	EUR	
Starlink Electronic Technology Malaysia Sdn. Bhd.	Malaysia	MYR	

2. Leases

(1) The Company as the 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	9,743,341.57	10,029,678.02
Expense relating to leases of low-value assets (excluding short-term leases)	958,299.28	
Total	10,701,640.85	10,029,678.02

3) Profit or loss and cash flows related to leases

Items	Current period cumulative	Preceding period comparative
Interest expenses on lease liabilities	150,144.60	445,036.05
Total cash outflows related to leases	13,173,239.69	12,495,157.66

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 the lessor

1) Operating lease

a. Lease income

Items	Current period cumulative	Preceding period comparative
Lease income	4,692,610.05	3,477,070.25

b. Assets leased out under operating leases

Items	Closing balance	December 31, 2023
Fixed assets	16,992,238.42	19,865,815.73
Subtotal	16,992,238.42	19,865,815.73

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	176,514,141.23	161,662,964.88
Business travelling expenses	38,029,174.12	20,742,031.93
Materials and testing expenses	32,674,840.88	55,133,629.78
Others	9,927,936.09	6,024,931.88
Total	257,146,092.32	243,563,558.47
Including: R&D costs to be expensed	257,146,092.32	243,563,558.47
R&D costs to be capitalized		

VII. Interest in other entities

(I) Composition of the consolidation scope

1. The Company has brought 15 subsidiaries including CHR Japan Co., Ltd., Hangke E-commerce (Hong Kong) Co., Ltd., HK Power Co., Ltd., Hangke Electronics Co., Ltd., Japan New Energy Equipment Co., Ltd., Hangke Electronics Technology (Singapore) Pte. Ltd., Honreck Equipment Technology Support Company Sdn. Bhd., Honreck Electronics Trading Sp. z o.o., Hangke Technology Inc., HK Technology, Inc., Hangke Technology Hungary Kft, Hangke Technology UK Limited, Canada Hangke Technology Ltd., Hangke Technology Germany GmbH and Starlink Electronic Technology Malaysia Sdn. Bhd. into the consolidation scope.

2. Basic 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
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
Japan New Energy Equipment Co., Ltd.	JPY 9.00 million	Japan	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
HK Technology, Inc.	USD 2.00 million	USA	Business		100.00	Establishment
Hangke Technology Hungary Kft	EUR 2.00 million	Hungary	Business		100.00	Establishment

Subsidiaries	Registered capital	Main operating place and place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
HK Power Co., Ltd.	KRW 3.00 billion	South Korea	Industry		100.00	Establishment
Hangke Technology UK Limited	GBP 0.50 million	UK	Business		100.00	Establishment
Canada Hangke Technology Ltd.	None	Canada	Business		100.00	Establishment
Hangke Technology Germany GmbH	EUR 2.50 million	Germany	Business	100.00		Establishment
Hangke Electronics Technology (Singapore) Pte. Ltd.	SGD 1.00 million	Singapore	Business	100.00		Establishment
Starlink Electronic Technology Malaysia Sdn. Bhd.	MYR 1,000	Malaysia	Industry		100.00	Establishment

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

Entities	Equity acquisition method	Equity acquisition date	Capital contribution	Proportion of capital contribution (%)
Hangke Technology UK Limited	Establishment	August 12, 2024	GBP 0.50 million [Note]	100.00
Canada Hangke Technology Ltd.	Establishment	August 21, 2024	None [Note]	100.00
Hangke Electronics Technology (Singapore) Pte. Ltd.	Establishment	December 15, 2023	SGD 1.00 million	100.00
Starlink Electronic Technology Malaysia Sdn. Bhd.	Establishment	October 16, 2024	MYR 1,000	100.00

Note: As of the balance sheet date, Hangke E-commerce (Hong Kong) Co., Ltd. has not paid any contribution to Hangke Technology UK Limited and Canada Hangke Technology Ltd.

VIII. Government grants

(I) Government grants increased in the current period

Items	Amount
Government grants related to assets	22,571,001.26
Including: Included into deferred income	22,571,001.26
Government grants related to income	35,951,164.37
Including: Included into other income	35,951,164.37
Total	58,522,165.63

(II) Liabilities related to government grants

Presented under	Opening balance	Increase	Amount included into other income	Amount included into non-operating revenue
Deferred income	23,863,491.77	22,571,001.26	6,523,222.61	
Subtotal	23,863,491.77	22,571,001.26	6,523,222.61	

(Continued)

Presented under	Amount offsetting expenses	Amount offsetting assets	Other changes	Closing balance	Related to assets/Related to income
Deferred income				39,911,270.42	Related to assets
Subtotal				39,911,270.42	

(III) Government grants included into profit or loss

Items	Current period cumulative	Preceding period comparative
Government grants included into other income	42,474,386.98	120,756,681.10
Total	42,474,386.98	120,756,681.10

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, 2024, the Company has certain concentration of credit risk, and 54.31% (December 31, 2023: 62.78%) 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 or 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, etc. and adopts long-term and short-term financing methods to optimize financing structures, and finally maintains a balance between financing sustainability and flexibility. The Company has obtained credit limit from several commercial banks to meet working capital requirements and expenditures.

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	7,460,020.44	7,460,020.44	7,460,020.44		
Notes payable	871,912,290.66	871,912,290.66	871,912,290.66		
Accounts payable	1,077,903,223.20	1,077,903,223.20	1,077,903,223.20		
Other payables	9,963,259.86	9,963,259.86	9,963,259.86		
Other current liabilities	36,013,702.23	36,013,702.23	36,013,702.23		
Non-current liabilities due within one year					
Subtotal	2,003,252,496.39	2,003,252,496.39	2,003,252,496.39		

(Continued)

Items	December 31, 2023				
	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		

Items	December 31, 2023				
	Carrying amount	Contract amount not yet discounted	Within 1 year	1-3 years	Over 3 years
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		
Subtotal	2,654,326,700.65	2,654,441,543.70	2,654,441,543.70		

(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.

(IV) Financial assets transfer

1. Basic condition of financial assets transfer

Ways of financial assets transfer	Nature of financial assets transferred	Amount of financial assets transferred	Derecognition	Judgement basis of derecognition
Discounting of notes	Notes receivable	7,460,020.44	Not derecognized	The Company has retained substantially all of the risks and rewards
Discounting of notes	Notes receivable	10,000,000.00	Derecognized	Non-recourse discount, the Company has transferred substantially all of the risks and rewards
Endorsement of notes	Notes receivable	20,795,374.90	Not derecognized	The Company has retained substantially all of the risks and rewards

Ways of financial assets transfer	Nature of financial assets transferred	Amount of financial assets transferred	Derecognition	Judgement basis of derecognition
Discounting of notes	Receivables financing	83,470,474.19	Derecognized	The Company has transferred substantially all of the risks and rewards
Endorsement of notes	Receivables financing	18,781,937.15	Derecognized	The Company has transferred substantially all of the risks and rewards
Subtotal		140,507,806.68		

2. Financial assets derecognized due to transfer

Items	Ways of financial assets transfer	Amount derecognized	Gains or losses related to derecognition
Notes receivable	Discounting	10,000,000.00	-45,388.89
Receivables financing	Discounting	83,470,474.19	-416,206.96
Receivables financing	Endorsement	18,781,937.15	
Subtotal		112,252,411.34	-461,595.85

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	3,318,338.14		16,649,074.05	19,967,412.19
1. Held-for-trading financial assets	3,318,338.14			3,318,338.14
2. Receivables financing			16,649,074.05	16,649,074.05
Total assets at recurring fair value measurement	3,318,338.14		16,649,074.05	19,967,412.19

(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
Shuiwa LLC	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
	Purchase of materials	11,504.42	

2. Related party leases

Lessors	Types of assets leased	Current period cumulative			
		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	Lease with right-of-use assets recognized		
			Lease expenses paid (excluding variable lease payments not included in the measurement of lease liabilities)	Increased principal of lease liabilities	Interest expenses recognized
Hangzhou Tongce Communication Electronics Co., Ltd.	Buildings and structures	9,545,417.16			
Shuiwa LLC	Buildings and structures	467,072.73			

(Continued)

Lessors	Types of assets leased	Preceding period comparative			
		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	Lease with right-of-use assets recognized		
			Lease expenses paid (excluding variable lease payments not included in the measurement of lease liabilities)	Increased principal of lease liabilities	Interest expenses recognized
Hangzhou Tongce Communication Electronics Co., Ltd.	Buildings and structures	9,423,040.36			
Shuiwa LLC	Buildings and structures				

3. Key management's emoluments

Items	Current period cumulative	Preceding period comparative
Key management's emoluments	5.0887 million	4.5454 million
Senior executive equity incentive	-0.0983 million	0.0713 million

4. Other related party transactions

As of December 31, 2024, 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.

(III) Balances due to related parties

Items	Related parties	Closing balance	Opening balance
Accounts payable			
	Zhejiang Hangke Instrument Co., Ltd.	6,304.42	
Subtotal		6,304.42	
Other payables			
	Hangzhou Tongce Communication Electronics Co., Ltd.	5,485,337.84	
Subtotal		5,485,337.84	

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							49,000.00	1,360,775.57
R&D personnel							406,500.00	11,288,883.05
Sales personnel							85,500.00	2,374,414.52
Production personnel							160,000.00	4,443,348.80
Total							701,000.00	19,467,421.94

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	33 months
R&D personnel			27.77	33 months
Sales personnel			27.77	33 months
Production personnel			27.77	33 months

3. Other remarks

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 2024 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	246,849,095.70

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.

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)			
The fourth batch (one fourth)	70.10	31.19	2,186.42
Total	70.10	31.19	2,186.42

Note: The original granted shares totaled 3.20 million shares. Shares in the first batch (one fourth), the second batch (one fourth) and the third batch (one fourth) were invalid as exercise conditions were not satisfied. 0.701 million shares in the fourth batch (one fourth) are expected to be exercised due to resignation of incentive 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
402.38	546.63	546.63	546.63	144.15	2,186.42

Note: The performance assessment goal of the third batch (one fourth) of 2022 Restricted Shares Incentive Plan at the company level is that the operating revenue in 2024 shall not be less than 365% of the operating revenue in 2020 or the net profit in 2024 shall not be less than 295% of the net profit in 2020. As the growth rate of operating revenue and net profit in 2024 are not satisfied for the exercise conditions of the granted shares, the part of restricted shares incentive 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	-48.19	
R&D personnel	-399.75	
Sales personnel	-84.08	
Production personnel	-157.34	
Total	-689.36	

XIII. Commitments and contingencies

(I) Significant commitments

As of the balance sheet date, outstanding balance of the Company's letters of guarantee was equivalent to 282,722,973.83 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	Pursuant to the deliberation and resolution of the 22 nd meeting of the third session of the Board of Directors dated January 20, 2025, it is approved to distribute cash dividend of 0.58 yuan (tax inclusive) per 10 shares. Pursuant to the deliberation and resolution of the 24 th meeting of the third session of the Board of Directors dated April 28, 2025, it is approved to distribute cash dividend of 0.58 yuan (tax inclusive) per 10 shares.

(II) Other events after the balance sheet date

1. Pursuant to the resolution of the 24th meeting of the third session of the Board of Directors dated April 28, 2025, the Board made the decision to request the shareholders' meeting to authorize it to issue shares to specific objects through simplified procedures with a total financing amount not exceeding 300 million yuan and not exceeding 20% of the net assets at the end of last year. The authorization period is from the date of approval by the shareholders' meeting of 2024 to the date of shareholders' meeting of 2025. This proposal still needs to be submitted to the shareholders' meeting for approval.

2. Pursuant to the resolution of the 24th meeting of the third session of the Board of Directors dated April 28, 2025, the "Proposal Regarding the Cancellation of Some Granted but Unvested Restricted Shares" was deliberated and approved. Due to failure to meet the performance evaluation requirements at the company level, the Company plans to cancel 1.734 million Class II restricted shares corresponding to the second and third awarding periods of the 2021 Restricted Share Incentive Plan and 2.40 million Class II restricted shares corresponding to the first, second and third awarding periods of the 2022 Restricted Share Incentive Plan.

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) Age analysis

Ages	Closing book balance	Opening book balance
Within 1 year	767,856,868.88	1,115,408,880.85
1-2 years	825,951,387.24	1,016,260,184.13
2-3 years	601,289,055.53	202,298,540.92
Over 3 years	174,490,740.88	88,085,581.63
Book balance	2,369,588,052.53	2,422,053,187.53
Less: Provision for bad debts	547,743,683.37	410,179,007.72
Carrying amount	1,821,844,369.16	2,011,874,179.81

(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	132,389,049.13	5.59	129,617,871.73	97.91	2,771,177.40
Receivables with provision made on a collective basis	2,237,199,003.40	94.41	418,125,811.64	18.69	1,819,073,191.76
Total	2,369,588,052.53	100.00	547,743,683.37	23.12	1,821,844,369.16

(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	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

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
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.
Jiangsu Weifeng Power Industry Co., Ltd.	33,475,000.00	33,475,000.00	44,145,000.00	44,145,000.00	100.00	It is less likely to recover due to the debtor's inadequacy of cash flows.
JEVE Power Industry Jiaxing Co., Ltd.	955,000.00	955,000.00	991,000.00	991,000.00	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	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.
JEVE New Energy Technology (Huzhou) Co., Ltd.	2,792,000.00	2,792,000.00	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	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.
Tianjin Risesun Mengguli New Energy Science & Technology Co., Ltd.			3,279,138.46	3,279,138.46	100.00	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	3,240,000.00	468,822.60	14.47	It is estimated to be not fully recoverable.
Jiangxi Weile Battery Co., Ltd.	12,590,000.00	9,442,500.00				It is less likely to recover due to the debtor's inadequacy of cash flows.
Subtotal	143,218,910.67	135,431,910.67	132,389,049.13	129,617,871.73	97.91	

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	767,856,868.88	38,392,843.44	5.00
1-2 years	824,336,567.24	123,650,485.09	15.00
2-3 years	555,604,405.96	166,681,321.79	30.00
Over 3 years	89,401,161.32	89,401,161.32	100.00
Subtotal	2,237,199,003.40	418,125,811.64	18.69

(3) Changes in provision for bad debts

1) Details

Items	Opening balance	Increase/Decrease				Closing balance
		Accrual	Recovery or reversal	Write-off	Others [Note]	
Receivables with provision made on an individual basis	135,431,910.67	1,544,961.06	10,500,000.00	9,665,000.00	12,806,000.00	129,617,871.73
Receivables with provision made on a collective basis	274,747,097.05	127,763,180.07			15,615,534.52	418,125,811.64
Total	410,179,007.72	129,308,141.13	10,500,000.00	9,665,000.00	28,421,534.52	547,743,683.37

Note: Transferred in from contract assets and other non-current assets.

2) Provisions collected or reversed

Debtors	Amount collected or reversed	Reasons for reversal	Ways of collection	Basis and reasonableness for recognition of original provision for bad debts
Wanxiang A123 Systems Co., Ltd.	10,500,000.00		Bank transfer	The original provision for bad debts was made according to the preliminary negotiation with the debtor, and the supplementary agreement was actually signed and the payment was received in the current period.
Subtotal	10,500,000.00			

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

1) Accounts receivable written off

Items	Amount written off
Accounts receivable actually written off	9,665,000.00

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
Jiangxi Weile Battery Co., Ltd.	Payments for goods	9,440,000.00	Part of payment for goods was exempted due to litigation settlement	Approval of the Management	No
Wanxiang A123 Systems Co., Ltd.	Payments for goods	225,000.00	Part of payment for goods was exempted due to litigation settlement	Approval of the Management	No
Subtotal		9,665,000.00			

(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 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 contract assets presented under other non-current assets)	Subtotal		
No. 1	462,474,979.70	18,294,000.00	480,768,979.70	18.12	130,749,616.19
No. 2	462,001,713.40	15,481,076.18	477,482,789.58	17.99	72,663,408.33
No. 3	168,406,546.83	17,812,771.83	186,219,318.66	7.02	16,991,995.02
No. 4	131,159,277.00	14,236,900.00	145,396,177.00	5.48	17,127,041.20
No. 5	124,842,315.72	19,258,000.00	144,100,315.72	5.43	36,149,447.98
Subtotal	1,348,884,832.65	85,082,748.01	1,433,967,580.66	54.04	273,681,508.72

2. Other receivables

(1) Other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Balances due from related parties within the consolidation scope	72,003,485.03	149,279,012.46
Security deposits	16,169,789.91	19,536,647.50
Petty cash	2,818,738.03	5,178,512.18
Others	2,002,589.33	5,130,597.50
Book balance	92,994,602.30	179,124,769.64
Less: Provision for bad debts	32,347,004.02	77,120,360.15
Carrying amount	60,647,598.28	102,004,409.49

(2) Age analysis

Ages	Closing balance	Opening balance
Within 1 year	5,798,386.68	28,327,924.37
1-2 years	4,975,390.47	80,841,396.90
2-3 years	72,728,641.47	9,110,991.38
Over 3 years	9,492,183.68	60,844,456.99
Book balance	92,994,602.30	179,124,769.64
Less: Provision for bad debts	32,347,004.02	77,120,360.15
Carrying amount	60,647,598.28	102,004,409.49

(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	4,099,602.41	4.41	4,099,602.41	100.00	
Receivables with provision made on a collective basis	88,894,999.89	95.59	28,247,401.61	31.78	60,647,598.28
Total	92,994,602.30	100.00	32,347,004.02	34.78	60,647,598.28

(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	2.42	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

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	72,003,485.03	21,140,735.19	29.36
Portfolio grouped with deposits	12,070,187.50	6,545,411.50	54.23
Portfolio grouped with petty cash	2,818,738.03	237,049.62	8.41
Other portfolios	2,002,589.33	324,205.30	16.19
Subtotal	88,894,999.89	28,247,401.61	31.78

(4) Changes in provision for bad debts

Items	Stage 1	Stage 2	Stage 3	Subtotal
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Opening balance	1,416,396.21	12,126,209.54	63,577,754.40	77,120,360.15
Opening balance in the current period	—	—	—	
--Transferred to stage 2	-248,769.52	248,769.52		
--Transferred to stage 3		-10,909,296.22	10,909,296.22	
--Reversed to stage 2				
--Reversed to stage 1				
Provision made in the current period	-877,707.36	-719,374.27	-42,694,376.91	-44,291,458.54

Items	Stage 1	Stage 2	Stage 3	Subtotal
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Provision recovered or reversed in the current period			481,897.59	481,897.59
Provision written off in the current period				
Other changes				
Closing balance	289,919.33	746,308.57	31,310,776.12	32,347,004.02
Provision proportion (%)	5.00	15.00	38.08	34.78

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 at the balance sheet date
Hangke E-commerce (Hong Kong) Co., Ltd.	Intercompany balances	71,884,000.00	Within 1 year: 1,057,000.00 yuan, 1-2 years: 1,181,000.00 yuan, 2-3 years: 69,646,000.00 yuan	77.30	21,123,800.00
Pacific Global Logistics Inc.	Deposits	2,871,920.00	2-3 years	3.09	861,576.00
Fujiang Energy Technology Co., Ltd.	Deposits	2,384,920.00	1-2 years	2.56	357,738.00
Zhejiang Zhixin Holding Group Co., Ltd.	Deposits	2,280,000.00	Over 3 years	2.45	2,280,000.00
Hengdian Group DMEGC Magnetics Co., Ltd.	Deposits	1,800,000.00	Over 3 years	1.94	1,800,000.00
Subtotal		81,220,840.00		87.34	26,423,114.00

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	188,951,762.24		188,951,762.24	132,131,762.24		132,131,762.24
Total	188,951,762.24		188,951,762.24	132,131,762.24		132,131,762.24

(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.	69,432,800.00						69,432,800.00	
Hangke E-commerce (Hong Kong) Co., Ltd.	650,000.00						650,000.00	
Hangke Technology Germany GmbH	62,048,962.24						62,048,962.24	
Hangke Electronics Technology (Singapore) Pte. Ltd.			56,820,000.00				56,820,000.00	
Subtotal	132,131,762.24		56,820,000.00				188,951,762.24	

(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	2,848,650,186.14	1,966,622,494.26	3,878,525,193.99	2,482,915,079.56
Other operations	25,688,725.68	943,573.73	40,681,558.79	698,874.13
Total	2,874,338,911.82	1,967,566,067.99	3,919,206,752.78	2,483,613,953.69
Including: Revenue from contracts with customers	2,869,646,301.77	1,966,622,494.26	3,915,729,682.53	2,483,422,947.73

(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	2,531,565,399.90	1,743,747,702.72	3,187,641,584.40	2,030,649,389.20
Other equipment	294,926,421.10	213,538,283.51	662,140,859.66	441,382,740.24
Accessories	22,158,365.14	9,336,508.03	28,742,749.93	10,882,950.12
Others	20,996,115.63		37,204,488.54	507,868.17
Subtotal	2,869,646,301.77	1,966,622,494.26	3,915,729,682.53	2,483,422,947.73

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

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Domestic	2,021,327,665.99	1,450,598,069.56	3,159,999,748.05	2,097,744,935.22
Overseas	848,318,635.78	516,024,424.70	755,729,934.48	385,678,012.51
Subtotal	2,869,646,301.77	1,966,622,494.26	3,915,729,682.53	2,483,422,947.73

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	2,869,646,301.77	3,915,729,682.53
Subtotal	2,869,646,301.77	3,915,729,682.53

(3) Information related to performance obligations

Items	Time of fulfilling performance obligations	Significant payment terms	Nature of goods or services that the Company has promised to transfer	Whether the Company is a principal	Amount expected to be returned to the customer	Type of warranties and related obligations
Sales of goods	Upon acceptance of goods	Advance payment, payment before shipment, acceptance payment, and quality guarantee payment	Charging and discharging equipment and other equipment	Yes	None	Warranty-type quality guarantee
Rendering of services	Upon completion of services	The payment is generally made after the service is provided	Maintenance and renovation service	Yes	None	None

(4) Contract liabilities with opening balance of 1,222,403,923.51 yuan were carried over to revenue in the current period.

2. R&D expenses

Items	Current period cumulative	Preceding period comparative
Employee benefits	176,514,141.23	161,662,964.88
Business travelling expenses	38,029,174.12	20,742,031.93
Materials and testing expenses	32,674,840.88	55,133,629.78
Others	9,927,936.09	6,024,931.88
Total	257,146,092.32	243,563,558.47

3. Investment income

Items	Current period cumulative	Preceding period comparative
Losses on discounting of receivables financing	-1,174,872.58	-2,025,381.87
Interest income from intercompany balances and call loans	2,278,841.38	2,841,106.35
Investment income from financial products	1,009,726.03	2,439,369.87
Investment income from disposal of held-for-trading financial assets	755,203.47	
Investment income from options	83,541.00	-5,313,254.44
Losses on discounting of notes receivable		-131,234.45
Total	2,952,439.30	-2,189,394.54

XVII. Other supplementary information

(I) Non-recurring profit or loss

Items	Amount	Remarks
Gains on disposal of non-current assets, including write-off of provision for impairment	14,897.80	
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)	6,091,696.66	
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	429,299.16	
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	10,500,000.00	
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	1,223,591.54	
Other profit or loss satisfying the definition of non-recurring profit or loss		
Subtotal	18,259,485.16	

Items	Amount	Remarks
Less: Enterprise income tax affected	2,786,469.85	
Non-controlling interest affected (after tax)		
Net non-recurring profit or loss attributable to shareholders of the parent company	15,473,015.31	

(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	6.35	0.54	0.54
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	6.05	0.51	0.51

2. Calculation process of weighted average ROE

Items	Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	326,336,354.34
Non-recurring profit or loss	B	15,473,015.31
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	310,863,339.03
Opening balance of net assets attributable to shareholders of ordinary shares	D	5,119,064,450.08
Net assets attributable to shareholders of ordinary shares increased due to offering of new shares or conversion of debts into shares	E1	-6,893,610.52
Number of months counting from the next month when the net assets were increased to the end of the reporting period	F1	6.00
Adjustment on deferred income tax assets related to equity incentive	E2	778,128.40
Number of months counting from the next month when the net assets were decreased to the end of the reporting period	F2	
Changes in special reserve	E3	-136,878.03
Number of months counting from the next month when the net assets were increased to the end of the reporting period	F4	6.00
No 1. net assets attributable to shareholders of ordinary shares decreased due to share repurchase or cash dividends appropriation	G1	205,248,531.68
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	66,403,936.72

Items		Symbols	Current period cumulative
Number of months counting from the next month when the net assets were decreased to the end of the reporting period		H2	3.00
Others	Translation reserve	I	-2,697,884.98
	Number of months counting from the next month when the 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		$L = D + A/2 + E \times F/K - G \times H/K \pm I \times J/K$	5,141,039,146.16
Weighted average ROE		$M = A/L$	6.35%
Weighted average ROE after deducting non-recurring profit or loss		$N = C/L$	6.05%

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	326,336,354.34
Non-recurring profit or loss		B	15,473,015.31
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss		$C = A - B$	310,863,339.03
Opening balance of total shares		D	603,672,152.00
Number of shares increased due to conversion of reserve to share capital or share dividend appropriation		E	
Number of shares increased due to offering of new shares or conversion of debts into shares		F	
Number of months counting from the next month when the shares were increased to the end of the reporting period		G	
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		$L = D + E + F \times G/K - H \times I/K - J$	603,672,152.00
Basic EPS		$M = A/L$	0.54
Basic EPS after deducting non-recurring profit or loss		$N = C/L$	0.51

(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 2024, 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 28, 2025

