Auditor's Report

RSM SZ No. [2020]230Z2798

To the shareholders of Gotion High-tech Co., Ltd.,

I. Opinion

We have audited the accompanying financial statements of Gotion High-tech Co., Ltd (the "Company"), which comprise the consolidated and Company's statement of financial position as at December 31, 2019, the consolidated and Company's statement of profit or loss and other comprehensive income, the consolidated and Company's statements of cash flows and the consolidated and Company's statements of changes in equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying Company's financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2019, and of their financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. Basis for Opinions

We conducted our audit in accordance with the China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the Auditor'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 ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Emphasis of matter

We remind the users of the financial statements to draw attention to the fact that, as stated in the "Note IX to the financial statements, 5. (5) Borrowings to related parties", as at November 18, 2019, Hefei Gotion Hi-Tech Power Energy Co., Ltd, a subsidiary of the Company, indirectly transferred RMB40.00 million to Zhuhai Gotion Trading Co., Ltd. (珠海国轩贸易有限公司), the controlling shareholder of the Company, through its infrastructure supplier, to repay the bank loan of Zhuhai Gotion Trading Co., Ltd., which resulted in the occupation of non-operating funds of the Company. As of the issuance date of this report, the Company has received a total of RMB40,783,000 of the above occupied funds and interests from Zhuhai Gotion Trading Co., Ltd. The contents of this paragraph shall not affect the audit opinions issued.

IV. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 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 provide a separate opinion on these matters.

(I) Recognition of operating revenue

1. Description

As stated in the Note V. 42 to the financial statements, the Company achieved operating revenue of RMB4,958,898,600 for year of 2019. As revenue is one of the key performance indicators of the Company, there is an inherent risk that revenue may recognize at a point of time by the management to achieve specific targets or expects. So we identify the recognition of the Company's operating revenue as a key audit matter.

2. Deal with these matters in the audit

The audit procedures we perform for revenue recognition mainly include:

(1) understanding and evaluating the design of key internal control related to operating revenue recognition of the management and whether it is effectively implemented;

(2) checking sales contracts on a sampling basis to identify relevant contract terms and conditions related to revenue recognition, and evaluating whether the methods for operating revenue recognition of Company meet the requirements of the Enterprise Accounting Standards;

(3) on a sampling basis and according to different trading terms, reconciling the revenue recorded in the current year to relevant supporting files such as sales invoices, sales contract, outgoing order, shipping orders and acceptance report, etc. to evaluate whether revenue is recognized in accordance with the accounting policies of the Company;

(4) implementing confirmation procedures for customers to confirm the amount of operating revenue, so as to evaluate the authenticity and accuracy of the revenue recognition;

(5) selecting major items from the operating revenue recorded in this year, implementing procedures such as site visit, video interview and email confirmation, and evaluating the authenticity and accuracy of relevant operating revenue recognition;

(6) checking shipping orders, outgoing order, invoices, acceptance report and other supporting documents by taking a sample of operating revenue transactions recorded around the balance sheet date, to assess whether operating revenue is recorded in the appropriate period.

Based on the above audit procedures performed, the management recognizes the operating revenue as acceptable.

(II) Recoverability of accounts receivable

1. Description

As stated in the Note V. 3 to the financial statements, the ending balance of accounts receivable of the Company amounted to RMB6,327,942,600 and the bad debt provision amounted to RMB721,307,400. The Company recognizes the bad debt provision based on the recoverability of accounts receivable as the judgement basis. The determination of the ending carrying value of accounts receivable requires the management to identify the items subject to impairment and objective evidence, to evaluate the expected available cash flow and determine its present value. It involves the management to use significant accounting estimates and judgments, and the recoverability of accounts receivable is important to the financial statements. Therefore, we recognize the recoverability of accounts receivable as a key audit matter.

2. Deal with these matters in the audit

Our procedures we perform to assess the recoverability of accounts receivable mainly include the following:

(1) obtaining an understanding the management's key internal control over financial reporting related to credit control, account recovery and assessment of provision for impairment of receivables, and evaluating and testing the design and operation effectiveness of these internal controls;

(2) assessing the accuracy of the methods, inputs and assumptions used by the management to calculate the provision for impairment of accounts receivable, and reviewing the sufficiency of the provision for bad debts;

(3) obtaining and checking the contracts of major customers, understanding the settlement policies agreed in the contracts, and comparing and analyzing with the credit policies implemented;

(4) sending request for confirmation of balances to customers;

(5) checking the litigation during the Reporting Period, and understanding the corresponding recovery of accounts receivable and the provision for bad debts;

(6) checking the post-period collection of accounts receivable with large amount or long age by a sampling basis.

Based on the above procedures performed, the management recognizes the estimation and judgement of accounts receivable as acceptable.

(III) Impairment provision for inventory

1. Description

As stated in the Note V. 7 to the financial statements, the ending balance of inventories of the Company amounted to RMB4,343,546,300 and the impairment provision for inventory amounted to RMB384,714,400. The Company recognizes the impairment provision for inventory based on net realizable value of ending inventories and the stock age analysis of inventories as the judgement basis. Since the amount of ending inventories is significant and the determination of slow-moving inventories and net realizable value of inventories involves the management to use significant accounting estimates and judgments, we recognize the impairment provision for inventory as a key audit matter.

2. Deal with these matters in the audit

Our audit procedures for impairment provision for inventory mainly include the following:

(1) understanding the key internal controls adopted by the management for the impairment provision for inventory, and evaluating and testing the design and operation effectiveness of these internal controls;

(2) implementing supervision procedures for inventories to check the quantity and status of inventory commodities, and focusing on the inspection of inventory commodities with high value or long stock age;

(3) obtaining the inventory aging analysis form from the management, discussing the policy of impairment provision for inventory with the management, and evaluating the rationality of impairment provision for inventory; selecting some models of products, and comparing whether the status and stock age recorded in the stock age analysis table are consistent with those obtained through the supervision; analyzing the material documents by a sampling basis to check the accuracy of the inventory age analysis, and re-measuring whether the depreciation by stock age is accurate;

(4) for products with open market price, independently inquiring the information on the open market price and comparing it with the estimated selling price; for the products without open market price, on a sample basis, recognizing the selling price of similar products before and after the balance sheet date as the estimated selling price of the products;

(5) comparing the historical sales expenses and related taxes of similar products, and evaluating the sales expenses and related taxes estimated by the management;

(6) selecting some inventory items, and reviewing and measuring the recoverable amount and the ending balance of impairment provision.

Based on the above procedures performed, the management recognizes the estimation and judgement of impairment provision for inventory as acceptable.

V. Other Information

The management of the Company is responsible for the other information. The other information comprises all the information included in the 2019 annual report of the Company, other than 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, 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 this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing 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 management either intends to liquidate Company or to cease operations, or has no realistic alternative but to do so.

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

VII. Auditors' 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 auditors' 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 the audit standards 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.

During the process of an audit conducted in accordance with audit standards, we exercise professional judgment and maintain professional skepticism. Meanwhile, we also:

(1) 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.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but the purpose is not to express an opinion on the effectiveness of internal control.

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

(4) Conclude on the appropriateness of the management's use of the going concern basis of accounting. Meanwhile, based on the audit evidence obtained, we come to a conclusion on whether a material uncertainty exists in events or conditions that may cause 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, in our auditors' report, draw attention of the users of statements to the related disclosures in the financial statements; if such disclosures are inadequate, we should modify our opinion. Our conclusions are based on the information obtained as on the date of our auditors' report. However, future matters or situation may cause failure of the Company in going concern.

(5) 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.

(6) 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 consolidated financial statements. We are responsible for the guidance, supervision and performance of the audit, and bear solely responsible for our audit opinion.

We communicate with those charged with governance regarding the planned scope and timing of the audit, significant audit findings and other matters, including any significant deficiencies in internal control 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 in regard to all relationships and other matters that may reasonably be thought to affect our independence, and 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 auditors' report, unless these matters are forbidden by laws and regulations to be disclosed or in extremely rare circumstances, when the negative impact arising from the reasonable and expected communication about a certain matter in an auditors' report exceeds the public interest benefits arising therefrom, we determine that such matter should not be communicated in the auditors' report.

(There is no text on this page, and it is for the signature and seal of the Report of Gotion High-tech Co., Ltd RSMSZ No. [2020]230Z2798)

RSM China CPA LLP,	Certified Public Accountants of China: (Engagement Partner)
Beijing, China	Certified Public Accountants of China:
	April 29, 2020

Consolidated Balance Sheet

31 December 2019
Prepared by: Gotion High-tech Co., Ltd *Unit: Yuan Currency: RMB*

Item	*Note*	31 December 2019	31 December 2018
Current Assets:			
Cash and bank balances	*V. 1*	3,614,749,694.18	3,092,379,741.17
Balances with clearing companies			
Loans to banks and other financial institutions			
Held-for-trading financial assets			
Financial assets at fair value through profit and loss			
Derivative financial assets			
Notes receivable	*V. 2*	496,056,906.39	1,330,340,226.29
Accounts receivable	*V. 3*	5,606,635,207.40	5,000,743,665.53
Receivables for financing	*V. 4*	45,619,845.21	
Prepayments	*V. 5*	226,429,524.21	178,661,775.30
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	*V. 6*	159,636,477.68	73,024,918.56
Including: interest receivable			696,400.00
Dividends receivable			
Financial assets purchased under agreements resale			
Inventories	*V. 7*	3,958,831,886.47	2,277,135,331.73
Assets held for sale			
Non-current assets maturing within one year	*V. 8*	41,348,362.47	56,906,699.04
Other current assets	*V. 9*	611,689,470.73	387,141,614.10
Total current assets		14,760,997,374.74	12,396,333,971.72
Non-current Assets:			
Disbursement of loans and advances			
Creditor's right investment			
Financial assets available for sale	*V. 10*		705,830,516.50
Other debt investment			
Financial assets held to maturity			
Long-term receivables	*V. 11*	101,950,403.84	119,093,585.78
Long-term equity investment	*V. 12*	622,445,562.39	495,112,716.84
Other equity investment	*V. 13*	771,847,639.03	
Other non-current financial assets			
Investment properties			
Fixed assets	*V. 14*	5,548,856,678.30	4,704,041,320.11
Construction in progress	*V. 15*	1,282,915,820.70	460,770,105.23
Productive biological assets			
Oil and gas assets			
Intangible assets	*V. 16*	827,153,501.91	583,442,539.00
Development expenditure	*V. 17*	111,164,899.76	83,990,218.97
Goodwill	*V. 18*	80,427,604.58	80,427,604.58
Long-term deferred expenses	*V. 19*	14,530,148.59	10,413,824.17
Deferred tax assets	*V. 20*	384,570,666.46	269,694,915.15
Other non-current assets	*V. 21*	663,586,768.97	677,851,395.26
Total non-current assets		**10,409,449,694.53**	**8,190,668,741.59**
Total assets		**25,170,447,069.27**	**20,587,002,713.31**

Item	Note	31 December 2019	31 December 2018
Current liabilities:			
Short-term borrowings	V. 22	3,861,567,358.50	2,229,528,273.52
Borrowings from central bank			
Loans from banks and other financial institutions			
Financial liabilities held for trading			
Financial liabilities at fair value through profit and loss			
Derivative financial liabilities			
Notes payable	V. 23	2,118,583,190.92	2,449,437,770.70
Accounts payable	V. 24	4,340,804,981.11	3,061,826,135.10
Advances from customers	V. 25	105,633,076.08	65,053,766.39
Financial assets sold for repurchase			
Deposits from customers and interbank			
Funds received as agent of stock exchange			
Funds received as stock underwrite			
Employee benefits payable	V. 26	89,994,331.91	69,907,694.48
Taxes payable	V. 27	152,309,142.10	123,950,409.59
Other payables	V. 28	292,952,465.46	482,123,293.34
Including: interest payable		40,769,759.31	42,091,163.32
Dividends payable		2,033,891.80	1,304,083.20
Handling charges and commissions payable			
Reinsurance accounts payables			
Liabilities held for sale			
Non-current liabilities due within one year	V. 29	430,854,777.64	194,943,360.00
Other current liabilities	V. 30	4,464,531.65	4,464,531.65
Total current liabilities		11,397,163,855.37	8,681,235,234.77

Item	Note	31 December 2019	31 December 2018
Non-current liabilities:			
Insurance contract reserves			
Long-term borrowings	*V. 31*	722,846,571.44	966,330,285.72
Bonds payable	*V. 32*	2,466,306,112.12	993,119,491.19
Including: Preferred shares			
Perpetual bonds			
Long-term payables	*V. 33*	869,815,054.56	679,100,000.00
Long-term Employee benefits payable			
Estimated liabilities	*V. 34*	308,300,366.53	395,752,030.99
Deferred income	*V. 35*	311,201,194.90	288,901,274.93
Deferred tax liabilities	*V. 20*	38,990,349.86	32,583,484.43
Other non-current liabilities			
Total non-current liabilities		4,717,459,649.41	3,355,786,567.26
Total liabilities		16,114,623,504.78	12,037,021,802.03
Owner's equity:			
Share capital	*V. 36*	1,136,650,819.00	1,136,650,819.00
Other equity instruments			
Including: preferred shares			
Perpetual bonds			
Capital reserves	*V. 37*	4,867,276,291.72	4,570,704,007.83
Less: treasury shares	*V. 38*	266,978,223.13	403,957,368.92
Other comprehensive income	*V. 39*	11,952,369.18	6,695,300.69
Special reserves			
Surplus reserves	*V. 40*	158,973,015.65	158,973,015.65
General risk reserve			
Retained earnings	*V. 41*	2,996,159,435.79	3,056,995,536.36
Total equity attributable to owners of the parent company		**8,904,033,708.21**	**8,526,061,310.61**
Non-controlling interests		151,789,856.28	23,919,600.67
Total owners' equity		**9,055,823,564.49**	**8,549,980,911.28**
Total liabilities and owner's equity		**25,170,447,069.27**	**20,587,002,713.31**

Legal Representative: Li Zhen

Accounting Principal: Pan Wang

Head of the Accounting Firm: Pan Wang

Consolidated Income Statement

2019
Prepared by: Gotion High-tech Co., Ltd *Unit: Yuan Currency: RMB*

Item	Note	2019	2018
I. Total operating revenue		**4,958,898,582.32**	**5,126,995,193.56**
Including: Operating revenue	V. 42	4,958,898,582.32	5,126,995,193.56
Interest income			
Premiums earned			
Handling charges and commission income			
II. Total operating costs		**4,843,487,141.57**	**4,752,017,311.13**
Including: operating costs	V. 42	3,345,453,675.45	3,630,656,659.47
Interest expenses			
Handling charges and commission income			
Surrender payment			
Net expenditure for compensation			
Net provision for insurance liability deposits			
Policyholder dividend expenses			
Reinsurance costs			
Taxes and surcharges	V. 43	38,066,203.19	40,927,662.05
Selling expenses	V. 44	333,879,101.88	281,707,764.95
Administrative expenses	V. 45	397,939,163.24	343,619,036.27
Research and development expenses	V. 46	437,287,886.84	347,477,251.83
Finance expenses	V. 47	290,861,110.97	107,628,936.56
Including: Interest expenses		373,273,451.39	191,086,276.63
Interest income		-95,325,866.05	-80,469,861.37
Add: Other Income	V. 48	509,506,767.99	423,108,376.58
Investment income (loss stated with "-")	V. 49	-24,366,386.13	70,054,029.51
Including: Investment gains in associated enterprise and joint-venture enterprise			
Income from derecognition of financial assets measured at amortized cost			
Exchange gains (loss stated with "-")			
Gains on net exposure hedges (loss stated with "-")			
Gains from changes in fair values (loss stated with "-")			
Credit impairment losses (loss stated with "-")	V. 50	-220,338,187.08	
Impairment losses of assets (loss stated with "-")	V. 51	-323,374,303.93	-233,514,934.19
Asset disposal income (loss stated with "-")	V. 52	2,014,019.12	4,724,882.54
III. Operating profit (loss stated with "-")		**58,853,350.72**	**639,350,236.87**
Add: Non-operating income	V. 53	5,633,329.26	10,508,724.53
Less: Non-operating expenses	V. 54	12,592,338.56	3,949,409.69
IV. Total profit (total loss stated with "-")		**51,894,341.42**	**645,909,551.71**
Less: Income tax expenses	V. 55	3,561,596.55	64,224,266.96
V. Net profit (net loss stated with "-")		**48,332,744.87**	**581,685,284.75**
(1) Classification by continuous operation			
1. Net profit on continuous operation (net loss stated with "-")		48,332,744.87	581,685,284.75
2. Net loss on terminated operation (net loss stated with "-")			

Item	Note	2019	2018
(2) Classification by attribution of ownership			
1. Net profit attributable to owners of parent company (net loss stated with "-")		51,253,825.33	580,345,487.56
2. Profit or loss attributable to minority shareholders (net loss stated with "-")		-2,921,080.46	1,339,797.19
VI. Other comprehensive income, net of income tax		**5,257,068.49**	**6,612,255.34**
(1) Other comprehensive income attributable to owners of the Company, net of tax		**5,257,068.49**	**6,612,255.34**
1. Items that will not be reclassified subsequently to profit or loss		—	—
(1) Changes from re-measurement of defined benefit plans			
(2) Other comprehensive income that cannot be reclassified to profit or loss under the equity method			
(3) Changes in fair value of other investments in equity instruments			
(4) Changes in fair value of company's own credit risk			
2. Other comprehensive income to be reclassified to profit or loss in subsequent periods		5,257,068.49	6,612,255.34
(1) Other comprehensive income that will be reclassified to profit or loss under the equity method			
(2) Translation differences of financial statements denominated in foreign currencies		5,257,068.49	6,612,255.34
(II) Other comprehensive income attributable to minority interests, net of tax			
VII. Total comprehensive income		**53,589,813.36**	**588,297,540.09**
(I) Total comprehensive income attributable to owners of the parent company		56,510,893.82	586,957,742.90
(II) Total comprehensive income attributable to minority shareholders		-2,921,080.46	1,339,797.19
VIII. Earnings per share			
(I) Basic earnings per share (RMB/share)		0.05	0.51
(II) Diluted earnings per share (RMB/share)		0.05	0.51

Legal Representative: Li Zhen

Accounting Principal: Pan Wang

Head of the Accounting Firm: Pan Wang

Consolidated Statement of Cash Flows

2019
Prepared by: Gotion High-tech Co., Ltd — *Unit: Yuan Currency: RMB*

Item	*Note*	2019	2018
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		5,048,906,805.43	4,250,992,017.74
Net increase in deposits from customers and placements from banks and other financial institutions			
Net increase in borrowings from central bank			
Net increase in placements from other financial institutions			
Cash received from premiums of original insurance contracts			
Net cash received from reinsurance business			
Net increase in deposits from policyholders and investments			
Cash received from interest, handling charges and commissions			
Net increase in placements from banks			
Net increase in fund for repurchases of businesses			
Net cash received from securities trading agency services			
Receipts of tax refunds			22,435,454.47
Other cash receipts relating to operating activities	*V. 57*	384,264,578.55	335,142,951.34
Sub-total of cash inflow from operating activities		5,433,171,383.98	4,608,570,423.55
Cash payments for goods purchased and services received		4,554,547,871.26	4,005,822,275.53
Net increase in loans and advances to customers			
Net increase in placements with central bank and other financial institutions			
Cash paid for claims on original insurance contracts			
Net increase in placements with banks and other financial institutions			
Cash payment for interest, handling charges and commissions			
Cash payment for policyholder dividend			
Cash paid to and paid for employees		806,460,033.31	604,235,656.34
Payment of various types of taxes		245,309,620.18	409,550,590.43
Other cash payments relating to operating activities	*V. 57*	510,048,057.48	1,147,601,632.27
Sub-total of cash outflows from operating activities		6,116,365,582.23	6,167,210,154.57
Net cash flow from operating activities		**-683,194,198.25**	**-1,558,639,731.02**

Item	Note	2019	2018
II. Cash flows from investing activities:			
Cash receipts from disposal and recovery of investments		9,654,714.90	
Cash receipts from investment income		2,045,285.10	
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		13,225,462.52	4,724,882.54
Net cash receipts from disposals of subsidiaries and other business entities			309,521,978.59
Other cash receipts relating to investing activities	*V. 57*	96,022,266.05	81,169,792.55
Sub-total of cash inflows from investing activities		120,947,728.57	395,416,653.68
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		1,970,361,764.13	1,905,431,086.78
Cash payments to acquire investments		173,000,000.00	235,009,276.30
Net increase in pledged loans			
Net cash payments for acquisitions of subsidiaries and other business entities			
Other cash payments relating to investing activities	*V. 57*	40,000,000.00	
Sub-total of cash outflows from investing activities		2,183,361,764.13	2,140,440,363.08
Net Cash Flow from Investing Activities		**-2,062,414,035.56**	**-1,745,023,709.40**
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		159,999,997.76	
Including: cash receipts from capital contributions from minority owners of subsidiaries		159,999,997.76	
Cash receipts from borrowings		5,897,336,918.73	4,024,637,694.08
Other cash receipts relating to financing activities	*V. 57*	80,123,513.00	6,000,000.00
Sub-total of cash inflow from financing activities		6,137,460,429.49	4,030,637,694.08
Cash repayments of borrowings		2,237,100,570.16	1,840,012,277.70
Cash payments for distribution of dividends or profits or settlement of interest expenses		491,137,368.80	279,274,915.88
Including: Dividends and profit paid to minority shareholders by subsidiaries			
Other cash payments relating to financing activities	*V. 57*	329,353,563.86	803,534,786.78
Sub-total of cash outflow from financing activities		3,057,591,502.82	2,922,821,980.36
Net cash flows from Financing Activities		**3,079,868,926.67**	**1,107,815,713.72**
IV. Effect of foreign exchange rate changes on Cash and Cash Equivalents		**-3,568,601.91**	**10,162,923.35**
V. Net Increase in Cash and Cash Equivalents		**330,692,090.95**	**-2,185,684,803.35**
Add: Opening balance of Cash and Cash Equivalents		**2,347,271,062.28**	**4,532,955,865.63**
VI. Closing Balance of Cash and Cash Equivalents		**2,677,963,153.23**	**2,347,271,062.28**

Legal Representative: Li Zhen　　Accounting Principal: Pan Wang　　Head of the Accounting Firm: Pan Wang

Consolidated Statement of Changes in Owners' Equity

2019
Company: Gotion High-tech Co., Ltd. *Unit: RMB*

Item	2019													
	Owner's equity attributable to the parent company													
		Other equity instruments												
	Share capital	Preferred shares	Perpetual bonds	Other	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Retained earnings	Subtotal	Non-controlling interests	Total owners' equity
I. Closing balance of the preceding year	**1,136,650,819.00**				**4,570,704,007.83**	**403,957,368.92**	**6,695,300.69**		**158,973,015.65**		**3,056,995,536.36**	**8,526,061,310.61**	**23,919,600.67**	**8,549,980,911.28**
Add: Changes in accounting policies														
Corrections of prior period errors														
Business combination under common control														
Others														
II. Opening balance of the current year	**1,136,650,819.00**				**4,570,704,007.83**	**403,957,368.92**	**6,695,300.69**		**158,973,015.65**		**3,056,995,536.36**	**8,526,061,310.61**	**23,919,600.67**	**8,549,980,911.28**
III. Increase or decrease in the current year					**296,572,283.89**	**-136,979,145.79**	**5,257,068.49**				**-60,836,100.57**	**377,972,397.60**	**127,870,255.61**	**505,842,653.21**
(I) Total comprehensive income							5,257,068.49				51,253,825.33	**56,510,893.82**	-2,921,080.46	**53,589,813.36**
(II) Owners' contributions and reduction in capital					296,572,283.89	-136,979,145.79						**433,551,429.68**	130,791,336.07	**564,342,765.75**
1. Ordinary share contribution from shareholders					267,363,622.20	-136,979,145.79						**404,342,767.99**	159,999,997.76	**564,342,765.75**
2. Capital contribution from holders of other equity instruments														
3. Amount of share-based payment included in owner's equity														
4. Others					29,208,661.69							**29,208,661.69**	-29,208,661.69	
(III) Profit distribution											-112,089,925.90	**-112,089,925.90**	—	**-112,089,925.90**
1. Transfer to surplus reserves														
2. Transfer to general risk preparation														
3. Distributions to shareholders												-112,089,925.90	**-112,089,925.90**	-112,089,925.90
4. Others														
(IV) Transfers within owners' equity														
1. Capitalization of capital reserve														
2. Capitalization of surplus reserve														
3. Loss offset by surplus reserve														
4. Changes in defined benefit plans carried forward to retained earnings														
5. Other comprehensive income carried forward to retained earnings														
6. Others														
(V) Special Reserve														
1. Withdrawal during the year														
2. Utilized during the year														
(VI) Others														
IV. Closing balance of the current year	**1,136,650,819.00**				**4,867,276,291.72**	**266,978,223.13**	**11,952,369.18**		**158,973,015.65**		**2,996,159,435.79**	**8,904,033,708.21**	**151,789,856.28**	**9,055,823,564.49**

Legal Representative: Li Zhen Person in charge of the accounting work: Pan Wang Person in Charge of the Accounting Department: Pan Wang

Item	2018													
	Owner's equity attributable to the parent company													
		Other equity instruments												
	Share capital	Preferred shares	Perpetual bonds	Other	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Retained earnings	Subtotal	Non-controlling interests	Total owners' equity
I. Closing balance of the preceding year	1,136,650,819.00				4,575,386,207.83	231,003,105.92	83,045.35		142,471,256.52		2,606,816,889.83	8,230,405,112.61	24,712,798.73	8,255,117,911.34
Add: Changes in accounting policies														
Corrections of prior period errors														
Business combination under common control														
Others														
II. Opening balance of the current year	1,136,650,819.00				4,575,386,207.83	231,003,105.92	83,045.35		142,471,256.52		2,606,816,889.83	8,230,405,112.61	24,712,798.73	8,255,117,911.34
III. Increase or decrease in the current year					-4,682,200.00	172,954,263.00	6,612,255.34		16,501,759.13		450,178,646.53	295,656,198.00	-793,198.06	294,862,999.94
(I) Total comprehensive income							6,612,255.34				580,345,487.56	586,957,742.90	1,339,797.19	588,297,540.09
(II) Owners' contributions and reduction in capital					-4,682,200.00	172,954,263.00						-177,636,463.00		-177,636,463.00
1. Ordinary share contribution from shareholders					-4,682,200.00	172,954,263.00						-177,636,463.00		-177,636,463.00
2. Capital contribution from holders of other equity instruments														
3. Amount of share-based payment included in owner's equity														
4. Other														
(III) Profit distribution									16,501,759.13		-130,166,841.03	**-113,665,081.90**	-2,132,995.25	**-115,798,077.15**
1. Transfer to surplus reserves									16,501,759.13		-16,501,759.13			
2. Transfer to general risk preparation														
3. Distributions to shareholders											-113,665,081.90	**-113,665,081.90**	-2,132,995.25	**-115,798,077.15**
4. Others														
(IV) Transfers within owners' equity														
1. Capitalization of capital reserve														
2. Capitalization of surplus reserve														
3. Loss offset by surplus reserve														
4. Changes in defined benefit plans carried forward to retained earnings														
5. Other comprehensive income carried forward to retained earnings														
6. Others														
(V) Special Reserve														
1. Withdrawal during the year														
2. Utilized during the year														
(VI) Others														
IV. Closing balance of the current year	**1,136,650,819.00**				**4,570,704,007.83**	**403,957,368.92**	**6,695,300.69**		**158,973,015.65**		**3,056,995,536.36**	**8,526,061,310.61**	**23,919,600.67**	**8,549,980,911.28**

Legal Representative: Li Zhen   Person in charge of the accounting work: Pan Wang   Person in Charge of the Accounting Department: Pan Wang

Balance Sheet of the Parent Company

31st December 2019
Company: Gotion High-tech Co., Ltd. *Unit: RMB*

Item	*Note*	31 December 2019	31 December 2018
Current assets:			
Cash and bank balances		14,530,533.76	28,747,350.12
Held-for-trading financial assets			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable	*14, 1*	25,080,179.24	119,094,046.18
Receivables for financing			
Prepayments		6,302,500.00	562,500.00
Other receivables	*14, 2*	924,138,245.28	615,856,287.21
Including: Interest receivable			
Dividends receivable		106,769,081.20	50,000,000.00
Inventories			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		5,594,642.91	3,377,825.09
Total Current Assets		975,646,101.19	767,638,008.60
Non-current Assets:			
Debt investment			
Financial assets available for sale			
Other debt investment			
Held to maturity investments			
Long-term receivables	*14, 3*	9,982,495,929.46	8,436,077,117.11
Long-term equity investment			
Other equity investment			
Other non-current financial assets			
Investment properties		364.11	2,805.93
Fixed assets			
Construction in progress			
Bearer biological assets			
Oil and gas assets			
Intangible assets			
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred tax assets		42,629,201.56	18,393,267.08
Other non-current assets			
Total Non-current Assets		10,025,125,495.13	8,454,473,190.12
Total Assets		**11,000,771,596.32**	**9,222,111,198.72**

Liabilities and Owner's Equity	Note	31 December 2019	31 December 2018
Current liabilities:			
Short-term borrowings			
Held-for-trading financial liabilities			
Financial assets at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable			
Receipts in advance		4,390,114.75	4,349,694.00
Employee benefits payable		1,943,415.62	40,070.00
Taxes payable		139,541.56	96,796.67
Other payables		236,730,551.64	342,207,054.11
Of which: Interest receivable		25,100,000.00	24,375,000.00
Dividends receivable		2,033,891.80	1,304,083.20
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities			
Total current Liabilities		243,203,623.57	346,693,614.78
Non-current liabilities:			
Long-term borrowings		2,466,306,112.12	993,119,491.19
Bonds payable			
Including: preferred shares			
Perpetual bonds			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income			215,000.00
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		2,466,306,112.12	993,334,491.19
Total liabilities		2,709,509,735.69	1,340,028,105.97
Owners' Equity:			
Share capital		1,136,650,819.00	1,136,650,819.00
Other equity instruments			
Including: preferred shares			
Perpetual bonds			
Capital reserves		7,283,117,349.52	7,015,753,727.32
Less: Treasury shares		207,978,223.13	344,957,368.92
Other comprehensive income			
Special reserves			
Surplus reserves		65,859,838.93	65,859,838.93
Retained earnings		13,612,076.31	8,776,076.42
Total owners' equity		8,291,261,860.63	7,882,083,092.75
Total liabilities and owners' equity		**11,000,771,596.32**	**9,222,111,198.72**

Legal Representative: Li Zhen

Person in charge of the accounting work: Pan Wang

Person in Charge of the Accounting Department: Pan Wang

Income Statement of the Parent Company

2019

Company: Gotion High-tech Co., Ltd. *Unit: RMB*

Item	*Note*	2019	2018
I. Operating revenue	*14, 4*	**6,282,628.03**	**87,443,471.69**
Less: Operating costs	*14, 4*	6,282,628.06	87,423,506.31
Taxes and surcharges		1,822,307.27	19,684.88
Selling expenses		—	66,911.32
Administrative expenses		25,695,448.82	20,014,450.57
R&D expenses		—	—
Financial expenses		71,508,652.77	24,615,155.78
Including: Interest expenses		71,708,347.33	—
Interest income		-470,982.66	—
Add: Other Income		450,789.12	225,000.00
Investment income	*14, 5*	189,036,736.88	171,699,596.42
Including: Investment gains in associated enterprise and joint-venture enterprise			
Income from derecognition of financial assets measured at amortized cost			
Net gain from exposure hedging			
Gains from changes in fair values			
Credit impairment losses		2,228,874.20	
Impairment losses of assets			-4,383,889.11
Asset disposal income			
II. Operating profit		**92,689,991.31**	**122,844,470.14**
Add: Non-operating income			
Less: Non-operating expenses			
III. Total profit		92,689,991.31	122,844,470.14
Less: Income tax expenses		-24,235,934.48	-9,498,619.92
IV. Net profit		116,925,925.79	132,343,090.06
(a) Net profit on continuous operation		116,925,925.79	132,343,090.06
(b) Net loss on terminated operation			
V. Other comprehensive income, net of income tax		—	—
(I) Items that will not be reclassified subsequently to profit or loss		—	—
1. Changes from re-measurement of defined benefit plans			
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method			
3. Changes in fair value of other investments in equity instruments			
4. Changes in fair value of the Company's own credit risk			

Item	Note	2019	2018
(II) Other comprehensive income to be reclassified to profit or loss			
1. Other comprehensive income that will be reclassified to profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Gains and losses from changes in fair value of available-for-sale financial assets			
4. Amounts of financial assets reclassified into other comprehensive income			
5. Gains and losses on reclassification of held-to-maturity investments to available-for-sale financial assets			
6. Provision for credit impairment of other debt investment			
7. Reserve for cash flow			
8. Translation differences of financial statements denominated in foreign currencies			
VI. Total comprehensive income		116,925,925.79	132,343,090.06
VII. Earnings per share			
(I) Basic earnings per share (RMB/share)		0.10	0.12
(II) Diluted earnings per share (RMB/share)		0.10	0.12

Legal Representative: Li Zhen

Person in charge of the accounting work: Pan Wang

Person in Charge of the Accounting Department: Pan Wang

Statement of Cash Flows of the Parent Company

2019

Company: Gotion High-tech Co., Ltd. *Unit: RMB*

Item	*Note*	2019	2018
I. Cash Flows from Operating Activities			
Cash receipts from the sale of goods and the rendering of services		104,556,061.74	83,995,803.86
Receipts of tax refunds			
Other cash receipts relating to operating activities		10,557,338.88	40,508,134.87
Sub-total of cash inflows from operating activities		115,113,400.62	124,503,938.73
Cash payments for goods purchased and services received		14,740,581.93	102,254,360.36
Cash payments to and on behalf of employees		12,962,402.25	13,634,770.09
Payment of various types of taxes		1,779,562.38	1,664,542.21
Other cash payments relating to operating activities		1,847,951,525.42	790,806,448.71
Sub-total of cash outflows from operating activities		1,877,434,071.98	908,360,121.37
Net cash flow from operating activities		-1,762,320,671.36	-783,856,182.64
II. Cash flows from investing activities			
Cash receipts from disposal and recovery of investments			
Cash receipts from investment income		153,230,918.80	130,000,000.00
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets			
Net cash receipts from disposals of subsidiaries and other business entities			
Other cash receipts relating to investing activities		549,597.69	221,730.85
Sub-total of cash inflows from investing activities		153,780,516.49	130,221,730.85
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets			
Cash payments to acquire investments		98,000,000.00	129,000,000.00
Net cash payments for acquisitions of subsidiaries and other business entities			
Other cash payments relating to investing activities			
Sub-total of cash outflows from investing activities		**98,000,000.00**	**129,000,000.00**
Net Cash Flow from Investing Activities		**55,780,516.49**	**1,221,730.85**

Item	Note	2019	2018
III. Cash Flows from Financing Activities			
Cash receipts from capital contributions		1,825,000,000.00	
Cash receipts from borrowings			
Other cash receipts relating to financing activities		80,123,513.00	993,250,000.00
Sub-total of cash inflows from financing activities		1,905,123,513.00	993,250,000.00
Cash repayments of borrowings			
Cash payments for distribution of dividends or profits or settlement of interest expenses		181,360,117.30	114,050,881.90
Other cash payments relating to financing activities		29,688,457.19	177,284,550.86
Sub-total of cash outflows from financing activities		**211,048,574.49**	**291,335,432.76**
Net cash flows from Financing Activities		**1,694,074,938.51**	**701,914,567.24**
IV. Effect of foreign exchange rate changes on Cash and Cash Equivalents			
V. Net Increase in Cash and Cash Equivalents		**-12,465,216.36**	**-80,719,884.55**
Add: Opening balance of Cash and Cash Equivalents		26,995,750.12	107,715,634.67
VI. Closing Balance of Cash and Cash Equivalents		**14,530,533.76**	**26,995,750.12**

Legal Representative: Li Zhen

Person in charge of the accounting work: Pan Wang

Person in Charge of the Accounting Department: Pan Wang

Statement of Changes in Owner's Equity of the Parent Company

2019
Company: Gotion High-tech Co., Ltd. *Unit: RMB*

	2019										
		Other equity instruments									
Item	Share capital	Preferred shares	Perpetual bond	Other	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owners' equity
I. Closing balance of the preceding year	**1,136,650,819.00**				**7,015,753,727.32**	**344,957,368.92**			**65,859,838.93**	**8,776,076.42**	**7,882,083,092.75**
Add: Changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening balance of the current year	**1,136,650,819.00**				**7,015,753,727.32**	**344,957,368.92**			**65,859,838.93**	**8,776,076.42**	**7,882,083,092.75**
III. Increase or decrease in the current year					**267,363,622.20**	**-136,979,145.79**				**4,835,999.89**	**409,178,767.88**
(I) Total comprehensive income										116,925,925.79	**116,925,925.79**
(II) Owners' contributions and reduction in capital					267,363,622.20	-136,979,145.79					**404,342,767.99**
1. Ordinary share contribution from shareholders					267,363,622.20	-136,979,145.79					**404,342,767.99**
2. Capital contribution from holders of other equity instruments											
3. Amount of share-based payment included in owner's equity											
4. Others											
(III) Profit distribution										-112,089,925.90	**-112,089,925.90**
1. Transfer to surplus reserves											
2. Distributions to shareholders										-112,089,925.90	**-112,089,925.90**
3. Others											

	2019										
		Other equity instruments									
Item	**Share capital**	**Preferred shares**	**Perpetual bond**	**Other**	**Capital reserves**	**Less: Treasury shares**	**Other comprehensive income**	**Special reserves**	**Surplus reserves**	**Retained earnings**	**Total owners' equity**
(IV) Transfers within owners' equity											
1. Capitalization of capital reserve											
2. Capitalization of surplus reserve											
3. Loss offset by surplus reserve											
4. Changes in defined benefit plans carried forward to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special Reserve											
1. Withdrawal during the year											
2. Utilized during the year											
(VI) Others											
IV. Closing balance of the current year	**1,136,650,819.00**				**7,283,117,349.52**	**207,978,223.13**			**65,859,838.93**	**13,612,076.31**	**8,291,261,860.63**

Legal Representative: Li Zhen   Person in charge of the accounting work: Pan Wang   Person in Charge of the Accounting Department: Pan Wang

Item	2018										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owners' equity
		Preferred shares	Perpetual bond	Other							
I. Closing balance of the preceding year	**1,136,650,819.00**				**7,020,435,927.32**	**172,003,105.92**			**52,625,529.92**	**3,332,377.27**	**8,041,041,547.59**
Add: Changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening balance of the current year	**1,136,650,819.00**				**7,020,435,927.32**	**172,003,105.92**			**52,625,529.92**	**3,332,377.27**	**8,041,041,547.59**
III. Increase or decrease in the current year					**-4,682,200.00**	**172,954,263.00**			**13,234,309.01**	**5,443,699.15**	**-158,958,454.84**
(I) Total comprehensive income										132,343,090.06	132,343,090.06
(II) Owners' contributions and reduction in capital					-4,682,200.00	172,954,263.00					-177,636,463.00
1. Ordinary share contribution from shareholders					-4,682,200.00	172,954,263.00					-177,636,463.00
2. Capital contribution from holders of other equity instruments											
3. Amount of share-based payment included in owner's equity											
4. Others											
(III) Profit distribution									13,234,309.01	-126,899,390.91	-113,665,081.90
1. Transfer to surplus reserves									13,234,309.01	-13,234,309.01	
2. Distributions to shareholders										-113,665,081.90	-113,665,081.90
3. Others											
(IV) Transfers within owners' equity											
1. Capitalization of capital reserve											
2. Capitalization of surplus reserve											
3. Loss offset by surplus reserve											
4. Changes in defined benefit plans carried forward to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special Reserve											
1. Withdrawal during the year											
2. Utilized during the year											
(VI) Others											
IV. Closing balance of the current year	**1,136,650,819.00**				**7,015,753,727.32**	**344,957,368.92**			**65,859,838.93**	**8,776,076.42**	**7,882,083,092.75**

Legal Representative: Li Zhen   Person in charge of the accounting work: Pan Wang   Person in Charge of the Accounting Department: Pan Wang

I. General Information on the Company

1. Company profile

Gotion High-tech Co., Ltd. (formerly known as Jiangsu Dongyuan Electrical Group Co., Ltd., hereinafter referred to as "the Company") is a joint stock limited company transformed from Jiangsu Dongyuan Group Co., Ltd. under the *Approval of Jiangsu Provincial People's Government on the Overall Change for the Establishment of Jiangsu Dongyuan Electrical Group Co., Ltd.* (Su Zheng Fu [1998] No. 30).

On October 28, 1997, the resolution on the establishment of Jiangsu Dongyuan Electrical Group Co., Ltd. through overall change was approved at the general meeting of Jiangsu Dongyuan Group Co., Ltd., which determined that the net assets of RMB32,040,000 of Jiangsu Dongyuan Group Co., Ltd. as at August 31, 1997 as appraised in the Asset Appraisal Report Tong Ping [1997] No. 75 by Tongzhou Asset Appraisal Firm and recognized in the Document Shi Zheng Fa [1997] No. 70 issued by the People's Government of Shizong Town, Tongzhou City were converted into 32,040,000 shares with a nominal value of RMB1 per share. The total share capital was RMB32,040,000 and the shareholding proportions of original contributors remained unchanged.

On December 24, 2001, as approved in the Document Su Zheng Fu [2001] No. 214 issued by the People's Government of Jiangsu Province, it approved a capital increase of RMB12,960,000 in the Company. Through the offering of a total of 12,960,000 shares with nominal value of RMB1 per share, the registered capital of the Company was changed into RMB45,000,000.

As approved in the Circular on Approving the Initial Public Offering of Stocks by Jiangsu Dongyuan Electrical Group Co., Ltd. (Zheng Jian Fa Xing Zi [2006] No. 78) issued by China Securities Regulatory Commission, the Company conducted the public offering of 24,000,000 RMB-denominated ordinary shares on September 25, 2006 and was listed for trading on Shenzhen Stock Exchange on October 18, 2006. Total share capital of the Company after the public offering was 69,000,000 shares.

As resolved and approved at the general meeting of the Company and based on the total share capital of 69,000,000 shares in May 2007, the Company increased its capital by a total of 13,800,000 shares by way of an issue of 2 shares transferred from its capital reserve for every 10 shares. After the conversion of capital reserve into share capital, total share capital of the Company was 82,800,000 shares. In June 2008 and based on the total share capital of 82,800,000 shares, the Company increased its capital by a total of 57,960,000 shares by way of an issue of 7 shares transferred from its capital reserve for every 10 shares. After the conversion of capital reserve into share capital, total share capital of the Company was 140,760,000 shares and the registered capital was changed into RMB140,760,000.

As resolved and approved at the 2010 Annual General Meeting of the Company, in June 2011 and based on the total share capital of 140,760,000 shares, the Company increased its capital by 42,228,000 shares by way of an issue of 3 bonus shares for every 10 shares to all shareholders. Meanwhile, the Company increased its capital by a total of 70,380,000 shares by way of an issue of 5 shares transferred from its capital reserve for every 10 shares to all shareholders. After the distribution of bonus shares and the conversion of capital reserve into share capital, total share capital of the Company was 253,368,000 shares and the registered capital was changed into RMB253,368,000.

As approved by the resolutions at the first extraordinary general meeting of the Company in 2014 and the *Reply on Approving the Asset Acquisition by way of Share Issuance and Raising of Supporting Funds by Jiangsu Dongyuan Electrical Group Co., Ltd. to Zhuhai Gotion Trading Co., Ltd. and Others* (Zheng Jian Xu Ke [2015] No. 662) issued by China Securities Regulatory Commission, the Company purchased a total of 99.26% equity of Hefei Gotion High-tech Power Energy Co., Ltd. by issuing 488,435,500 shares to 42 natural persons, including Li Chen, and nine legal persons, including Zhuhai Gotion Trading Co., Ltd. After the change, the registered capital of the Company was RMB741,803,500.

As approved by the resolutions at the first extraordinary general meeting of the Company in 2014 and the *Reply on Approving the Asset Acquisition by way of Share Issuance and Raising of Supporting Funds by Jiangsu Dongyuan Electrical Group Co., Ltd. to Zhuhai Gotion Trading Co., Ltd. and Others* (Zheng Jian Xu Ke [2015] No. 662) issued by China Securities Regulatory Commission, the Company conducted the non-public issuance of 120,528,600 RMB-denominated shares (A shares) in June 2015. After the change, the registered capital of the Company was RMB862,332,100.

According to the resolutions at the fifth extraordinary general meeting of the Company in 2015, the name of the Company was changed from "Jiangsu Dongyuan Electrical Group Co., Ltd." into "Gotion High-tech Co., Ltd.". On September 24, 2015, the Company completed the procedures for SAMR registration of change and obtained the renewed Business License for Corporate Legal Person issued by the Administration for Industry and Commerce of Nantong City.

According to the resolutions at the fifth extraordinary general meeting of the Company in 2015, the Company granted 14,017,900 restricted shares to 165 participants, including Fang Jianhua, Wang Yong and Xu Xingwu, and completed the procedures for SAMR registration of change on February 26, 2016. The registered capital was changed into RMB876,350,000.

In accordance with the *Proposal on the Company's "Restricted Stock Incentive Plan (Draft)" and its Summary* considered and approved at the fifth extraordinary general meeting of the Company in 2015, the resolutions of the 29th of the 6th session of the Board of Directors and the amended Articles of Association of the Company and as authorized by the resolutions of the fifth extraordinary general meeting in 2015, the Company repurchased and cancelled the 257,888.00 restricted shares that have been granted to Xie Ailiang and Fan Chunxia but not yet unlocked, and completed the procedures for SAMR registration of change on March 24, 2017. After the change, the registered capital of the Company was RMB876,092,112.

In accordance with the *Proposal on the Company's "Restricted Stock Incentive Plan (Draft)" and its Summary* considered and approved at the fifth extraordinary general meeting of the Company in 2015, the resolutions of the 30th of the 6th session of the Board of Directors and the amended Articles of Association of the Company, the Company granted 1,507,888 restricted shares to 18 participants, including Hou Fei, Huang Youlong, Wu Jun and Qin Weixian, and increased the registered capital by RMB1,507,888. It completed the procedures for SAMR registration of change on March 28, 2017. After the change, the registered capital and share capital of the Company was RMB877,600,000.

In accordance with the *Proposal on the Company's "Restricted Stock Incentive Plan (Draft)" and its Summary* considered and approved at the fifth extraordinary general meeting of the Company in 2015, the resolutions of the seventh of the 7th session of the Board of Directors and the amended Articles of Association of the Company and as authorized by the resolutions of the fifth extraordinary general meeting in 2015, the Company repurchased and cancelled the 1,180,000 restricted shares that have been granted to seven participants, including Fang Jianhua, Chen Yu, Xu Xiaoming, Huang Youlong, Wu Jun, Qin Weixian and Chen Le, but not yet unlocked, and reduced the registered capital and share capital of the Company by RMB1,180,000. On December 10, 2017, it completed the procedures for SAMR registration of change. After the change, the registered capital and share capital of the Company was RMB876,420,000.

In accordance with the resolutions of the fourth meetings of the 7th session of the Board of Directors, the resolutions of the 2016 Annual General Meeting and the amended Articles of Association and as approved by the Reply on Approving the Share Allotment by Gotion High-tech Co., Ltd. (Zheng Jian Xu Ke [2017] No. 1820) issued by China Securities Regulatory Commission, the Company placed 260,230,819 new RMB-denominated ordinary shares with a nominal value of RMB1.00 per share to original shareholders. It applied to increase the registered capital by RMB260,230,819. After the change, the registered capital and share capital of the Company was RMB1,136,650,819.

Registered address of the Company: No. 1 Dongyuan Avenue, Shizong Town, Tongzhou District, Nantong City. Legal representative: Li Zhen.

Business scope of the Company: research and development, manufacturing and sales of lithium-ion battery and its materials, battery, motor and vehicle control system; research and development, manufacturing and sales of lithium-ion battery emergency power supply, energy storage battery and power tool battery; high and low-voltage switch and complete sets of equipment, digital electrical equipment, distribution network intelligent equipment and components, research and development, manufacturing and sales of distribution box, meter box and control box products; research and development, manufacturing, sales and installation of renewable energy equipment of solar energy and wind energy; research and development, manufacturing, sales and installation of energy-saving and environmental protection electrical appliances and equipment, marine electrical appliances and equipment; research and development, manufacturing and sales of transformers, substations, large-scale charging equipment, on-board charger and on-board high-voltage box; operating for itself or on behalf of others import and export business of various commodities and technologies (except for those prohibited from importing or exporting by the state); design and construction of urban and road lighting engineering. (Those items subject to the approval in accordance with law may not be operated without the approval of the relevant authorities).

The date authorized for issue of the financial report: the financial statements were approved and authorized for issue by the Board of Directors of the Company on April 29, 2020.

2. *Scope and changes of consolidated financial statements*

(1) Subsidiaries included in the consolidation scope at the end of this Reporting Period

S/N	Name of subsidiary	Abbreviation	Shareholding proportion (%)	
			Direct	Indirect
1	Hefei Gotion High-tech Power Energy Co., Ltd.	Hefei Gotion	100.00	—
2	Jiangsu Dongyuan Electrical Group Co., Ltd.	Dongyuan Electrical	99.82	0.18
3	Nantong Taifu Electric Appliance Manufacturing Co., Ltd.	Taifu Company	—	100.00
4	Suzhou Dongyuan Tianli Electric Co., Ltd.	Suzhou Tianli	—	100.00
5	Nantong Asitong Electric Appliance Manufacturing Co., Ltd.	Asitong Company	—	68.66
6	Nantong Dongyuan Electric Power Intelligent Equipment Co., Ltd.	Intelligent Company	—	100.00
7	Nantong Gotion New Energy Technology Co., Ltd.	New Energy Technology	—	100.00
8	Anhui Gotion New Energy Automobile Technology Co., Ltd.	Gotion New Energy	—	100.00
9	Hefei Guorui New Energy Automotive Technology Co., Ltd.	Guorui New Energy	—	65.00
10	Shanghai Xuanyi New Energy Development Co., Ltd.	Shanghai Xuanyi	—	100.00
11	Gotion High-tech (USA) Co., Ltd.	USA Gotion	—	100.00
12	Nanjing Gotion Battery Co., Ltd.	Nanjing Gotion	—	100.00
13	Hefei Gotion Battery Material Co., Ltd.	Lujiang Gotion	—	95.23
14	Shanghai Gotion New Energy Co., Ltd.	Shanghai Gotion	—	100.00
15	Qingdao Gotion Battery Co., Ltd.	Qingdao Gotion	—	100.00
16	Aerospace Gotion (Tangshan) Lithium Battery Co., Ltd.	Tangshan Gotion	—	100.00
17	Gotion Kangsheng (Luzhou) Battery Co., Ltd.	Luzhou Gotion	—	—
18	Gotion New Energy (Lujiang) Co., Ltd.	Lujiang New Energy	—	100.00
19	Gotion Hi-Tech Japan Co., Ltd.	Gotion Japan	—	100.00
20	Hefei Gotion Precision Coating Material Co., Ltd.	Gotion Coating	—	100.00
21	Hefei Xuanyi Investment Management Co., Ltd.	Xuanyi Investment	—	100.00
22	Shanghai Gotion New Energy (Hefei) Energy Storage Technology Co., Ltd.	Gotion Energy Storage	—	100.00
23	Nanjing Gotion New Energy Co., Ltd.	Nanjing New Energy	—	100.00
24	Hefei Gotion Battery Co., Ltd.	EDZ Gotion	—	100.00
25	Gotion Hi-tech (Hong Kong) Co., Ltd.	Hong Kong Gotion	100.00	—
26	Singapore Gotion Co., Ltd.	Singapore Gotion	—	100.00
27	Nanjing Gotion Battery Research Institute Co., Ltd.	Nanjing Research Institute		100.00
28	Sichuan Gotion Shunda New Energy Technology Co., Ltd.	Sichuan Gotion	—	100.00
29	Hefei Jiachi Technology Co., Ltd.	Hefei Jiachi	—	100.00

See Note VII "Equity in other entities" for details of the above subsidiaries.

(2) Change of the scope of consolidated financial statements during the Reporting Period

Subsidiaries newly added during the Reporting Period:

S/N	Name of subsidiary	Abbreviation	Reporting period	Reason for being included in the consolidation scope
1	Nanjing Gotion Battery Research Institute Co., Ltd.	Nanjing Research Institute	2019	New establishment
2	Sichuan Gotion Shunda New Energy Technology Co., Ltd.	Sichuan Gotion	2019	New establishment
3	Hefei Jiachi Technology Co., Ltd.	Hefei Jiachi	2019	New establishment

See Note VI "Changes in the consolidation scope" for details of the subsidiaries newly added during the Reporting Period.

No subsidiaries were reduced during the Reporting Period.

II. Basis for Preparing the Financial Statements

1. Basis for preparing

The Company prepares its financial statements on a going concern basis, and recognizes and measures its accounting items in accordance with the Accounting Standards for Business Enterprises and its application guidance and provisions on the basis of actual transactions and events. In addition, the Company also discloses relevant financial information in accordance with the *Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15—General Rules on Financial Reporting* (Amended in 2014) issued by the CSRC.

2. Going concern

The Company has evaluated its going-concern ability for the 12 months since the end of the Reporting Period, and found no matters affecting the ability of going-concern. Thus, it is reasonable for the Company to prepare financial statements on a going concern basis.

III. Major Accounting Policies and Accounting Estimates

The following major accounting policies and estimates of the Company are determined according to Accounting Standards for Business Enterprises. Businesses unmentioned shall be performed according to relevant accounting policies in Accounting Standards for Business Enterprises.

1. Statement on compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company comply with the requirements of the Accounting Standards for Business Enterprises, and truly and fully present the Company's financial position, operating results, changes in owner's equity, cash flows and other related information.

2. *Accounting period*

The accounting period of the Company is from January 1 to December 31 in a calendar year.

3. *Operating cycle*

The operating cycle of the Company is one year.

4. *Functional currency*

The functional currency of the Company is RMB and the functional currency of overseas (branches) subsidiaries is the currency in the major economic environment where their operations are located.

5. *Methods for accounting treatment of business combinations under common control and those not under common control*

(1) Business combinations under common control

Assets and liabilities obtained by the Company through business combination shall be measured at the carrying amount of the combined party in the consolidated financial statements of the ultimate controller on the combination date. For the accounting policies adopted by the combined party which are different from those of the Company before the business combination, they shall be unified based on the principle of importance, i.e. the carrying amount of the combined party's assets and liabilities shall be adjusted in accordance with the accounting policies of the Company. In case of a difference between the carrying amount of the net asset obtained by the Company through business combination and the carrying amount of the paid consideration, the capital reserve (capital premium or share capital premium) shall be first adjusted. The surplus reserve and undistributed profits shall be offset in turn if the capital reserve (capital premium or share capital premium) is insufficient to be written off.

For the accounting methods of business combinations under common control through transaction by steps, please refer to "Note III. 6(6)".

(2) Business combinations not under common control

All the identifiable assets and liabilities of the acquiree obtained by the Company through business combination shall be measured at fair value on the acquisition date. For the accounting policies adopted by the acquiree which are different from those of the Company before the business combination, they shall be unified based on the principle of importance, i.e. the carrying amount of the acquiree's assets and liabilities shall be adjusted in accordance with the accounting policies of the Company. In case that the combination cost of the Company on the acquisition date is higher than the difference between the fair values of the identifiable assets and liabilities obtained from the acquiree through business combination, it shall be recognized as goodwill; if the combination cost is lower than the difference between the fair values of the identifiable assets and liabilities obtained from the acquiree through business combination, the combination cost and the fair values of the identifiable assets and liabilities obtained from the acquiree in the business combination shall be first reviewed, and if the reviewed combination cost is still lower than the fair values of the identifiable assets and liabilities obtained from the acquiree, the difference shall be recognized as the consolidated current profit and loss.

For the accounting methods of business combinations not under common control through transaction by steps, please refer to "Note III. 6(6)".

(3) Treatment of relevant expenses incurred for business combination

The audit, legal service, appraisal and consultancy fees paid for business combination and other relevant administrative expenses incurred for business combination shall be included in the current profits and losses when they occur. The transaction expenses paid for equity securities or debt securities issued as the consideration for the business combination shall be included in the initial measurement amount of the equity securities or debt securities.

6. Methods for preparing the consolidated financial statements

(1) Determination of consolidation scope

The consolidation scope of consolidated financial statements shall be determined on the basis of control, including not only subsidiaries determined according to the voting right (or similar voting rights) or in combination with other arrangements, but also the structured entities determined based on the arrangement of one or more contracts.

Control refers to the power of the Company over the investee. Through the control, the Company can obtain variable returns by participating in relevant activities of the investee and has the ability to use its power over the investee to affect the return amount. A subsidiary refers to an entity that is controlled by the Company (including enterprises, separable parts in the investee, and structured entities controlled by enterprises), and a structured entity refers to an entity designed when the voting right or similar rights are not considered as the decisive factors during determination of the controller.

(2) Method for preparing consolidated financial statements

The Company shall prepare the consolidated financial statements based on its own and its subsidiaries' financial statements according to other relevant information.

During the preparation of consolidated financial statements, the Company shall consider the whole enterprise group as an accounting entity on the basis of the recognition, measurement and presentation requirements of relevant accounting standards for business enterprises and in accordance with the unified accounting policies and accounting period, reflecting the enterprise group's overall financial position, operating results and cash flows.

① Combine the assets, liabilities, owners' equity, revenues, expenses, cash flows, etc. of the parent company and its subsidiaries.

② Offset the parent company's long-term equity investments in its subsidiaries and the share of the parent company in the owners' equity of those subsidiaries.

③ Offset the impact of internal transactions between the parent company and its subsidiaries and among those subsidiaries. In case that the internal transaction suggests impairment losses of relevant assets, such losses shall be fully recognized.

④ Make adjustments in respect of the special transactions from the perspective of enterprise group.

(3) Increase or decrease in subsidiaries during the Reporting Period

① Increase in subsidiaries or businesses

A. Increase in subsidiaries or businesses through business combination under common control

(a) During the preparation of the consolidated balance sheet, the opening balance of the consolidated balance sheet shall be adjusted and the relevant items in the comparative statement shall also be adjusted accordingly, and the reporting entity after combination shall be regarded as having been in existence since the commencement of control by the ultimate controller.

(b) During the preparation of the consolidated income statement, the income, expense and profit of the subsidiary and business from the beginning of the current period of combination to the end of the reporting period shall be included in the consolidated income statement and the relevant items in the comparative statement shall be adjusted accordingly, and the reporting entity after combination shall be regarded as having been in existence since the commencement of control by the ultimate controller.

(c) During the preparation of the consolidated cash flow statement, the cash flow of the subsidiary and business from the beginning of the current period of combination to the end of the reporting period shall be included in the consolidated cash flow statement and the relevant items in the comparative statement shall be adjusted accordingly, and the reporting entity after combination shall be regarded as having been in existence since the commencement of control by the ultimate controller.

B. Increase in subsidiaries or businesses through business combination not under common control

(a) Do not adjust the opening balance of the consolidated balance sheet when preparing the consolidated balance sheet.

(b) Include the income, expense and profit of the subsidiary and business from the acquisition date to the end of the reporting period into the consolidated income statement when preparing the consolidated income statement.

(c) Include the cash flow of the subsidiary from the acquisition date to the end of the reporting period into the consolidated cash flow statement when preparing the consolidated cash flow statement.

② Disposal of subsidiaries or businesses

A. Do not adjust the opening balance of the consolidated balance sheet when preparing the consolidated balance sheet.

B. Include the income, expense and profit of the subsidiary and business from the beginning of the period to the disposal date into the consolidated income statement when preparing the consolidated income statement.

C. Include the cash flow of the subsidiary and business from the beginning of the period to the disposal date into the consolidated cash flow statement when preparing the consolidated cash flow statement.

(4) Special consideration in combination offset

① The long-term equity investment of the Company held by a subsidiary shall be regarded as the treasury shares of the Company and as deduction item of the owner's equity. It should be stated as "Less: Treasury shares" under owner's equity in the consolidated balance sheet.

Long-term equity investments held among subsidiaries shall be offset with the corresponding share of the owner's equity of the subsidiaries according to the Company's offset method for subsidiaries' equity investments.

② "Special reserve" and "general risk reserve" shall be recovered according to the shares attributable to owners of the parent company after the long-term equity investment is offset mutually with the owner's equity of the subsidiaries as they are not paid-in capital (or share capital) or capital reserve and also different from retained earnings and undistributed profits.

③ If the carrying amount of the assets and liabilities in the consolidated balance sheet temporarily differs from the tax basis of the subject of tax payment it belongs because of the neutralization of the unrealized internal transaction gains and losses, the deferred tax assets or deferred tax liabilities shall be recognized in the consolidated balance sheet, and the income tax expenses in the consolidated income statement shall be adjusted accordingly, except for the deferred income taxes which are related to the transactions or matters that are directly included into the owners' equity, and the business combination.

④ Gains or losses on internal transaction unrealized when the Company sells assets to a subsidiary shall be fully offset with the "net profit attributable to owners of the parent company". Gains or losses on internal transaction unrealized when the subsidiary sells assets to the Company shall be offset between the "net profit attributable to owners of the parent company" and the "minority interests" in accordance with the allocation proportion of the Company for the subsidiary. Gains or losses on internal transaction unrealized when subsidiaries sell assets to each other shall be offset between the "net profit attributable to owners of the parent company" and "minority interests" in accordance with the allocation proportion of the Company for the selling subsidiary.

⑤ If the loss shared by minority shareholders in a subsidiary for the current period exceeds the share enjoyed by minority shareholders in the owner's equity of the subsidiary at the beginning of the period, the balance shall be written down from the minority interests.

(5) Accounting treatment of special transactions

① Acquisition of equity of minority shareholders

When the Company acquires a subsidiary's equity owned by the subsidiary's minority shareholders, in an individual financial statement, the investment cost of the long-term equity investment newly obtained from acquisition of minority equity shall be measured at fair value of the paid consideration. In the consolidated financial statements, the difference between the newly obtained long-term equity investment due to acquisition of minority equity and the share of the subsidiary's net assets continuously calculated based on the newly increased shareholding ratio from the acquisition date or combination date shall be offset against the capital reserve (capital premium or share capital premium). The surplus reserve and undistributed profits shall be offset in turn if the capital reserve is insufficient to be written off.

② Obtaining control over a subsidiary by several transactions in stages

A. <u>Business combination under common control achieved by several transactions in stages</u>

In the individual financial statement, the share of book value of the net assets held by the Company in the subsidiaries after merger in the ultimate controller's consolidated financial statements should be taken as the initial investment cost of the long-term equity investment on the date of merger. The difference between the initial investment cost and the sum of the book value of long-term equity investment before merger is achieved and the book value of the newly paid consideration for shares further obtained on the date of merger should be used to adjust the capital reserve (capital premium or share capital premium). The surplus reserve and undistributed profits shall be offset in turn if the capital reserve (capital premium or share capital premium) is insufficient to be written off.

In the consolidated financial statements, the assets and liabilities of the combined party that are obtained in the combination by the combining party shall be measured at the carrying amount as recorded by the ultimate controller in the consolidated financial statements at the combination date, except for the adjustments of different accounting policies. The difference between the sum of the carrying amount of the investment held before the combination and the carrying amount of the newly paid consideration on the date of merger and the carrying amount of the net assets obtained in the combination should be used to adjust the capital reserve (capital premium or share capital premium). The retained earnings shall be adjusted if the capital reserve is insufficient to be written off.

For equity investment held by the combining party before the control over the combined party is obtained and accounted for using equity method, profit or loss, other comprehensive income and other changes in owners' equity recognized from the later of the acquisition of the original equity interest and the date when the combining party and the combined party are placed under common control until the combination date shall be offset against the opening retained earnings during the period of the comparative financial statements, respectively.

B. Business combination not under common control achieved by several transactions in stages

On the combination date, the sum of the carrying amount of the originally held long-term equity investment and new investment cost on the combination date in the individual financial statements shall be recorded as the initial cost of long-term equity investment on the combination date.

In the consolidated financial statements, for equity interest held in the acquiree before the acquisition date, it shall be remeasured at its fair value on the acquisition date, and the difference between the fair value and its carrying amount shall be included in investment income for the current period. For equity interest held in the acquiree before the acquisition date which involves other comprehensive income accounted for using equity method, its related other comprehensive income shall be transferred to the current income on the acquisition date, except for other comprehensive income arising from remeasurement of changes in net assets or liabilities under defined benefit plans by the combined party. The Company shall disclose the acquisition date fair value of equity interest held in the acquiree before the acquisition date, and the amount of related gains or losses arising from the remeasurement of fair value in notes.

③ Disposal of long-term equity investment in a subsidiary by the Company without loss of control

The parent company can dispose the long-term equity investment in a subsidiary partially without loss of control. In the consolidated financial statements, the difference between the disposal price and the net assets of the subsidiary continuously calculated from the acquisition date or combination date attributable to the disposal of the long-term equity investment shall be adjusted against capital reserve (capital premium or share premium). If the capital reserve is not sufficient to charge against the difference, any excess shall be adjusted against retained earnings.

④ Disposal of long-term equity investment in a subsidiary by the Company with loss of control

A. Disposal by a transaction

If the Company loses control over an investee due to partial disposal of equity investment or other reasons, in preparation of the consolidated financial statements, the remaining equity interest shall be remeasured at its fair value on the date when losing control. The difference between the sum of consideration received from disposal of equity interest and the fair value of the remaining equity interest less the share of the net assets of the original subsidiary continuously calculated from the acquisition date or combination date based on original shareholding percentage is included in investment income in the period when the control is lost.

Changes in other comprehensive income related to the equity investment in the original subsidiary and other owners' equity shall be transferred to the current profit or loss at the time of loss of control, except for other comprehensive income arising from remeasurement of changes in net liabilities or assets under defined benefit plans by the investee.

B. Disposal in steps by transactions

In the consolidated financial statements, whether transaction by steps belongs to "a package deal" shall be determined first.

If the transaction by steps does not belong to "a package deal", in the individual financial statements and for all transactions before the loss of control over subsidiaries, the carrying amount of the long-term equity investment involving each disposal will be carried forward, with the difference between the disposal price and the carrying amount of the long-term equity investment involving the disposal being accounted into the investment incomes for the current period. In the consolidated financial statements, it shall be treated according to relevant provisions of the "disposal of long-term equity investment in a subsidiary by parent company without loss of control".

If the transaction by steps belongs to "a package deal", each transaction shall be accounted for as a transaction for disposal of subsidiary with loss of control. In the individual financial statements, the difference between the consideration of each disposal and the carrying amount of the long-term equity investment involving the disposal before the loss of the control, is recognized as the other comprehensive income and will be carried forward to the current profit or loss when the control is lost. In the consolidated financial statements, the difference between the consideration of disposal and the net assets of the subsidiary attributable to the disposal of investment shall be recognized as other comprehensive income and transferred to the current profit or loss at the time of loss of control.

Where the terms, conditions and economic effects of all transactions satisfy one or several of the following circumstances, such several transactions shall be deemed as "a package deal" in accounting treatment:

(a) Such transactions are entered into simultaneously or upon the consideration of the mutual impacts.

(b) No complete commercial result will be realized without such transactions as a whole.

(c) The occurrence of one transaction depends on the occurrence of at least another transaction.

(d) The result of an individual transaction is not economical, but it would be economical after taken into account of other transactions in the series.

⑤ Dilution of shareholding percentage of parent company due to capital increase by subsidiary's minority shareholders

Where a subsidiary's other shareholders (minority shareholders) increase their capital in the subsidiary, the shareholding percentage of parent company in the subsidiary is diluted. In the consolidated financial statements, the difference between parent company's share of carrying amount of subsidiary's net assets before capital increase calculated based on its shareholding percentage before capital increase and parent company's share of carrying amount of the subsidiary's net assets after capital increase calculated based on its shareholding percentage after capital increase shall be adjusted against capital reserve (capital premium or share premium). If the capital reserve (capital premium or share premium) is not sufficient to charge against the difference, any excess shall be adjusted against retained earnings.

7. *Classification of joint venture arrangements and methods for the accounting treatment of joint operation*

A joint arrangement is an arrangement jointly controlled by two or more parties. The Company's joint arrangement is classified into joint operation and joint venture.

(1) Joint operations

A joint operation is a joint arrangement whereby the Company has rights to the assets, and obligations for the liabilities relating to the arrangement.

The Company recognizes the following items in relation to its interest in a joint operation, and makes corresponding accounting treatment in accordance with relevant requirements of accounting standards for business enterprises:

① its solely-held assets, including its share of any assets held jointly;

② its solely-assumed liabilities, including its share of any liabilities incurred jointly;

③ its revenue from the sale of its share of the output arising from the joint operation;

④ its share of the revenue from the sale of the output by the joint operation;

⑤ its solely-incurred expenses, including its share of any expenses incurred jointly.

(2) Joint ventures

A joint venture is a joint arrangement whereby the Company has rights to the net assets of the arrangement.

The Company accounts for its investments in joint ventures in accordance with the requirements relating to accounting treatment using equity method for long-term equity investments.

8. *Criteria for recognizing cash and cash equivalents*

Cash comprises cash on hand and deposits that can be readily drawn on demand. Cash equivalents are short-term (generally due in three months from the acquisition date) and highly liquid investments held by enterprise which are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

9. *Foreign currency transactions and translation of foreign currency statements*

(1) Determination of the exchange rate for translation of foreign currency transactions

Foreign currency transactions shall be translated into the functional currency at the spot exchange rate on the day when the transactions occurred or by applying the spot exchange rate at the dates of the transactions (hereinafter referred to as the similar exchange rate of the spot exchange rate) upon the initial recognition of foreign currency transactions of the Company.

(2) Translation of monetary items in foreign currencies at the balance sheet date

At the balance sheet date, monetary items in foreign currencies are translated using the spot exchange rate on the same date. The exchange differences arising from the difference between the spot exchange rate at the balance sheet date and those spot rates at the time of initial recognition or at the previous balance sheet date are included in the current profit or loss. Foreign currency non-monetary items measured at historical cost are still converted at the spot exchange rate on the date of transaction. Foreign currency non-monetary items measured at fair value shall be converted at the spot exchange rate on the date of determination of fair value. The difference between the converted amount in the functional currency and the original amount in the functional currency shall be included in current profit and loss.

(3) Translation of foreign currency financial statements

Before the translation of the financial statements of its foreign operations, the Company shall first adjust the accounting periods and accounting policies of the foreign operations so that they are in line with its accounting periods and accounting policies, and prepare the financial statements in corresponding currencies (other than the recording currency) according to the adjusted accounting periods and accounting policies, and then translate the financial statements of the foreign operations in accordance with the following methods:

① asset and liability items in the balance sheet are translated using the spot exchange rate at the balance sheet date, and owners' equity items other than "undistributed profits" are translated using the spot exchange rate at the time when they occur.

② income and expense items in the statement of profit or loss are translated using the spot exchange rate or its approximate exchange rate on the transaction date.

③ foreign currency cash flows and cash flows of foreign subsidiaries are translated using the spot exchange rate or its approximate exchange rate at the date on which the cash flows occur. The effect of exchange rate changes on cash is separately presented as an adjustment item in the cash flow statement.

④ in preparation of the consolidated financial statements, the exchange differences arising from the translation of foreign currency financial statements are separately presented as "other comprehensive income" under owners' equity items in the consolidated balance sheet.

When disposing of foreign operations with the control lost, the translation difference for items under owners' equity in the balance sheet that are related to such foreign operations is recorded in the current profit or loss in which the disposal occurs in whole or at the percentage of overseas operation disposed of.

10. Financial instruments

Applicable since January 1, 2019

A financial instrument is the contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

(1) Recognition and derecognition of financial instruments

Relevant financial assets or financial liabilities are recognized when the Company becomes a party of financial instrument contracts.

A financial asset is derecognized when one of the following conditions is met:

① The right of the contract to receive the cash flows of financial assets terminates;

② The financial asset has been transferred, and is in accordance with the following conditions for derecognition.

If the obligations of a financial liability (or part of it) have been discharged, derecognize such financial liability (or part of it). If the Company (borrower) makes an agreement with the lender to replace the current financial liability of assuming new financial liability which contract provisions are different in substance, derecognize the current financial liability and meanwhile recognize as the new financial liability. When the Company makes substantial modifications to the contractual terms of the original financial liability (or part of it), it shall derecognize the original financial liability and recognize a new financial liability based on the modified terms.

Regular way purchases and sales of financial assets are recognized and derecognized using trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the period generally established by regulation or convention in the marketplace. The trade date is the date that the Company committed to purchase or sell a financial asset.

(2) Classification and measurement of financial assets

The Company classifies financial assets into the following categories upon initial recognition based on the business model for managing the financial assets and the contractual cash flow characteristics of financial assets: financial assets measured at amortized cost, financial assets measured at fair value through current profit or loss and financial assets measured at fair value through other comprehensive income. Financial assets may not be reclassified after initial recognition unless the Company changes the business model for managing the financial assets, in which case, all affected financial assets are reclassified on the first day of the first reporting period after the business model changes.

Financial assets shall be measured at fair value when initial recognition is made. For financial assets measured at fair value through current profit and loss, the relevant transaction costs shall be included in the current profit and loss and those of other financial assets shall be included in the initial recognition amount. If the bills receivable and accounts receivable arising from the sale of products or the rendering of services do not contain major financing elements are not considered, the Company initially measures the receivables at the transaction price as defined in the Revenue Standard.

Subsequent measurement of financial assets depends on their classifications:

① <u>Financial assets measured at amortized cost</u>

Financial assets shall be classified as financial assets measured at amortized cost if the following conditions are met: the financial asset is managed by the Company within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. For such financial assets, they are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from their derecognition, written-off using the effective interest method or impairment are recognized in current profit or loss.

② Financial assets measured at fair value through other comprehensive income

Financial assets shall be classified as financial assets measured at fair value through other comprehensive income if the following conditions are met: the financial asset is managed by the Company within a business model whose objective is to hold financial assets in order to collect contractual cash flows and sell financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. For such financial assets, they are subsequently measured at the fair value. Except that impairment and foreign exchange gains or losses are recognized in profit or loss, changes in the fair value of such financial assets are recognized in other comprehensive income until such financial assets are derecognized and their accumulated gains or losses are transferred to current profit or loss. Interest income of such financial assets calculated using the effective interest method are recognized in current profit or loss.

The Company can elect to classify irrevocably its equity investments which are not held for trading as equity investments designated at fair value through other comprehensive income. Only the relevant dividend income is recognized in current profit or loss. Changes in the fair value are recognized other comprehensive income, and the accumulated gains or losses are transferred to retained earnings when such financial assets are derecognized.

③ Financial assets measured at fair value through current profit or loss

The financial assets other than the above financial assets measured at amortized cost and financial assets at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value with net changes in fair value recognized in profit or loss.

(3) Classification and measurement of financial liabilities

The Company classifies financial liabilities into financial liabilities measured at fair value through current profit or loss, loan commitments with interest lower than the prevailing market rates and financial guarantee contract liabilities as well as financial liabilities measured at amortized cost.

Subsequent measurement of financial liabilities depends on their classifications:

① Financial liabilities measured at fair value through current profit or loss

Such financial liabilities include financial liabilities held for trading (including derivative instruments that are financial liabilities) and financial liabilities designated to be measured at fair value through current profit or loss. Such financial liabilities are subsequently measured at fair value and net gains and losses, including any interest expense, are recognized in current profit or loss, unless the financial liabilities are part of a hedging relationship. For the financial liabilities designated to be measured at fair value through current profit or loss, the changes in fair value caused by the Company's own credit risk changes shall be included in other comprehensive income, and when the liabilities are derecognized, the accumulated changes in fair value caused by the Company's own credit risk changes which are included in other comprehensive income shall be transferred into retained earnings.

② Loan commitments and financial guarantee contract liabilities

Loan commitments are commitments provided by the Company to the customers to grant loans under the established contract terms during a certain period. The impairment losses of loan commitments are measured using the expected credit loss model.

Financial guarantees are contracts that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contract liabilities are subsequently measured at the higher of the amount of a provision determined in accordance with the principles for impairment of financial instruments and the amount initially recognized less accumulated amortization determined in accordance with the principles for the recognition of revenue.

③ Financial liabilities measured at amortized cost

Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities and equity instruments are differentiated according to the following criteria except under exceptional circumstances:

① if the Company cannot unconditionally avoid the performance of a contractual obligation by paying cash or delivering other financial assets, the contractual obligation meets the definition of financial liability. Some financial instruments, although not explicitly containing the terms and conditions in respect of the obligation to pay cash or deliver other financial assets, may indirectly form contractual obligations through other terms and conditions.

② if a financial instrument must or may be settled with the Company's own equity instruments, it is necessary to consider whether the Company's own equity instruments used to settle the instrument is a substitute for cash or other financial assets, or is used to entitle the instrument holder with remaining interest in the assets of the issuer after deducting all liabilities. In the former case, the instrument is a financial liability of the issuer; in the latter case, it is an equity instrument of the issuer. Under certain circumstances where a financial instrument contract requires that the Company must or may settle the financial instrument with its own equity instruments, and the amount of contractual rights or obligations equals to the number of equity instruments to be received or delivered multiplied by their fair value at the time of settlement, the contract is classified as a financial liability, regardless of whether the amount of the contractual rights or obligations is fixed or is dependent, in whole or in part, on changes in variables other than the market price of the Company's own equity instruments (such as interest rates, a commodity price or the price of a financial instrument).

(4) Derivative financial instruments and embedded derivatives

Derivative financial instruments are initially measured at fair value on the date of the derivative contract signed and are subsequently measured at fair value. A derivative with positive fair value shall be recognized as an asset, otherwise that with negative fair value shall be recognized as a liability.

Any gains or losses arising from changes in fair value of derivatives are taken directly to current profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

The hybrid instrument contains an embedded derivative, if the main contract belongs to financial asset, the hybrid instrument as a whole shall apply to the regulations of financial assets. If the main contract is not belongs to financial asset and the mixed instrument is not measured at fair value through current profit or loss, the economic characteristics and risks of the embedded derivative and the main contract are not closely related, and under the same conditions with embedded derivative, the individual instrument as defined in line with derivatives, embedded derivatives are separated from the hybrid instrument as a separate derivative instrument. If the embedded derivative cannot be separately measured at the date of acquisition or the date subsequent to the financial reporting date, then the hybrid instrument accounted for financial assets or financial liabilities at fair value through current profit or loss.

(5) Impairment of financial instruments

For financial assets measured at amortized cost, debt investments at fair value through other comprehensive income, contract assets, lease receivables, loan commitments and financial guarantee contracts, the Company recognizes loss allowance based on expected credit losses.

① Measurement of expected credit losses

The expected credit losses refer to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Company at the original effective interest rate, that is, the present value of all cash shortages. Among them, the financial assets purchased or originated by the Company that have suffered credit impairment should be discounted at the credit-adjusted actual interest rate of the financial asset.

The lifetime expected credit losses, refer to the expected credit losses caused by all possible defaults during the whole expected lifetime.

The 12-month expected credit losses, refer to the expected credit losses caused by all possible defaults during the 12-month after balance sheet date (if the expected duration of financial instrument is less than 12 months, then for the expected duration),which is part of the lifetime expected credit losses.

The Company separately measures the expected credit losses of financial instruments at different stages on each balance sheet date. The credit risk on a financial instrument has not increased significantly since initial recognition, which is in the first stage. The Company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. If the credit risk of financial instruments has increased significantly since the initial recognition, but no credit impairment has occurred, which is in the second stage. The Company shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses. If the financial instrument has occurred credit impairment since initial recognition, which is in the third stage, and the Company shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses.

For financial instruments with lower credit risk at the balance sheet date, the Company assumes that their credit risk has not increased significantly since the initial recognition, and shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

For financial instruments in the first stages, second stages and with lower credit risk, the Company calculates interest income on the basis of their book balances without deduction of impairment provisions and actual interest rates. For financial instruments in the third stage, the Company calculates interest income according to their book balance minus the impairment provision and the actual interest rate.

For bills receivable, accounts receivable and receivables financing, the Company measures its loss provisions in accordance with the amount of expected credit losses for the entire life period.

A ***Receivables***

If there is objective evidence that it has been impaired, and the bills receivable, accounts receivable, other receivables, receivables financing and long-term receivables are applicable to individual evaluation, the impairment test is conducted separately, and expected credit losses will be recognized and provision for individual impairment will be made. For the bills receivable, accounts receivable, other receivables, receivables financing and long-term receivables without objective evidence of impairment or the expected credit losses cannot be estimated for an individual provision at a reasonable cost, the Company grouped the bills receivable, accounts receivable, other receivables, receivables financing and long-term receivables in accordance with credit risk characteristics and calculated the expected credit losses based on portfolio. The basis of choosing the portfolio is as follows:

The basis for determining the portfolio of bills receivable is as follows:

Bills receivable portfolio 1: Commercial acceptance bills

Bills receivable portfolio 2: Bank acceptance bills

For bills receivable divided into portfolios, the Company refers to the historical credit loss experience, combined with the current situation and the prediction of future economic conditions, and calculates the expected credit losses through default risk exposure and the expected credit loss rate for the whole duration.

The basis for determining the portfolio of accounts receivable is as follows:

Accounts receivable portfolio 1: Receivables from related parties within the scope of consolidation

Accounts receivable portfolio 2: Receivables from external customers

For accounts receivable divided into portfolios, the Company refers to the historical credit loss experience, combined with the current situation and the prediction of future economic conditions, prepares the comparison of the aging of accounts receivable and the expected credit loss rate for the whole duration to calculate the expected credit losses.

The basis for determining the portfolio of other receivables is as follows:

Other receivables portfolio 1: Receivables from related parties within the scope of consolidation

Other receivables portfolio 2: Receivables from external third parties

For other receivables divided into portfolios, the Company refers to the historical credit loss experience, combined with the current situation and the prediction of future economic conditions, and calculates the expected credit loss through default risk exposure and the expected credit loss rate for the next 12 months or the whole duration.

The basis for determining the portfolio of receivables financing is as follows:

Receivables financing portfolio 1: Commercial acceptance bills

Receivables financing portfolio 2: Bank acceptance bills

Receivables financing portfolio 3: Accounts receivable

For receivables financing divided into portfolios, the Company refers to the historical credit loss experience, combined with the current situation and the prediction of future economic conditions, and calculates the expected credit losses through default risk exposure and the expected credit loss rate for the whole duration.

The basis for determining the portfolio of long-term receivables is as follows:

Long-term receivables portfolio 1: Receivables from external customers

For long-term receivables divided into portfolios, the Company refers to the historical credit loss experience, combined with the current situation and the prediction of future economic conditions, and calculates the expected credit losses through default risk exposure and the expected credit loss rate for the whole duration.

B ***Debt investments, other debt investments***

For debt investments and other debt investments, the group calculates the expected credit losses through the exposure on default and the future 12-month or lifetime expected credit losses rate, according to the nature of the investment, the types of counterparty and risk exposure.

① With low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

② Significant increase in credit risk

By comparing the default probability of the financial instrument within the estimated duration determined on the balance sheet date against the default probability of such instrument within the estimated duration determined at initial recognition, the Company determines the relative change of default risk of financial instruments during the expected life of financial instruments, to evaluate whether the credit risk of financial instruments has increased significantly since the initial recognition.

To determine whether credit risk has increased significantly since the initial recognition, the Company considers reasonable and valid information, including forward-looking information that can be obtained without unnecessary additional costs or efforts. Information considered by the Company includes:

A. Whether the internal price indicators caused by change in credit risk have changed significantly;

B. Adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its debt obligations;

C. Whether the actual or expected operating results of the debtor has changed significantly; whether the regulatory, economic or technological environment in which the debtor is located has undergone significant adverse changes;

D. Whether value of collateral against debt mortgage or guarantee or credit enhancement provided by a third party has changed significantly. It is expected that the aforesaid changes are economic motives that will lower the debtor's repayment based on contractual stipulation or have an impact on probability of default;

E. Whether the economic motives that are expected to lower the debtor's repayment based on contractual stipulation have changed significantly;

F. Expected change to loan contracts, including the exemption or revision of contractual obligations, the granting of interest-free periods, the jump in interest rates, the requirement for additional collateral or guarantees, or other changes in the contractual framework for financial instruments that may result from the breach of contract;

G. Whether the debtor's expected performance and repayment activities have changed significantly;

H. Whether the contractual payment has been overdue for over (inclusive) 30 days.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

Generally, the Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. Unless the Company has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due.

③ <u>Credit impaired financial assets</u>

At each balance sheet date, the Company assesses whether financial assets carried at amortized cost and debt investments at fair value through other comprehensive income are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable data:

Significant financial difficulty of the issuer or the debtor; The debtor breaches the contract, such as default or overdue on interest or principal payment; The creditor, for economic or contractual reasons relating to the financial difficulties of the debtor, granted to the debtor a concession that the creditor would not otherwise consider; The debtor is likely to enter bankruptcy or other financial reorganization; The active market for the financial asset disappeared due to the financial difficulties of the issuer or the debtor; Purchase or originate a financial asset at a substantial discount, which reflects the fact that a credit loss has occurred.

④ Presentation of provision for expected credit losses

Expected credit losses are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the amount of expected credit losses is recognized as an impairment gain or loss in profit or loss. For financial assets measured at amortized cost, provision is offset against their carrying amounts in the balance sheet. The Company recognizes provision for debt instruments at fair value through other comprehensive income in other comprehensive income and does not deduct the carrying amount of the financial assets.

⑤ Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(6) Transfer of financial assets

Transfer of a financial asset refers to the following two circumstances:

A. transfer the contractual rights to receive cash flows from the financial asset to another party;

B. transfer the financial asset, in whole or in part, to another party, but reserve the contractual rights to receive cash flows from the financial asset and undertake the contractual obligations to pay the cash flows received to one or more payees.

① Derecognition of transferred financial assets

A financial asset is derecognized when the Company has transferred substantially all the risks and rewards of ownership of the financial asset to the transferee or when the Company neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but waived its control over the financial asset.

When judging whether its control over the transferred financial asset has been waived, the enterprise shall pay more attention to the transferee's actual ability to sell the financial asset. If the transferee is able to unilaterally sell the transferred financial asset in whole to a third party not related to it and there are no additional conditions to limit the sale, it shows that the enterprise has waived its control over the financial asset.

The Company shall pay more attention to the nature of transfer of financial asset when it determines whether the transfer of financial asset meets the conditions of derecognition of financial asset.

If the full transfer of a financial asset satisfies the conditions of derecognition, the difference between the following two items is recorded in the current profit or loss:

A. the carrying amount of the transferred financial asset;

B. the sum of the consideration received from the transfer and the cumulative changes in the fair value that had been recorded directly in other comprehensive income attributable to the derecognized portion attributable to the derecognized portion (financial assets involved in the transfer are those classified into financial assets at fair value through other comprehensive income in accordance with Article 18 of the *Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*).

If the partial transfer of a financial asset satisfies the conditions of derecognition, the gross carrying amount of the transferred financial asset shall be allocated between the derecognized portion and the portion not derecognized (in this case, the retained service asset shall be deemed as a part of the financial asset continuously recognized) in proportion to their respective relative fair value on transfer day, and the difference between the following two items is recorded in the current profit or loss:

A. the carrying amount of the derecognized portion;

B. the sum of the consideration of the derecognized portion and the cumulative changes in the fair value that had been recorded directly in other comprehensive income attributable to the derecognized portion attributable to the derecognized portion (if the transferred financial asset is classified as the financial asset at fair value and its changed included in other comprehensive income in accordance with Article 18 of the *Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*).

② Continuous involvement in transferred financial assets

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, but retains its control over the financial asset, such financial asset is recognized to the extent of its continuous involvement in the transferred financial asset and an associated liability is recognized.

The extent of the continuous involvement in the transferred financial asset refers to the risk exposure or rewards to the enterprise resulting from changes in value of the transferred financial asset.

③ Continuous recognition of transferred financial assets

If substantially all the risks and rewards of ownership of the transferred financial asset are retained, the transferred financial asset as a whole shall be recognized continuously and the consideration received shall be recognized as a financial liability.

The financial asset shall not offset against the associated financial liability recognized. In subsequent accounting periods, the enterprise shall continue to recognize the income (or gain) generated from the financial asset and the cost (or loss) arising from the financial liability.

(7) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset against each other. However, they are offset and the net amount is reported in the balance sheet when both of the following conditions are satisfied:

The Company currently has a legally enforceable right to offset the recognized amounts;

The Company intends to settle on the net basis, or to realize the financial assets and settle the financial liabilities simultaneously.

Where transfer of a financial asset does not satisfy the conditions of derecognition, the transferor shall not offset the transferred financial asset and the associated liability.

(8) Determination of fair value of financial instruments

See Note III. 11 for details about determination of fair value of financial instruments.

Following accounting policies for financial instruments applicable to 2018 and before

(1) Classification of financial assets

① Financial assets at fair value through current profit or loss

These assets include financial assets held for trading and those directly designated as financial assets at fair value through current profit or loss, and the former mainly refers to stocks, bonds, funds and investments in derivative instruments not used as effective hedging instruments held by the Company for sale in the near future. Such assets are initially recognized at the fair value when obtained during the initial measurement, and relevant transaction costs are included in the current profit or loss when they occur. If considerations paid include the cash dividends declared but not distributed, or bond interests due but uncollected, such cash dividends and bond interests shall be separately recognized as receivables. Interests or cash dividends received during the period in which such assets are held shall be recognized as investment income. The Company classifies such financial assets as those at fair value through profit or loss at the balance sheet date. When disposed of, the difference between the fair value and initially recorded amount of such financial assets shall be recognized as investment income, and concurrently adjustment shall be made to gains or losses on changes in fair value.

② Held-to-maturity investments

These investments mainly refer to national bonds and corporate bonds with fixed maturity and fixed or determinable recoverable amounts which the Company holds for a definite purpose or is able to hold until their maturity. Such financial assets are initially recognized at the sum of the fair value when obtained and related transaction costs. If considerations paid include bond interests due but not distributed, such bond interests shall be separately recognized as receivables. Interest income received during the period in which such held-to-maturity investments are held shall be calculated based on the amortized cost and effective interest rate and included in investment income. When disposed of, the difference between the received price and the carrying amount of held-to-maturity investments shall be included in investment income.

③ Receivables

Receivables mainly include accounts receivable and other receivables. Accounts receivable refer to receivables from sales of goods or rendering of services by the Company. Accounts receivable are initially recognized at the contractual or agreed payments from buyers.

④ Available-for-sale financial assets

These financial assets mainly refer to those not classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans or receivables by the Company. Available-for-sale financial assets are initially recognized at the sum of the fair value when such financial assets are obtained and related transaction costs. If considerations paid include bond interests due but uncollected or cash dividends declared but not distributed, such bond interests and cash dividends shall be separately recognized as receivables. Interests or cash dividends received during the period in which such available-for-sale financial assets are held shall be included in investment income.

If available-for-sale financial assets are monetary financial assets in foreign currencies, their exchange gains or losses generated shall be included in the current profit or loss. Interests on investments in available-for-sale debt instruments measured by using effective interest method are included in the current profit or loss. Cash dividends on investments in available-for-sale equity instruments are included in the current profit or loss when the investee announces the distribution of dividends. At the balance sheet date, available-for-sale financial assets are measured at fair value with their changes included in other comprehensive income. When disposed of, the difference between the received price and the carrying amount of available-for-sale financial assets shall be included in investment income; meanwhile, the cumulative changes in fair value originally recorded in owners' equity attributable to the part disposed of shall be transferred to investment income.

(2) Classification of financial liabilities

① Financial liabilities at fair value through profit or loss, including financial liabilities held for trading and those directly designated as financial liabilities at fair value through profit or loss. Such financial liabilities are initially recognized at fair value, and relevant transaction costs are directly charged to the current profit or loss with changes in fair value included in the current profit or loss at the balance sheet date.

② Other financial liabilities, being financial liabilities other than those at fair value through profit or loss.

(3) Reclassification of financial assets

Where an investment is no longer suitable to be classified as a held-to-maturity investment as a result of changes in intention or ability for holding, such investment shall be reclassified as an available-for-sale financial asset, and subsequently measured at fair value. Where the amount of partial sale or reclassification of a held-to-maturity investment is relatively significant, which is not the exceptions specified in Article 16 of the *Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*, and makes the remaining part of the investment no longer suitable to be classified as a held-to-maturity investment, such part shall be reclassified as an available-for-sale financial asset and subsequently measured at fair value, while such financial asset shall not be classified as a held-to-maturity investment within the current accounting year and the following two full accounting years.

The difference between the carrying amount and fair value of the investment at the reclassification date shall be included in other comprehensive income and transferred to the current profit or loss when the available-for-sale financial asset is impaired or derecognized.

(4) Differentiation between financial liabilities and equity instruments

Financial liabilities and equity instruments are differentiated according to the following criteria except under exceptional circumstances:

① If the Company cannot unconditionally avoid the performance of a contractual obligation by paying cash or delivering other financial assets, the contractual obligation meets the definition of financial liability. Some financial instruments, although not explicitly containing the terms and conditions in respect of the obligation to pay cash or deliver other financial assets, may indirectly form contractual obligations through other terms and conditions.

② If a financial instrument must or may be settled with the Company's own equity instruments, it is necessary to consider whether the Company's own equity instruments used to settle the instrument is a substitute for cash or other financial assets, or is used to entitle the instrument holder with remaining interest in the assets of the issuer after deducting all liabilities. In the former case, the instrument is a financial liability of the issuer; in the latter case, it is an equity instrument of the issuer. Under certain circumstances where a financial instrument contract requires that the Company must or may settle the financial instrument with its own equity instruments, and the amount of contractual rights or obligations equals to the number of equity instruments to be received or delivered multiplied by their fair value at the time of settlement, the contract is classified as a financial liability, regardless of whether the amount of the contractual rights or obligations is fixed or is dependent, in whole or in part, on changes in variables other than the market price of the Company's own equity instruments (such as interest rates, a commodity price or the price of a financial instrument).

(5) Transfer of financial assets

Transfer of a financial asset refers to the following two circumstances:

A. transfer the contractual rights to receive cash flows from the financial asset to another party;

B. transfer the financial asset, in whole or in part, to another party, but reserve the contractual rights to receive cash flows from the financial asset and undertake the contractual obligations to pay the cash flows received to one or more payees.

① <u>Derecognition of transferred financial assets</u>

A financial asset is derecognized when the Company has transferred substantially all the risks and rewards of ownership of the financial asset to the transferee or when the Company neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but waived its control over the financial asset.

When judging whether its control over the transferred financial asset has been waived, the enterprise shall pay more attention to the transferee's actual ability to sell the financial asset. If the transferee is able to independently sell the transferred financial asset in whole to a third party not related to it and there are no additional conditions to limit the sale, it shows that the enterprise has waived its control over the financial asset.

The Company shall pay more attention to the nature of transfer of financial asset when it determines whether the transfer of financial asset meets the conditions of derecognition of financial asset.

If the full transfer of a financial asset satisfies the conditions of derecognition, the difference between the following two items is recorded in the current profit or loss:

A. the carrying amount of the transferred financial asset;

B. the sum of the consideration received from the transfer and the cumulative changes in the fair value that had been recorded directly in owners' equity (if the transferred financial asset is an available-for-sale financial asset).

If the partial transfer of a financial asset satisfies the conditions of derecognition, the gross carrying amount of the transferred financial asset shall be allocated between the derecognized portion and the portion not derecognized (in this case, the retained service asset shall be deemed as a part of the financial asset not derecognized) in proportion to their respective relative fair value, and the difference between the following two items is recorded in the current profit or loss:

A. the carrying amount of the derecognized portion;

B. the sum of the consideration of the derecognized portion and the cumulative changes in the fair value that had been recorded directly in owners' equity attributable to the derecognized portion (if the transferred financial asset is an available-for-sale financial asset).

② <u>Continuous involvement in transferred financial assets</u>

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, but retains its control over the financial asset, such financial asset is recognized to the extent of its continuous involvement in the transferred financial asset and an associated liability is recognized.

The extent of the continuous involvement in the transferred financial asset refers to the risk exposure to the enterprise resulting from changes in value of the financial asset.

③ <u>Continuous recognition of transferred financial assets</u>

If substantially all the risks and rewards of ownership of the transferred financial asset are retained, the transferred financial asset as a whole shall be recognized continuously and the consideration received shall be recognized as a financial liability.

The financial asset shall not offset against the associated financial liability recognized. In subsequent accounting periods, the enterprise shall continue to recognize the income generated from the financial asset and the cost arising from the financial liability. For transferred financial asset measured at amortized cost, the associated financial liability recognized shall not be designated as a financial liability at fair value through profit or loss.

(6) Derecognition of financial liabilities

The Company derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged.

Where an asset to be used for repayment of a financial liability is transferred to certain organization or used to set up a trust and there is still current obligation to repay the liability, both of the financial liability and the transferred asset shall not be derecognized.

Where an agreement is entered into with a creditor to replace an existing financial liability with a new financial liability with substantially different contractual terms, the existing financial liability shall be derecognized while the new financial liability shall be recognized.

Where substantial revisions are made to all or part of the contractual terms of an existing financial liability, the existing financial liability shall be fully or partially derecognized, and the financial liability after the modification of terms shall be recognized as a new financial liability.

When a financial liability is derecognized in whole or in part, the difference between the carrying amount of the derecognized portion and the consideration paid (including the non-cash assets transferred out or the new financial liability assumed) shall be included in the current profit or loss.

(7) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset against each other. However, they are offset and the net amount is reported in the balance sheet when both of the following conditions are satisfied:

The Company currently has a legally enforceable right to offset the recognized amounts;

The Company intends to settle on the net basis, or to realize the financial assets and settle the financial liabilities simultaneously.

Where transfer of a financial asset does not satisfy the conditions of derecognition, the transferor shall not offset the transferred financial asset and the associated liability.

(8) Method for impairment test and impairment provision for financial assets

① <u>Objective evidences indicating impairment of financial assets:</u>

A. a serious financial difficulty occurs to the issuer or debtor;

B. the debtor breaches any of the contractual provisions, such as default or delinquency in interest or principal payments;

C. the creditor makes any concession to the debtor in financial difficulties for economic or legal factors;

D. the debtor is likely to enter bankruptcy or other financial reorganization;

E. the financial asset can no longer continue to be traded in an active market due to serious financial difficulties of the issuer;

F. it is impossible to identify whether there is a decrease in the cash flows from an asset within a group of financial assets, but after making an overall evaluation based on the public data available, it is found that there is a measurable decrease in the expected future cash flows from the group of financial assets since initial recognition;

G. there are material and adverse changes in the technological, market, economic or legal environment where the debtor operates, which makes the investor of an equity instrument unable to recover its investment cost;

H. there is a significant or prolonged decline in the fair value of investment in equity instrument;

I. other objective evidences indicate the impairment of the financial asset.

② Impairment test for financial assets (other than receivables)

A. Financial assets measured at amortized cost

If there is any objective evidence indicating that the financial assets are impaired, the carrying amount of the financial assets is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) and the reduction is included in the current profit or loss.

The present value of expected future cash flows shall be determined by discounting at the original effective interest rate of the held-to-maturity investment, taking into account the value of related collateral (after deducting the expenses arising from the acquisition or sale of the collateral). The original effective interest rate is the rate determined based on the calculation at the initial recognition of the held-to-maturity investment. As for held-to-maturity investment with floating interest rate, the current effective interest rate as stipulated in the contract shall be adopted as the discount rate in the calculation of the present value of future cash flows.

When testing financial assets measured at amortized cost for impairment, the Company considers financial assets with an amount of RMB5.00 million or above as individually significant financial assets. Those under the standard are individually insignificant financial assets.

For a financial asset that is individually significant, the Company assesses the asset individually for impairment. If there is any objective evidence indicating that it is impaired, the Company recognizes the amount of impairment in the current profit or loss. For a financial asset that is not individually significant, the asset is assessed individually for impairment or included in the financial asset group with similar credit risk characteristics and assessed for impairment.

If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Financial assets for which an impairment loss is individually recognized are not included in a collective assessment of impairment.

After the Company recognizes an impairment loss of financial assets measured at amortized cost, if there is an objective evidence that the financial asset's value restores and the restoration can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed and recognized in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment was reversed.

B. Impairment test for available-for-sale financial assets

Where an available-for-sale financial asset is impaired, the cumulative losses arising from the decline in fair value that had been recognized directly in owners' equity shall be transferred out and recognized in the impairment loss of asset at the time of the recognition of impairment loss. Where an available-for-sale debt instrument financial asset is impaired, the interest income shall be calculated at the rate used to discount the future cash flows when measuring the impairment loss.

As for the available-for-sale debt instruments whose impairment loss has been recognized, if, in subsequent accounting periods, the fair value has increased and it is objectively related to an event occurring after the recognition of original impairment loss, the previously recognized impairment loss shall be reversed and included in the current profit or loss. Impairment loss of investments in available-for-sale equity instruments shall not be reversed through profit or loss.

(9) Determination of fair value of financial assets and financial liabilities

See Note III. 11 for details about determination of fair value of financial assets and financial liabilities.

11. Fair value measurement

Fair value is the price that market participants may receive by selling an asset or pay for transferring a liability in an orderly transaction on the measurement date.

The Company measures the fair value of relevant assets or liabilities based on the price in principal market. In the absence of a principal market, the Company will measure the fair value of relevant assets or liabilities based on the price in the most favorable market. The Company adopts the assumptions that market participants would use to maximize their economic benefits when pricing the assets or liabilities.

Principal market refers to the market in which both of the trading volume and activity of relevant assets or liabilities are the highest; the most favorable market refers to the market in which relevant assets can be sold at the highest price or relevant liabilities can be transferred at the lowest price after taking into account the transaction and transportation costs.

If an active market exists for the financial assets or financial liabilities, the Company uses the quotation on the active market at its fair value. For those in the absence of active market, the Company uses valuation technique to recognize its fair value.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

① *Valuation techniques*

The Company adopts valuation techniques applicable in the current situation and supported by adequate available data and other information, which include market approach, income approach and cost approach. The Company measures fair value by using the approaches which are in line with one or more valuation techniques above. Where multiple valuation techniques are used to measure fair value, the amount that is the most representative of fair value in the current situation shall be selected as the fair value after taking into account the rationalities of each of the valuation results.

In application of valuation techniques, the Company gives priority to relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted. Observable inputs are inputs developed using market data, which reflect the assumptions that market participants would use when pricing relevant assets or liabilities. Unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing relevant assets or liabilities.

② *Fair value hierarchy*

The Company categorizes inputs for fair value measurement into three levels and uses the inputs by the order of Level 1, Level 2 and Level 3. Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date. Level 2: inputs other than the quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. Level 3: unobservable inputs for the asset or liability.

12. Receivables

Following accounting policies for receivables applicable to 2018 and before

(1) Receivables that are individually significant and subject to separate provision for bad debts

Basis or criteria for determining individually significant receivables: receivable of more than RMB5.00 million or other receivable of more than RMB1.00 million is considered as individually significant receivable by the Company.

Method of provision for bad debts for individually significant receivables on individual basis: individually significant receivables are subject to separate impairment test. If there exist objective evidences indicating that they are impaired, the impairment loss is recognized at the excess amount of their carry amount over the present value of their future cash flows, and provision for bad debts is made accordingly.

For short-term receivables, if the difference between their expected future cash flows and their present value is minimal, no discount is made to their expected future cash flows when determining the relevant impairment loss.

(2) Receivables that are subject to provision for bad debts by portfolio of credit risk characteristics

Basis for determination of portfolio:

Portfolio 1: . . . For receivables that are individually significant but not impaired after separate test and receivables that are individually insignificant, the Company uses balance as portfolio of credit risk characteristics.

Portfolio 2: . . . The portfolio is divided based on receivables within the scope of the Company's consolidated financial statements.

Method of provision for bad debts on portfolio basis: aging analysis method.

Portfolio 1: . . . The provision for bad debts to be withdrawn the current year is calculated based on the actual loss rate for receivables within the aging sections for previous years with combination of the current conditions to determine the proportion of provision for bad debts of all aging sections for the current year.

Portfolio 2: . . . No provision for bad debts is made for receivables within the scope of the consolidated financial statements.

The proportions of the receivable portfolios within various aging sections in the provision for bad debts are detailed as follows:

Aging	**Provision percentage of receivables (%)**	**Provision percentage of other receivables (%)**
Within one year (inclusive)	5	5
1 – 2 years	10	10
2 – 3 years	30	30
3 – 4 years	50	50
4 – 5 years	80	80
Over 5 years	100	100

(3) Receivables that are individually insignificant but subject to separate provision for bad debts

For receivables that are individually insignificant and there exist objective evidences indicating that they are impaired, provision for bad debts by using aging analysis method does not reflect the actual situation. The Company conducts separate impairment test, and the impairment loss is recognized at the excess amount of their carry amount over the present value of their future cash flows, and provision for bad debts is made accordingly.

(4) Method for impairment provision for long-term receivables

Long-term receivables are subject to separate impairment test. If there exist objective evidences indicating that they are impaired, the impairment loss is recognized at the excess amount of their carry amount over the present value of their future cash flows, and provision for bad debts is made accordingly. For long-term receivables tested separately but no separate provision for bad debts is made, it shall make the corresponding provision for bad debts at 5% of the book balance of long-term receivables.

13. Inventories

(1) Classification of inventories

Inventories refer to finished products or merchandise held for sale in the ordinary course of business of the Company, unfinished products in the process of production, and materials and supplies to be consumed in the process of production or provision of services, including raw materials, unfinished products, finished products, merchandise inventory and turnover materials.

(2) Valuation method of inventories delivered

The weighted mean method is adopted for valuation of the Company's inventories upon delivery.

(3) Inventory system for inventories

The Company adopts the perceptual inventory system for its inventories and conducts inventory checking at least once a year. Inventory overage and shortage are recognized in profit or loss for the current year.

(4) Provision for inventory write down

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the cost of inventories is higher than the net realizable value, a provision for inventory write down is recognized in the current profit or loss.

The net realizable value of the inventory is calculated based on reliable evidences acquired, considering factors including the purposes of holding the inventory and the influences of events after the balance sheet date.

① In the regular production and operation process, the calculation of the net realizable value of inventory for direct sales, including finished goods, merchandises and materials for sales purposes, is based on the estimated selling price of inventory subtracting the estimated selling expenses and related taxes. The calculation of the net realizable value of inventory held for the purposes of executing sales contract or employment contract is based on the contract price. If the inventory exceeds the amount ordered by the sales contract, the net realizable value of the excess part is estimated based on the selling price. The net realizable value of materials for sales purposes is calculated based on the market price.

② In the regular production and operation process, the net realizable value of the inventory of materials requiring processing is calculated based on the estimated selling price of the finished goods subtracting the estimated costs to be incurred until the completion of processing, the estimated selling expenses and related taxes. If the net realizable value of the finished goods is higher than the cost, the material is calculated at cost. A fall in the price means that the net realizable value of the finished goods is lower than the cost and that the material shall be calculated based on the net realizable value. Provision for inventory write down can be made based on the difference in the values.

③ Provision for inventory write down is generally made on an individual basis. For items of inventories in large quantity and with lower price, provision for inventory write down can be made by categories of inventory.

④ At the balance sheet date, if the previous influencing factors of inventory write down have been eliminated, the amount of write-down shall be recovered and be reversed from the provision for inventory write down previously made. The reversed amount is recognized in the current profit or loss.

(5) Amortization methods for turnover materials

① Amortization method for low value consumables: immediate write-off method upon receipt.

14. Non-current assets or disposal groups held for sale

(1) Classification of non-current assets or disposal groups held for sale

Non-current assets or disposal groups that meet the following conditions are classified as held for sale:

① based on the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under current conditions;

② the sale is very likely to happen, that is, the Company has already made a resolution on a sales plan and obtained a certain purchase commitment, and it is expected that the sale will be completed within one year. If the relevant regulations require that approval shall be obtained from the relevant authorities or supervision department of the Company, such approval has been obtained.

The non-current assets or disposal groups that the Company has acquired specially for resale are classified as held for sale on the acquisition date when they meet the condition that "it is expected that the sale will be completed within one year" on the acquisition date, and are likely to satisfy other conditions of being classified as held for sale in a short-term (usually being 3 months).

Where the Company has lost control of a subsidiary due to reasons such as disposal of investment in the subsidiary, regardless of the Company retains any part of equity investment after disposal, upon the investment in the subsidiary intended to be disposed satisfying the criterion for classification as held for sale, the investment in the subsidiary will be entirely classified as held for sale in the separate financial statements of the parent company, and all assets and liabilities of the subsidiary are classified as held for sale in the consolidated financial statements.

(2) Measurement of non-current assets or disposal groups held for sale

Measurement of investment properties subsequently measured at fair value model, biological assets measured at the net amount of fair value less selling expenses, assets generated from staff's remuneration, deferred income tax assets, financial assets regulated by the relevant accounting standards of financial instruments and rights arising from insurance contracts regulated by the relevant accounting standards of insurance contracts is applicable to other relevant accounting standards, respectively.

For the initial measurement or remeasurement of non-current assets or the disposal groups held for sale on the balance sheet date, if their book value is higher than the net amount of fair value less selling expenses, the book value shall be reduced to the net amount of their fair value less selling expenses, and the reduced amount is recognized as asset impairment loss and recorded in the current profit or loss with provision made for assets impairment held for sale. If the net amount of the fair value of the non-current assets or disposal groups held for sale less the selling expenses increases on the subsequent balance sheet date, the amount previously written down shall be recovered and reversed in the amount of asset impairment loss recognized after be classified as held for sale, and the reversed amount shall be included in the current profit and loss. The carrying amount of goodwill written off shall not be reversed.

A non-current asset or disposal group that does not meet criteria for held for sale and no longer classified as held for sale, or a non-current asset that removed from a disposal group as held for sale shall be measured at the lower of:

① its carrying amount before it was classified as held for sale, adjusted for any depreciation, amortization or impairment that would have been recognized had it not been classified as held for sale;

② the recoverable amount.

(3) Presentation

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets and the liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale should not be offset against the liabilities of a disposal group classified as held for sale, and shall be presented as current assets and current liabilities separately.

15. Long-term equity investments

The Company's long-term equity investments include the equity investments for exerting control or significant influences on investees and the equity investments in joint ventures. Investees on which the Company can exert significant influence are considered as associates of the Company.

(1) Basis for determining the joint control and significant influence on the investees

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. In determining whether there is a joint control, the first judgment is to determine whether the relevant arrangement is controlled collectively by all the parties involved or the group of the parties involved, if the parties involved or the group of the parties involved must act in concert to determine the relevant arrangement, it is considered that the parties involved or the group of the parties involved control the arrangement; and then determine whether the decision on the arranged activity can be made only with the unanimous consent of the participants sharing the control, if there are two or more participant groups that can collectively control certain arrangement, it does not constitute joint control. When determining if there is any joint control, the relevant protection rights will not be taken into consideration.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control with other parties over the formulation of those policies. When determining if there is any significant influence on the investee, the influence of the voting shares of the investee held by the investor directly and indirectly and the potential voting rights held by the investor and other parties which are exercisable in the current period and converted to the equity of the investee, including the warrants, stock options and convertible bonds that are issued by the investee and can be converted in the current period, shall be taken into consideration.

When the Company holds directly or indirectly through the subsidiary 20% (inclusive) to 50% of the voting shares of the investee, it is generally considered to have significant influence on the investee, unless there is concrete evidence to prove that it cannot participate in or substantially influence the production and operation decision-making of the investee.

(2) Determination of initial investment cost

① For long-term equity investment through a business combination, the investment cost should be determined as follows:

A. The initial investment cost of a long-term equity investment acquired through a business combination involving entities under common control shall be the Company's share of the carrying amount of shareholders' equity of the party being combined at the combination date, if the consideration for such combination is settled in cash, by way of transfer of non-cash assets or assumption of liabilities. The difference between the initial investment cost of the long-term equity investment and the total amount of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted to capital reserve. If the balance of the capital reserve is insufficient, any excess is adjusted to retained profits;

B. For a long-term equity investment acquired through a business combination involving entities under common control, if the consideration for such combination is settled by issuance of equity securities by the combining party, the initial investment cost of the long-term equity investment is the combining party's share of the carrying amount of combined party's equity at the combination date in the consolidated financial statements of ultimate holding party. If the capital is taken to be the total par value of the shares issued, the difference between the initial investment cost of the long-term equity investment and the total par value of the shares issued shall be adjusted to capital reserve. If the balance of the capital reserve is insufficient, any excess is adjusted to retained profits;

C. For a long-term equity investment acquired through a business combinations not involving entities under common control, the fair value of assets paid, liabilities produced/assumed and equity securities issued on the date of acquisition on the purpose of obtaining control of the acquiree is deemed as the cost of combination and will be recognized as the initial investment cost of the long-term equity investment. The audit, legal service and appraisal consultation fees and other intermediary fees as well as other relevant management fees of the combining party for business combination shall be included in the profit or loss for the period in which they are incurred.

② For long-term equity investments acquired other than through a business combination, the investment cost is determined as follows:

A. for long-term equity investment acquired by cash payment, the investment cost is the amount actually paid for the purchase. The initial investment cost includes fees, taxes and other necessary expenses, which are directly related to the long-term equity investment;

B. for long-term equity investment acquired through issuing equity securities, the initial investment cost is the fair value of the equity securities issued;

C. for long-term equity investment acquired by non-monetary asset exchange, the initial investment cost is the sum of the fair values and related taxes on condition that the exchange has commercial natures and that the fair values of exchanged assets can be reliably measured. The difference between the fair values and the carrying amount of exchanged assets shall be included in profit and loss for the current period. If either of the two conditions cannot be satisfied, the initial investment cost is the sum of the carrying amount of exchanged assets and related taxes;

D. for long-term equity investment acquired by debt restructuring, the initial investment cost is the fair value of the stock rights acquired. The difference between the initial investment cost and the carrying amount of creditor's rights shall be included in profit and loss for the current period.

(3) Methods for follow-up measurement and profit and loss recognition

When the Company controls the investee, a long-term equity investment is accounted for using the cost method. The long-term equity investment in associates and joint ventures is accounted for using the equity method.

① The cost method

For long-term equity investments accounted for using the cost method, the long-term equity investment cost shall be adjusted in case of additional investment or disinvestment. The cash dividends or profits that the investee declares to distribute shall be recognized as the current investment income.

② The equity method

The general accounting treatment for the long-term equity investments accounted for using the equity method is as follows:

Where the investment cost of a long-term equity investment exceeds the Company's share of fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost. Where the initial investment cost is less than the Company's share of fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to the current profit or loss, and the cost of the long-term equity investment shall be adjusted accordingly.

The gain on investment and other comprehensive income shall be recognized at the Company's share of the net profit or loss and other comprehensive income realized by the investee, respectively, and carrying amount of the long-term equity investment shall be adjusted accordingly. Carrying amount of the long-term equity investment shall be reduced by the Company's share of the profit or cash dividend declared by the investee. In respect of the changes in owners' equity of the investee other than in net profit or loss, other comprehensive income and profit distribution, the carrying amount of the long-term equity investment shall be adjusted and included in the owners' equity. The Company recognizes its share of the investee's net profit or loss based on fair value of the investee's identifiable net assets at the time of acquisition, after making appropriate adjustments thereto. In the case of any inconsistency between the accounting policies and accounting periods adopted by the investee and by the Company, the financial statements of the investee shall be adjusted in accordance with the accounting policies and accounting periods of the Company, and the gain on investment and other comprehensive income shall be recognized accordingly. In respect of the transactions between the Company and its associates and joint ventures, the share of unrealized gain or loss arising from inter-group transactions shall be offset by the portion attributable to the Company, and the gain or loss on investment shall be recognized accordingly. Any unrealized loss arising from inter-group transactions between the Company and an investee should be recognized in full to the extent that the loss is impairment loss of the assets.

If an entity has significant influences or can implement joint control over investees without resulting in control due to additional investment, the initial investment cost is recognized as the sum of the fair value of the original portion of equity investment and the additional investment cost under equity method. For the original portion of equity investment classified as available for sale, the difference between the fair value and carrying amount and cumulative changes in fair value recognized as other comprehensive income shall be recognized as current profit of loss under equity method.

If an entity loses joint control or has no significant influences over investees due to the elimination of parts of the equity investment, the surplus equity after disposal measured at fair value shall be recognized as the difference between fair value and carrying amount at the date of loss of joint control or significant influence. Other comprehensive income of original equity investment recognized under equity method shall be recognized on the same basis used by the investees when disposing the relevant assets or liabilities directly in the termination of equity method.

(4) Held-for-sale equity investment

Refer to Note III. 14 (the No. shall be consistent with the note No. of "Assets Held for sale and discontinued operations" and same as below) for the relevant accounting treatment of the equity investment to joint ventures or associates all or partially classified as assets held for sale.

The surplus equity investments that are not classified as assets held for sale shall be accounted for using equity method.

The equity investment to joint ventures or associates already classified as held for sale no longer meets the conditions of assets held for sale shall be adjusted retroactively using equity method from the date of being classified as assets held for sale. Financial statements for the period when they are classified as held for sale shall be adjusted accordingly.

(5) Impairment test and impairment provision

Refer to Note III. 23 for investment to subsidiaries, associates and joint ventures and the impairment provision of assets.

16. Fixed assets

Fixed assets refer to tangible assets of considerable unit value held or used for more than one year in the production of goods, provision of services, leasing or for administrative purposes.

(1) Conditions for recognition

Fixed assets shall be recognized at the actual cost when acquired only when all of the following criteria are satisfied:

① It is very likely that the economic benefits related to the fixed assets will flow into the enterprise.

② The cost of the fixed asset can be reliably measured.

Subsequent expenses incurred for fixed assets, if qualified for the recognition conditions of fixed assets, are included in the cost of the fixed asset; otherwise, they are charged to current profit or loss when incurred.

(2) Depreciation methods of fixed assets

The Company begins to make provision for depreciation using the straight-line method in the following month when the fixed asset is ready for intended use. The Company determines the depreciation life and annual depreciation rate by category, estimated economic useful life and estimated net residual value rate of the fixed assets as below:

Category	Depreciation method	Depreciation life (Year)	Residual value rate (%)	Annual depreciation rate (%)
Houses and buildings	Straight-line method	10-35	5	9.50- 2.71
Machinery and equipment	Straight-line method	8-15	5	11.88-6.33
Means of transport	Straight-line method	5-8	5	19.00-11.88
Electronic equipment and others	Straight-line method	3-8	5	31.67-11.88

For fixed assets for which impairment provision is made, the fixed asset impairment provision that has been made shall be deducted.

The Company rechecks the useful lives, estimated net residual value and depreciation method of fixed assets at the end of each year. When there is any difference between the useful lives estimate and the originally estimated value, the useful lives of the fixed asset shall be adjusted.

(3) Basis of recognition, valuation method and depreciation method for fixed assets under finance lease

If a leased fixed asset has essentially transferred all asset-related risks and remunerations, the Company recognizes the lease of this fixed asset as finance lease. The cost of fixed assets obtained by finance lease is determined by the fair value of the leased asset on the leasing date or the present value of the minimum lease payment, whichever is lower. Fixed assets obtained by finance lease adopt the same depreciation policy as the Company-owned fixed assets for the provision of depreciation of leased assets. If it can be appropriately determined that the ownership of a fixed asset can be obtained at the end of the leasehold, the provision of depreciation shall be conducted within the useful life of the leased asset; otherwise the provision of depreciation shall be conducted within the leasehold or the useful life of the leased asset, whichever is shorter.

17. Construction in progress

(1) Construction in progress is accounted on individual project basis.

(2) Criteria and timing for conversion of construction in progress into fixed assets.

As for construction in progress, all expenses occurred during the construction period before the assets achieve the predetermined serviceable condition shall be recognized as entry value of the fixed assets. Including construction expenses, original prices of machinery and equipment, other necessary expenses occurred for the purpose of making the construction in progress achieve the predetermined serviceable condition, borrowing costs borrowed specifically for the project before the fixed asset achieves the predetermined serviceable condition, and borrowing costs of occupied general borrowings. The Company transfers construction in progress to fixed assets when the engineering installation or construction is complete and the predetermined serviceable condition is achieved. Fixed assets whose construction is complete and has achieved the predetermined serviceable condition, but whose final settlement of account has not been processed, shall be transferred to fixed assets according to the estimated value of the project budget, construction cost or the actual cost of the project from the date when the fixed assets achieve the predetermined serviceable condition; and the provision of depreciation for such fixed assets shall be made according to the Company's depreciation policies for fixed assets. Adjustment shall be made to the original temporary estimated value according to the actual cost after the final accounts of completed project have been made, but the original depreciation amount will not be adjusted.

18. Borrowing costs

(1) Recognition principle for the capitalization of the borrowing costs and the capitalization period

The borrowing costs incurred to the Company and directly attributable to the acquisition and construction or production of an asset eligible for capitalization shall be capitalized and included in the relevant asset costs when meeting all the following conditions:

① The capital expenditure has been incurred;

② The borrowing costs have been incurred;

③ The acquisition and construction or production activity necessary for the asset to be ready for its intended use has been started.

Other borrowing interests, discounts or premiums and exchange differences shall be included in the current profit and loss.

If the acquisition and construction or production of an asset eligible for capitalization is abnormally interrupted and this condition lasts for more than three months, the capitalization of borrowing costs shall be suspended.

Capitalization of borrowing costs should cease when the acquired and constructed or produced assets eligible for capitalization have reached the working condition for their intended use or sale. Subsequent borrowing costs incurred shall be recognized as expenses when incurred.

(2) Capitalization rate and calculation method for the capitalization amount of borrowing costs

As for special borrowings for the acquisition and construction or production of assets eligible for capitalization, the capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or the income from temporary investment using the borrowings.

Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the capitalized amount of interests on the general borrowing shall be calculated and determined by multiplying the weighted average asset expenditure of the part of the accumulative asset expenditures minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

19. Intangible assets

(1) Valuation method for intangible assets

Intangible assets are accounted at the actual cost at the time of acquisition.

(2) Useful life and amortization of intangible assets

① Useful life estimation for intangible assets with limited useful life:

Items	**Expected useful life**	**Basis**
Land use rights.	50 years	Statutory use right
Computer software	2-10 years	Its useful life shall be determined by referencing to the period during which it can bring economic benefits to the Company
Patent.	10 years	Its useful life shall be determined by referencing to the period during which it can bring economic benefits to the Company

At the end of each year, the Company shall review the useful life and amortization method of intangible assets with limited useful life. According to the review, the useful life and amortization method of intangible assets at the end of this period do not differ from previous estimation.

② Intangible assets with unpredictable useful life during which they are able to bring economic benefits to the Company are regarded as intangible assets with undetermined useful life. For intangible assets with undetermined useful life, the Company shall review their useful life at the end of each year. If the useful life remains undetermined after the review, an impairment test shall be conducted on the balance sheet date.

③ Amortization of intangible assets

The Company shall determine the useful life of intangible assets with limited useful life upon acquisition. Systematic and appropriate amortization shall be conducted within their useful life using the straight-line method. The amortization amount shall be included in the current profits and losses according to the benefited item. The actual amortization amount is the cost subtracting the estimated residual value. For intangible assets whose provision for impairment has already been made, the accumulative amount of provision for impairment of intangible assets shall be also deducted. For intangible assets with limited useful life, its residual value is zero. The following circumstances are excluded: a third party promises to purchase the intangible asset at the end of its useful life, or an estimation of residual value information can be obtained from an active market and the market is very likely to exist at the end of the useful life of the intangible asset.

Intangible assets with undetermined useful life shall not be amortized. The useful life of intangible assets with undetermined useful life shall be reviewed at the end of each year. If there is any evidence showing that the useful life of the intangible asset is limited, its useful life shall be estimated and it should be systematically and appropriately amortized in its useful life.

(3) Specific standards for dividing the research stage and development stage of internal R&D projects

① The Company regards the preparation activities of information and other related aspects for further development activities as the research stage. The expenses of intangible assets during the research stage shall be included in the current profits and losses at the time they occur.

② The Company regards subsequent development activities after the research stage is complete as the development stage.

(4) Detailed conditions for the capitalization of expenditure during the development stage

Expenditure during the development stage shall be recognized as intangible assets when all of the following conditions are met:

A. It is technically feasible to finish intangible assets for use or sale;

B. It is intended to finish and use or sell the intangible assets;

C. The usefulness of methods for the intangible asset to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible asset or there is a potential market for the intangible assets themselves or the intangible assets will be used internally;

D. It is able to finish the development of the intangible assets, and able to use or sell the intangible asset, with the support of sufficient technologies, financial resources and other resources;

E. The expenditure attributable to the intangible asset during its development stage can be measured reliably.

20. Impairment of long-term assets

The impairment of assets of long-term equity investments, fixed assets, construction in progress, intangible assets and goodwill (other than inventories, deferred income tax assets and financial assets) of subsidiaries, associates and joint ventures is determined based on the following methods:

The Company assesses at the balance sheet date whether there is any indication that the assets may be impaired. If any indication exists that such assets may be impaired, the Company estimates the recoverable amount of the asset and performs impairment tests. Goodwill arising in a business combination, intangible assets with an indefinite useful life and intangible assets that have not been ready for intended use shall be tested for impairment each year end, irrespective of whether there is any indication that the asset may be impaired.

The recoverable amount of an asset is the higher of the net amount of the fair value of the asset less disposal costs and the present value of the estimated future cash flows of the asset. The Company estimates the recoverable amount on an individual basis. If it is difficult to estimate the recoverable amount of an individual asset, the Company determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group shall be based on whether major cash inflows generated by the asset group are independent from the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount shall be reduced to its recoverable amount by the Company. The reduced amount is recognized in profit or loss for the current period. A provision for impairment loss of the asset is recognized accordingly.

For the purpose of impairment testing for goodwill, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis to each of the related asset groups; if it is difficult to allocate to the related asset groups, it is allocated to each of the related combination of asset groups. Each of the related asset groups or combination of asset groups is an asset group or combination of asset groups that is able to benefit from the synergies of the business combination and is not larger than a reportable segment determined by the Company.

In performing impairment test, if there is any indication of impairment for an asset group or a combination of asset groups related to goodwill, the Company shall first conduct an impairment test on the asset group or the combination of asset groups excluding goodwill, calculate the recoverable amount and recognize the corresponding impairment loss. After that, the Company shall conduct an impairment test on the asset groups or combinations of asset groups including goodwill, and compare the carrying amount of these asset groups or combinations of asset groups with the recoverable amount. If the recoverable amount of the asset group or combination of asset groups is lower than its carrying amount, an impairment loss of the goodwill will be recognized.

Once the impairment loss of an asset is recognized, it shall not be reversed in subsequent accounting periods.

21. Long-term deferred expenses

Long-term deferred expenses refer to various expenses which have been already incurred but will be born in this period and in the future with an amortization period of over 1 year.

The long-term deferred expenses of the Company are amortized evenly during the benefit period, and the amortization period of various expenses is as follows:

Item	Amortization period
The expenditures caused by the improvement of fixed assets acquired under finance lease	5 years

22. Employee salaries

Employee salaries refer to the remuneration or compensation offered by the Company for the purpose of acquiring the services provided by the employees or terminating employment relationships. Employee salaries include short-term salaries, post-resignation welfare, dismissal welfare and other long-term employee welfare. Welfare provided by the Company for employees' spouses, children and dependents, family members of deceased employees and other beneficiaries is also part of employee salaries.

Employee salaries are presented as "employee salaries payable" and "long-term employee salaries payable" in the balance sheet, respectively, according to liquidity.

(1) Accounting treatment of short-term salaries

① Basic employee salaries (wages, bonuses, allowances and subsidies)

In the accounting period when the employees provide services to the Company, the short-term salaries that have actually occurred shall be recognized as liabilities, and shall be included in the current profits and losses or related asset costs, except as otherwise required or permitted by other accounting standards to be included in the cost of the asset.

② Employee welfare expenses

Employee welfare expenses occurred in the Company shall be included in the current profits and losses or related asset costs according to the actual amount occurred. If the employee welfare expense is non-monetary welfare, it shall be measured according to its fair value.

③ Social insurance expenses, including health insurance expenses, work-related injury insurance expenses and maternity insurance expenses, the housing fund, labor union expenditures, and employee education expenditures

The Company pays for the employees' social insurance expenses, including health insurance expenses, work-related injury insurance expenses and maternity insurance expenses, the housing fund, and labor union expenditures and employee education expenditures which are withdrawn according to regulations. In the accounting period when an employee provides a service to the Company, the amount of the salary shall be determined according to the withdrawal basis and the withdrawal proportion, and the corresponding liability shall be recognized and included in the current profits and losses or related asset costs.

④ Short-term paid leave

When employees provide services to the Company, thus obtaining the right to enjoy short-term paid leave, the Company shall recognize employee salaries relating to accumulative short-term paid leave and conduct measurement according to the increased expected payable amount due to the accumulative unexercised right. In the accounting period when the employee exercises the right of short-term paid leave, the Company shall recognize employee salaries relating to noncumulative paid leave.

⑤ Short-term profit sharing plan

If the profit sharing plan meets all of the following conditions, the Company shall recognize related employment salaries payable:

A. The Company currently undertakes legal obligations or constructive obligations for the payment of employee salaries due to past events;

B. The amount of the obligations for the payment of employee salaries produced by the profit sharing plan can be reliably estimated.

(2) Accounting treatment of post-employment benefit

① Defined contribution plan

In the accounting period when the employees provide services to the Company, the Company shall recognize the payable amount calculated by the defined contribution plan as liability, and shall include it in the current profits and losses or related asset costs.

According to the defined contribution plan, if it is estimated that the payable amount may not be paid in full within 12 months after the annual report period corresponding to the related services provided by employees, the Company shall measure the payable employee salaries by the discounted amount of the full payable amount according to the corresponding current discount rate (determined, on the balance sheet date, by the market yield of treasury bonds, or high-quality corporate bonds in the active market, matching the period and currency of the defined contribution plan).

② Defined benefit plan

A. Determining the present value of the obligation of the defined benefit plan and the service cost of the current period

According to the projected unit credit method, variables including demographic variables and financial variables shall be estimated based on unbiased and consistent actuarial assumptions. Obligations generated by the defined benefit plan shall be measured and the period to which the obligations belong shall be determined. The Company shall discount the obligations generated by the defined benefit plan according to the corresponding discount rate (determined, on the balance sheet date, by the market yield of treasury bonds, or high-quality corporate bonds in the active market, matching the period and currency of the defined benefit plan) for the purpose of determining the present value of the obligation of the defined benefit plan and the service cost of the current period.

B. Recognizing the net liability or net asset of defined benefit plan

If the defined benefit plan includes assets, the Company shall recognize the deficit or surplus, formed by the present value of the obligations of the defined benefit plan subtracting the fair value of the assets of the defined benefit plan, as the net liability or net asset of the defined benefit plan.

If the defined benefit plan has surplus, the Company shall measure the net asset of the defined benefit plan according to the surplus or the upper limit of asset of the defined benefit plan, whichever is lower.

C. Determining the amounts that shall be included in the asset costs or the current profits and losses

Service costs, including the service costs of the current and past periods, and the clearing gains or losses. Other service costs than the service costs of the current period, required or permitted by other accounting principles, that may be included in the asset costs shall be included in the current profits and losses.

Net interest of net liabilities or net assets of defined benefit plans, including interest income of planned assets, the interest cost of the defined benefit plan obligation and the influential interest of asset upper limit, which shall be recorded into the current profits and losses.

D. Determining the amounts that shall be included in other comprehensive income

Changes arising from re-measurement of net debt or net asset of defined benefit plan, including:

(a) actuarial gains and losses, or the increases or decreases of the previously measured defined benefit plan due to actuarial assumption and experience adjustment;

(b) return on planned assets, excluding the amount in net interest arising from net liabilities or net assets of defined benefit plan;

(c) changes of asset upper limit, excluding the amount in net interest arising from net liabilities or net assets of defined benefit plan.

The changes arising from above re-measurement of net liabilities or net assets of defined benefit plan are directly recorded into other comprehensive income, but not transferred to gains and losses in the subsequent accounting period, however, the Company is able to transfer the amounts recognized in other comprehensive income within the scope of equity.

(3) Accounting treatment of dismissal welfare

If the Company provides dismissal welfare to employees, the Company shall recognize the employee compensation liability incurred from dismissal welfare at the earlier of the following dates and include such liability in current profit and loss:

① The date when the enterprises are unable to unilaterally revoke the dismissal welfare provided for the termination of labor relation or the proposal for layoffs;

② The date when enterprises determine the cost or expense related to the restructuring involving payment of dismissal welfare.

If the dismiss welfare is failed to be paid within 12 months after the annual reporting period as planned, the amount of dismiss welfare shall be discounted according to the corresponding discount rate (determined, on the balance sheet date, by the market yield of treasury bonds, or high-quality corporate bonds in the active market, matching the period and currency of the defined benefit plan), and the employee welfare payable shall be calculated as per the discounted amount.

(4) Accounting treatment of other long-term employee benefits

① When it meets the conditions of defined contribution plans

Where the Company provides employees with other long-term employee benefits which meets the conditions of defined contribution plans, the Company shall measure the employee benefits payables by discounting full amount of deposits at a discount rate.

② When it meets the conditions of defined benefit plans

At the end of the reporting period, the Company shall recognize the cost of employee compensation arising from other long-term employee benefits as the following components:

A. Service costs;

B. Net interests arising from net liabilities or net assets of other long-term employee benefits;

C. Changes arising from re-measuring the net liabilities or net assets of other long-term employee benefits.

In order to simplify the relevant accounting treatment, the total net amount of the above items is included in the current profit and loss or the cost of related assets.

23. Provisions

(1) Recognition criteria for provisions

The Company recognizes the obligations pertinent to contingencies as provisions if the following conditions are satisfied simultaneously:

① The obligation is a present obligation of the Company;

② The fulfillment of the obligation is likely to cause economic benefits to flow out of the Company;

③ The amount of the obligation can be measured reliably.

(2) Measurement method for provisions

The provisions shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation and factors pertinent to contingencies such as the risks, uncertainties and the time value of money shall be taken into account as a whole. The Company shall review the book value of provisions on the date of each balance sheet. If there is any conclusive evidence indicating that the book value cannot really reflect the current best estimate, the Company shall adjust the book value in accordance with the current best estimate.

24. Share-based payment

(1) Types of share-based payment

The share-based payments shall consist of cash-settled share-based payments and equity-settled share-based payments.

(2) Measures for determining the fair value of the equity instruments

① For shares granted to employees, the fair value is measured as per the market price of the Company's shares, and adjusted in accordance with the terms and conditions on which the shares are granted at the same time (excluding the vesting conditions apart from the market condition).

② For stock options granted to employees, it is not easy to obtain the market price in most conditions. If no trade options with similar terms and conditions exist, the Company estimates the fair value of the options granted by selecting the applicable option pricing models.

(3) Basis for determining the best estimate of exercisable equity instruments

On each balance sheet date within vesting period, the Company will make the best estimate based on the latest subsequent information such as the number of employees who may exercise their rights, and revise the number of equity instruments that are expected to be exercisable, to make the best estimate of exercisable equity instruments.

(4) Accounting treatment for implementation of share-based payment plan

Cash-settled share-based payment

① As to a cash-settled share-based payment, if the right may be exercised immediately after the grant, the fair value of the liability undertaken by the Company shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. On each balance sheet date and each account date prior to the settlement, the fair values of the liabilities shall be re-measured and the changes shall be included in the current profits and losses.

② As to a cash-settled share-based payment, if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the Company.

Equity-settled share-based payment

① As to an equity-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the date of the grant, be included in the relevant cost or expense and the capital reserves shall be increased accordingly.

② As to an equity-settled share-based payment in return for employee services, if the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and the capital reserves at the fair value of the equities instruments on the date of the grant.

(5) Accounting treatment for modification of share-based payment plan

When the Company modifies the share-based payment plan, if the fair value of the equity instrument granted is increased due to the modification, the increment of the obtained services shall be recognized accordingly; and if the quantity of the equity instrument granted is increased due to the modification, the increment of obtained services shall be recognized accordingly. The increment of fair value for equity instrument refers to the difference in fair value of the equity instrument before and after the modification on the modification date. If the terms and conditions of share-based payment plan is modified through decreasing the total fair value of share-based payment or applying other ways not good for the employees, the accounting treatment shall be still carried out for the obtained service regardless of the occurrence of the modification unless the Company cancels all or part of the equity instruments granted.

(6) Accounting treatment for termination of share-based payment plan

If the equity instruments granted are canceled or settled within the vesting period (except that canceled due to failure to meet the vesting conditions), the Company shall:

① regard the canceling or settlement as acceleration of exercisable rights, and immediately recognize the amount supposed to be determined within the residual vesting period.

② regard all funds paid to employees as equity buy-back treatment during cancelling or settlement period, with the paid buy-back amount higher than the fair value of the equity instrument on the buy-back date, which is included into the expenses of current period.

If the Company buys back the equity instrument that its employees have exercised, it shall write down the owner's equity of enterprise, the paid buy-back amount which is higher than the fair value of the equity instrument on the buy-back date shall be recorded in the gains and losses of current period.

25. Principles for recognizing and methods for measuring revenue

(1) Revenue from sales of goods

The revenue from sales of goods shall be recognized when the Company has transferred the substantial risks and rewards of ownership of the goods to the buyer; the Company retains neither continuous management rights associated with ownership of the goods sold nor effective control over the goods sold; the amount of revenue can be measured reliably; the related economic benefits are likely to flow into the Company; and the relevant costs that have occurred or will occur can be measured reliably.

① If the goods are sold by means of advance payment, making payment while picking up the goods or sales on account, the Company shall issue value-added invoice to recognise revenue on the basis of the outgoing order and customer's delivery receipts when the goods are delivered and the delivery receipts are obtained from buyers.

② If the goods are sold by installments, that is, the goods have been delivered and the payment is recovered by installments. If the deferred payment is of a financing nature, the essence of which is that when the Company provides the credit to the buyer, the Company determines the revenue at the fair value of the amount of the contract or agreement price receivable. The fair value of the amount of the contract or agreement price receivable is usually determined according to the present value of its future cash flow or the current price of the goods. The difference between the amount of the contract or agreement price receivable and its fair value shall, during the period of the contract or agreement, be amortized according to the amortized cost of the receivables and the amount calculated by the effective interest rate, and shall be treated as a financial expense deduction.

(2) Revenue from rendering of labor services

If the result of the transaction of rendering of labor services can be reliably estimated on the balance sheet date, the revenue from rendering labor services shall be recognized by the percentage-of-completion method. The Company determines the progress of completion of the rendering of service transactions by the proportion of costs already incurred to the estimated total costs.

The result of the transaction of rendering labor services can be reliably estimated only when the following conditions are simultaneously satisfied: A. the amount of revenue can be measured reliably; B. the related economic benefits are likely to flow into the Company; C. the progress of completion of the transactions can be determined reliably; D. the relevant costs that have occurred or will occur in the transactions can be measured reliably.

The Company shall determine the revenue from rendering of labor services according to the amount of the contract or agreement price received or receivable, unless the amount of the contract or agreement price received or receivable is unfair. The Company shall, on the balance sheet date, recognize the current revenue from rendering of labor services in accordance with the amount of multiplying the total amount of revenue from rendering of labor services by the progress of completion, then deducting the accumulative revenue from the rendering of labor services that have been recognized in the previous accounting periods. At the same time, the Company shall carry forward the current cost of labor services in accordance with the amount of multiplying the total amount of revenue arising from the rendering of labor services by the progress of completion and then deducting the accumulative revenue from the rendering of labor services that have been recognized in the previous accounting periods.

On the balance sheet date, when the outcome of the transaction involving the rendering of labor services cannot be estimated reliably, it shall be dealt with in the following ways:

① If the cost of labor services incurred is expected to be compensated, the revenue from the rendering of labor services shall be recognized to the extent of actual cost incurred to date, and the relevant cost is transferred to cost of labor service in the same amount.

② If the cost of labor services incurred is not expected to be compensated, the cost incurred shall be included in current profit or loss, and no revenue from the rendering of labor services may be recognized.

(3) Revenue from assignment of the right-of-use assets

If it is probable that economic benefits associated with the transaction will flow to the Company, and the amount of revenue can be reliably estimated, the Company shall recognise the revenue from the assignment of right-of-use assets by the following methods:

① The amount of interest income shall be measured and recognized in accordance with the length of time for which the Company's monetary capital is used by others and the effective interest rate.

② The amount of royalty income shall be measured and recognized in accordance with the period and method of charging as stipulated in relevant contract or agreement

(4) Revenue from construction contracts

Where the outcome of the construction contract can be estimated reliably, the contract revenue and contract costs are recognized on the balance sheet date according to the percentage-of-completion method. Such revenue and costs are recognized according to the completion progress of the contract by using the percentage-of-completion method. The completion progress of the contract shall be determined according to the proportion of the accumulated actual contract cost to the total estimated contract cost.

If the outcome of the construction contract cannot be estimated reliably, but the expected contract cost can be recovered, the contract revenue shall be recognized according to the actual contract cost that can be recovered, and the contract cost shall be recognized as the contract expenses in the current period. If the estimated contract cost cannot be recovered, it shall be recognized as contract expenses (instead of contract revenue) immediately upon occurrence.

If the total estimated contract cost exceeds the total contract revenue, the expected loss will be recognized as the current expenses.

26. Government subsidies

(1) Recognition of government subsidies

Government subsidies can be recognized only when the following conditions are satisfied simultaneously.

① The Company can meet the conditions attached to the government subsidies;

② The Company can receive the government subsidies.

(2) Measurement of government subsidies

If the government subsidies are monetary assets, the Company shall measure the same according to the amount received or receivable. If the government subsidies are non-monetary assets, the Company shall measure the same at fair value or, if the fair value cannot be obtained reliably, at the nominal amount of RMB1.

(3) Accounting treatment of government subsidies

① The government subsidies related to assets

Government subsidies obtained by the Company for the purchase, construction or otherwise formation of long-term assets are classified as the government subsidies related to assets. The government subsidies related to assets shall be recognized as deferred income, which shall be included in the profit and loss by a reasonable and systematic method within the useful life of the relevant asset. The government subsidies measured at their nominal amounts shall be included directly in the current profit and loss. If the relevant assets are sold, transferred, scrapped or damaged before the end of its useful life, the balance of the undistributed deferred income shall be transferred to the profit and loss of the current period in which the disposal occurred.

② The government subsidies related to income

The government subsidies other than the government subsidies related to assets are government subsidies related to income. The government subsidies related to income shall be accounted for accordingly as follows:

Those to be used as compensation for the expenses or losses of the Company in subsequent periods shall be recognized as deferred income and shall be included in the profit and loss during the period during which the related costs or losses are recognized.

Those to be used as compensation for relevant expenses or losses that the Company has already incurred shall be included directly in the current profit and loss.

For government subsidies containing those related to assets and those related to income, if they can be distinguished, they are accounted for in different parts; if they are difficult to be distinguished, they shall be classified as government subsidies related to income as a whole.

The government subsidies related to the Company's daily operations shall be included in other income in accordance with the nature of the economic business. The government subsidies irrelevant to the daily activities of the Company shall be included in the non-operating income and expenditure.

③ Policy preferential loan discount

When the finance authority allocates the discount interest fund to the bank which issues loans and the bank which issues loans provides the loan to the Company at the policy-based preferential interest rate, the Company recognizes the value of borrowing the loan amount actually received and calculates the related borrowing costs according to the principal of the borrowing and the policy-based preferential interest rate.

If the finance authority directly allocates the discount interest fund to the Company, the Company will use the corresponding discount interest to offset the relevant borrowing costs.

④ Return of government subsidies

Where the recognized government subsidies need to be returned, for those used to offset the book value of the relevant asset at the time of initial recognition, the book value of the asset shall be adjusted; for those involving relevant deferred income, the book balance of the relevant deferred income shall be offset, and the excess shall be included in the current profit and loss; in other circumstances, it shall be directly included in the current profit and loss.

27. Deferred tax assets and deferred tax liabilities

In accordance with the temporary difference between the book value and tax base of assets and liabilities on the balance sheet date, the Company usually determines and measures the impact of taxable temporary difference or deductible temporary difference on the amount of income tax as the deferred income tax liability or deferred income tax asset by using the balance sheet liability method. The Company does not conduct discounting of any deferred income tax asset and deferred income tax liability.

(1) Recognition of deferred tax assets

As for any deductible temporary difference, deductible losses and tax credits that can be carried forward to the next years, its impact on income tax is calculated at the income tax rate during the estimated switch-back period and recognized as deferred income tax asset, to the extent that it is probable that the amount of future taxable income will be available against which the deductible temporary differences, the deductible tax losses and tax reduction can be utilized.

The impact of deductible temporary difference on the amount of income tax, which is arisen from the initial recognition of assets or liabilities during a transaction or event which is simultaneously featured by the following, shall not be recognized as deferred income tax assets:

A. The transaction is not a business combination;

B. At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected.

If the deductible temporary difference related to the Company's investments in the subsidiaries, associates and joint ventures can meet the following requirements simultaneously, its impact on income tax can be recognized as deferred income tax assets:

A. The temporary difference is likely to be reversed in the foreseeable future;

B. It is likely to obtain taxable income that may be used for offsetting the deductible temporary difference in the future.

On the balance sheet date, if there is conclusive evidence that it is likely to obtain sufficient taxable income to offset the deductible temporary difference in the future, the deferred income tax assets not recognized in the previous periods shall be recognized.

On the balance sheet date, the Company shall review the book value of the deferred tax assets. If it is probable that sufficient taxable income cannot be obtained in the future to offset the benefits of deferred tax assets, the book value of the deferred tax assets shall be written down; when sufficient taxable income is likely to be obtained, the amount that has been written down shall be reversed.

(2) Recognition of deferred tax liabilities

The impact of all taxable temporary difference on income tax of the Company shall be measured at the income tax rate in the estimated switch-back period, and this impact shall be determined as the deferred income tax liability, except for the following conditions:

① The impact of taxable temporary difference resulted from the following transactions and events on income tax shall not be recognized as the deferred income tax liability:

A. Initial recognition of goodwill;

B. Initial confirmation of assets or liabilities generated in transactions with the following characteristics: the transaction is not a business combination and, at the time of transaction, the accounting profits will not be affected, nor will the taxable amount or the deductible loss be affected.

② The impact of taxable temporary difference related to the Company's investments in the subsidiaries, associates and joint ventures on income tax is generally recognized as deferred income tax liability, excluding the ones which satisfy the following two conditions at the same time:

A. The Company can control the reversal time of the temporary difference;

B. The temporary difference is likely not to be reversed in the foreseeable future.

(3) Recognition of deferred income tax liabilities or assets related to special transactions and events

① Deferred income tax liabilities or assets related to business combination

For the taxable temporary difference or deductible temporary difference generated in a business combination not under the same control, the relevant deferred income tax fees (or gains) are generally used to adjust the goodwill recognized in a business combination while the deferred income tax liabilities or assets are recognized.

② Items directly included into owner's equity

The income taxes for the current period and deferred income tax related to the transactions or events directly recorded in the owner's equity shall be included in the owner's equity. The impact of temporary difference on income tax is included in the transactions and events of the owner's equity, including: other comprehensive income generated from the changes in the fair value of financial assets available for sale, the retrospective adjustment method, or the difference retrospective restatement for correction of previous (important) accounting errors is used to adjust the opening retained earnings due to the changes in accounting policies, and the mixed financial instruments with both liability and equity are included into the owner's equity at initial recognition.

③ Deductible loss and tax deduction

A. The Company may have deductible loss and tax deduction during the operation process

Deductible loss refers to the loss allowed to be covered by the taxable income in subsequent years as determined in the calculation based on the tax laws. The unrecoverable losses (deductible loss) and tax deduction, which can be carried-over in the future in accordance with tax law, are regarded as deductible temporary difference. If it is possible to obtain enough taxable income in the future period when the deductible loss and tax deduction are expected to be available, the relevant deferred income tax assets shall be recognized for the amount of the taxable income which can possibly be obtained, and the income tax expenses shall be deducted in the income statement for the current period at the same time.

B. Deductible unrecoverable loss of merged enterprise caused by business combination

During a business combination, the Company shall not recognize the deductible temporary difference obtained from the acquiree which cannot conform to the recognition conditions of deferred income tax asset on the purchasing date. Within 12 months after the purchasing date, if there is new or further information indicating that the conditions are existing on the purchasing date, and it is predicted that the economic benefit brought by the deductible temporary difference of the acquiree on the purchasing date can be realized, the relevant deferred income tax asset shall be recognized and the goodwill shall be reduced. If the goodwill is not enough for deduction, the difference shall be recognized as the current profit or loss. In addition to the above conditions, the deferred income tax asset related to business combination shall be recognized and included into the current profit or loss.

④ Temporary difference due to elimination of consolidation

When the Company is preparing the consolidated financial statement, if the book value of the assets and liabilities in the consolidated balance sheet temporarily differ from the tax basis of the subject of tax payment it belongs because of the elimination of the unrealized profit or loss of internal transactions, the deferred tax assets or deferred tax liabilities shall be recognized in the consolidated balance sheet and the income tax expenses shall be adjusted in the consolidated income statement, except for the transactions or matters that are directly included into the owners' equity, and the deferred income taxes related to business combination.

⑤ The equity-settled share-based payment

If it is allowed for pre-tax deduction of share-based payment in accordance with the regulations of tax law, the Company shall calculate and determine the tax base and the resultant temporary difference based on the pre-tax deduction amount estimated as per information obtained at the end of the accounting period within the period where the cost is recognized in accordance with the accounting principles, and the relevant deferred income tax shall be recognized accordingly if the recognition conditions are satisfied. If the estimated pre-tax deduction amount in the future exceeds the cost related to the share-based payment determined in accordance with accounting principles, the impact of such excess on income tax shall be directly included into the owner's equity.

28. Operating lease and finance lease

The Company recognizes the lease that substantially transfers all the risks and rewards related to the ownership of the assets as a finance lease, and recognizes other leases except the finance leases as an operating lease.

(1) Accounting treatment of operating lease

① If the Company is the lessee of operating leases, the Company shall include the rental income of operating leases in the current profit or loss in each period of the lease term by using the straight-line method or as per the use of leasing assets. When the rent-free period is provided by the lessor, the Company shall distribute the total rental within the whole lease term without deducting the rent-free period by using straight-line method or other proper methods, and also recognize the rental and relevant liabilities in the rent-free period. If the lessor undertakes some expense of the lessee, the Company shall distribute the remaining rental expense in the whole lease term after the relevant expense is deduced from the total rental expense.

The initial direct expenses shall be included in the current profit or loss. If there is a contingent rental as agreed in an agreement, it shall be recorded in the current profit and loss when it actually occurs.

② If the Company is the lessor of operating leases, the Company shall recognize the received rental as gains within the lease term by using straight-line method. When the rent-free period is provided by the lessor, the lessor shall distribute the total rental within the whole lease term without deducting the rent-free period by using straight-line method or other proper methods, and the lessor shall also recognize the rental income in the rent-free period. If the lessor undertakes some expense of the lessee, the Company shall distribute the remaining rental income in the whole lease term after the relevant expense is deduced from the total rental income.

The initial direct expenses shall be included in the current profit or loss. Large amount shall be capitalized, and included in the current profit or loss on the same basis for recognition of rental income in different phases of the whole operating lease term. If there is a contingent rental as agreed in an agreement, it shall be recorded in the current profit and loss when it actually occurs.

(2) Accounting treatment of finance lease

① If the Company is the lessee of finance lease, on the commencement date of the lease term, the Company shall recognize the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease commencement date as the recorded value of the leased asset, the minimum lease payments as the recorded value of long-term account payable, and the difference between them as unrecognized financial charges. It shall be amortized using the actual interest rate method in each period of the lease term, recognized as the financial charges for the current period and included into financial expenses.

The initial direct expenses incurred are included in the leased asset value.

For the depreciation of finance lease asset, the Company shall apply the depreciation policy for the self-owned asset to be depreciated, and the depreciation period shall be determined in accordance with the leasing contract. If it can be reasonably determined that the ownership of a leased asset can be obtained by the Company at the end of the lease term, the life of leased asset on the commencement date of the lease term shall be taken as the depreciation period; otherwise the lease term or the service life of the leased asset, whichever is shorter, shall be regarded as the depreciation period.

② If the Company is the lessor of finance lease, on the commencement date of the lease term, the Company shall recognize the sum of the minimum lease receivables on the lease commencement date and the initial direct costs as the book value of finance lease receivable, include it as the long-term receivables in the balance sheet and record the unguaranteed residual value at the same time. The difference between the sum of the minimum lease receivables, the initial direct costs and the unguaranteed residual value, and the sum of their present values shall be recognized as unrealized finance income. The effective interest rate method shall be used to recognize the leasing income in each period of the lease term.

29. Repurchase of shares of the Company

(1) If, in accordance with legal procedures, the Company obtains approval to reduce the capital by acquiring the Company's shares, then it shall reduce its share capital according to the total face value of the cancelled shares, adjust the owner's equity according to the difference between the price paid for the repurchase of the shares (including transaction cost) and the face value of the shares, and use the amount exceeding the total face value to offset the capital reserve (share premium), surplus reserve and retained earnings in turn; if it is less than the total face value, the difference thereof shall be used to increase the capital reserve (share premium).

(2) The shares repurchased by the Company shall be managed as treasury shares before they are cancelled or transferred, and all the expenses of the repurchased shares shall be transferred to the cost of treasury shares.

(3) When the treasury shares are transferred, the portion of the transfer income that is higher than the cost of the treasury shares will be used to increase the capital reserve (share premium); the portion below the cost of the treasury shares will be used to offset the capital reserve (share premium), surplus reserve and retained earnings in turn.

30. Restricted shares

In the equity incentive plan, the Company grants restricted shares to the motivated objects and the motivated objects will first subscribe for the shares. If the unlocking conditions specified in the equity incentive plan are not met subsequently, the Company will repurchase the shares at the previously agreed price. If the capital increase procedures such as registration for the restricted shares issued to employees have been completed in accordance with the relevant regulations, then, on the grant date, the Company shall recognize the share capital and capital reserve (share premium) based on the subscription money paid by the employees; and recognize the treasury shares and other payables regarding the repurchase obligations.

31. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

On April 30, 2019, the Ministry of Finance issued the Notice on Amending and Issuing the Format of General Corporate Financial Statements for 2019 (Cai Kuai [2019] No. 6), requiring that enterprises who have adopted the new financial instrument standards, but have not adopted the new income standards and new lease standards shall prepare financial statements as follows:

In the balance sheet, the line item of "notes receivable and accounts receivable" was split into "notes receivable" and "accounts receivable"; the item "receivables financing" was added to reflect notes receivable and accounts receivable measured at fair value through other comprehensive income on the balance sheet date; the line item "notes payable and accounts payable" was split into "notes payable" and "accounts payable".

In the income statement, a detailed item of "income from derecognition of financial assets measured at amortized cost ("-" for losses)" was added under the item of investment income.

On September 19, 2019, the Ministry of Finance issued the Notice on Amending and Issuing the Format of Consolidated Financial Statements (2019 Version) (Cai Kuai [2019] No. 16), which was implemented in conjunction with Cai Kuai [2019] No. 6.

The Company prepared comparative statements in accordance with the financial statement formats specified in Cai Kuai [2019] No. 6 and Cai Kuai [2019] No. 16, and adopted the retrospective adjustment method to change the presentation of relevant financial statements.

The Ministry of Finance issued the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (2017 Revision) (Cai Kuai [2017] No. 7), Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets (2017 Revision)" (Cai Kuai [2017] No. 8) and Accounting Standards for Business Enterprises No. 24 – Hedge Accounting (2017 Revision) (Cai Kuai [2017] No. 9) on March 31, 2017, and issued the Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (2017 Revision) (Cai Kuai [2017] No. 14) on May 2, 2017 (hereinafter collectively referred to as the "New Financial Instrument Standards"). They require domestic listed companies to adopt the New Financial Instrument Standards from January 1, 2019. The Company adopted the above New Financial Instrument Standards on January 1, 2019, and adjusted the relevant content of accounting policies. Please refer to Note III.10 for details.

For the requirements of the recognition and measurement of financial instruments before January 1, 2019 inconsistent with those of the New Financial Instrument Standards, the Company made retrospective adjustment for the classification and measurement (including impairment) of financial instruments in accordance with the New Financial Instrument Standards. The difference between the original book value of the financial instruments and the new book value at the adoption date of the New Financial Instrument Standards (i.e. January 1, 2019) was included in the retained profits or other comprehensive income as at 1 January 2019. At the same time, the Company made not adjustments for the comparative financial statement data.

On May 9, 2019, the Ministry of Finance issued the Accounting Standards for Business Enterprises No. 7 – Exchange of Non-monetary Assets (Cai Kuai [2019] No. 8), pursuant to which, the exchange of non-monetary assets of the Company that occurred from January 1, 2019 to the adoption date shall be adjusted in accordance with this standard. No retrospective adjustment shall be made to the exchange of non-monetary assets that occurred before January 1, 2019. The Company adopted this standard from June 10, 2019.

On May 16, 2019, the Ministry of Finance issued the Accounting Standards for Business Enterprises No. 12 – Debt Restructuring (Cai Kuai [2019] No. 9), pursuant to which, the debts restructuring of the Company that occurred from January 1, 2019 to the adoption date shall be adjusted in accordance with this standard. No retrospective adjustment shall be made to the debts restructuring that occurred before January 1, 2019. The Company adopted this standard from June 17, 2019.

(2) Changes in significant accounting estimates

During the reporting period, there were no significant changes in accounting estimates in the Company.

(3) The adjustment to the relevant items to financial statements at the beginning of the year when the New Financial Instrument Standards were initially applied

Consolidated Statement of financial position

Unit: Yuan Currency: RMB

Item	December 31, 2018	January 1, 2019	Adjustment
Current assets:			
Notes receivable	1,330,340,226.29	747,675,224.68	-582,665,001.61
Receivables financing	N/A	582,665,001.61	582,665,001.61
Non-current assets:			
Financial assets available for sale	705,830,516.50	N/A	-705,830,516.50
Other equity instrument investment	N/A	831,852,387.55	831,852,387.55
Total assets	20,587,002,713.31	20,713,024,584.36	126,021,871.05
Owners' equity (or shareholders' equity):			
Other comprehensive income	6,695,300.69	132,717,171.74	126,021,871.05
Total owner's equity attributable to the parent company	8,526,061,310.61	8,652,083,181.66	126,021,871.05
Total owners' equity (or shareholders' equity)	8,549,980,911.28	8,676,002,782.33	126,021,871.05
Total liabilities and owner's equity (or shareholders' equity)	20,587,002,713.31	20,713,024,584.36	126,021,871.05

(4) Description on retroactive adjustment of comparative data of previous periods when the New Financial Instrument Standards were initially applied

① As at January 1, 2019, the comparison table for the classification and measurement of financial assets before and after the adoption of the New Financial Instrument Standards

December 31, 2018 (Original financial instruments standards)			January 1, 2019 (New Financial Instruments Standards)		
Item	**Category of measurement**	**Book value**	**Item**	**Category of measurement**	**Book value**
Financial assets available for sale	At cost (equity instruments)	705,830,516.50	Other equity instrument investment	Fair value through other comprehensive income	831,852,387.55

② As at January 1, 2019, the reconciliation table for adjusting the book value of the original financial assets to the book value under the New Financial Instrument Standards according to the New Financial Instrument Standards

Item	Book value as at December 31, 2018 (according to the original financial instrument standards)	Reclassification	Remeasurement	Book value as at January 1, 2019 (according to the New Financial Instrument Standards)
I. Financial assets measured at fair value through other comprehensive income under the New Financial Instrument Standards				
Financial assets measured at fair value through profit or loss (amount stated under the original financial instrument standards).	—	—	—	—
Plus: transfer from financial assets available for sale.	—	705,830,516.50	—	—
Plus: fair value remeasurement	—	—	126,021,871.05	—
Other equity instrument investment (amount stated under the New Financial Instrument Standards)	—	—	—	831,852,387.55

IV. Taxation

1. Major Categories of Taxes and Tax Rates

Tax type	Tax basis	Tax rate
VAT	Value added	16%, 13%, 6%
Urban maintenance and construction tax	Actual payable turnover tax	7%, 5%
Educational surcharges	Actual payable turnover tax	3%
Local educational surcharges	Actual payable turnover tax	2%
Real estate tax	Cost of own property or revenue from leasing property	1.2%, 12%
Corporate income tax	Taxable income	15%, 25%

2. Disclosure of the Company and its subsidiaries with different rates of corporate income tax

Taxpayer	Rate of enterprise income tax	Note
The Company	25%	—
Dongyuan Electrical	15%	See tax incentives
Suzhou Tianli	15%	See tax incentives
Taifu Company	15%	See tax incentives
Asitong Company	15%	See tax incentives
Intelligent Company	15%	See tax incentives
New Energy Technology	15%	See tax incentives
Hefei Gotion	15%	See tax incentives
Nanjing Gotion	15%	See tax incentives
Nanjing New Energy	25%	—
Gotion New Energy	25%	—
Guorui New Energy	25%	—
Shanghai Xuanyi	25%	—
USA Gotion	Special operating	US$800 per year
Lujiang Gotion	15%	See tax incentives
Shanghai Gotion	25%	—
Hefei Energy Storage	25%	—
Qingdao Gotion	15%	See tax incentives
Tangshan Gotion	15%	See tax incentives
Luzhou Gotion	25%	—
Lujiang New Energy	25%	—
Gotion Coating	25%	—
Xuanyi Investment	25%	—
EDZ Gotion	25%	—
Nanjing Research Institute	25%	—
Sichuan Gotion	25%	—
Hefei Jiachi	25%	—
Hong Kong Gotion	To be determined	Not operating, not determined
Japan Gotion	To be determined	Not operating, not determined
Singapore Gotion	To be determined	Not operating, not determined

3. Tax incentives

(1) On December 6, 2019, Dongyuan Electrical, a subsidiary of the Company, passed the reexamination of high-tech enterprise and obtained a *Certificate of High-tech Enterprise* numbered GR201932008871, valid for three years. Since January 1, 2019, Dongyuan Electrical has been enjoying relevant national tax preference as a high-tech enterprise and paying the enterprise income tax at a preferential rate of 15% for three consecutive years in accordance with the *Enterprise Income Tax Law of the People's Republic of China*.

(2) On November 28, 2018, Suzhou Tianli, a subsidiary of the Company, passed the reexamination of high-tech enterprise and obtained a *Certificate of High-tech Enterprise* numbered GR201832004023, valid for three years. Since January 1, 2018, Suzhou Tianli has been enjoying relevant national tax preference as a high-tech enterprise and paying the enterprise income tax at a preferential rate of 15% for three consecutive years in accordance with the *Enterprise Income Tax Law of the People's Republic of China*.

(3) On November 30, 2018, Taifu Company, a subsidiary of the Company, passed the reexamination of high-tech enterprise and obtained a *Certificate of High-tech Enterprise* numbered GR201832005832, valid for three years. Since January 1, 2018, Taifu Company has been enjoying relevant national tax preference as a high-tech enterprise and paying the enterprise income tax at a preferential rate of 15% for three consecutive years in accordance with the *Enterprise Income Tax Law of the People's Republic of China*.

(4) On October 24, 2018, Asitong Company, a subsidiary of the Company, was recognized as a high-tech enterprise and obtained a *Certificate of High-tech Enterprise* numbered GR201832000765, valid for three years. Since January 1, 2018, Asitong Company has been enjoying relevant national tax preference as a high-tech enterprise and paying the enterprise income tax at a preferential rate of 15% for three consecutive years in accordance with the *Enterprise Income Tax Law of the People's Republic of China*.

(5) On December 7, 2017, Intelligent Company, a subsidiary of the Company, passed the reexamination of high-tech enterprise and obtained a *Certificate of High-tech Enterprise* numbered GR201732002370, valid for three years. Since January 1, 2017, Intelligent Company has been enjoying relevant national tax preference as a high-tech enterprise and paying the enterprise income tax at a preferential rate of 15% for three consecutive years in accordance with the *Enterprise Income Tax Law of the People's Republic of China*.

(6) On December 3, 2018, New Energy Technology, a subsidiary of the Company, was recognized as a high-tech enterprise and obtained a *Certificate of High-tech Enterprise* numbered GR201832008508, valid for three years. Since January 1, 2018, New Energy Technology has been enjoying relevant national tax preference as a high-tech enterprise and paying the enterprise income tax at a preferential rate of 15% for three consecutive years in accordance with the *Enterprise Income Tax Law of the People's Republic of China*.

(7) On July 20, 2017, Hefei Gotion, a subsidiary of the Company, passed the reexamination of high-tech enterprise and obtained a *Certificate of High-tech Enterprise* numbered GR201734000244, valid for three years. Since January 1, 2017, Hefei Gotion has been enjoying relevant national tax preference as a high-tech enterprise and paying the enterprise income tax at a preferential rate of 15% for three consecutive years in accordance with the *Enterprise Income Tax Law of the People's Republic of China*.

(8) On November 22, 2019, Nanjing Gotion, a subsidiary of the Company, passed the reexamination of high-tech enterprise and obtained a *Certificate of High-tech Enterprise* numbered GR201932003373, valid for three years. Since January 1, 2019, Nanjing Gotion has been enjoying relevant national tax preference as a high-tech enterprise and paying the enterprise income tax at a preferential rate of 15% for three consecutive years in accordance with the *Enterprise Income Tax Law of the People's Republic of China*.

(9) On July 20, 2017, Lujiang Gotion, a subsidiary of the Company, was recognized as a high-tech enterprise and obtained a *Certificate of High-tech Enterprise* numbered GR201734000515, valid for three years. Since January 1, 2017, Lujiang Gotion has been enjoying relevant national tax preference as a high-tech enterprise and paying the enterprise income tax at a preferential rate of 15% for three consecutive years in accordance with the *Enterprise Income Tax Law of the People's Republic of China*.

(10) On December 4, 2017, Qingdao Gotion, a subsidiary of the Company, was recognized as a high-tech enterprise and obtained a *Certificate of High-tech Enterprise* numbered GR201737100946, valid for three years. Since January 1, 2017, Qingdao Gotion has been enjoying relevant national tax preference as a high-tech enterprise and paying the enterprise income tax at a preferential rate of 15% for three consecutive years in accordance with the *Enterprise Income Tax Law of the People's Republic of China*.

(11) On September 10, 2019, Tangshan Gotion, a subsidiary of the Company, was recognized as a high-tech enterprise and obtained a *Certificate of High-tech Enterprise* numbered GR201913000133, valid for three years. Since January 1, 2019, Tangshan Gotion has been enjoying relevant national tax preference as a high-tech enterprise and paying the enterprise income tax at a preferential rate of 15% for three consecutive years in accordance with the *Enterprise Income Tax Law of the People's Republic of China*.

4. Other

Other taxes are calculated and paid in accordance with relevant national and local regulations.

V. Notes to Items in the Consolidated Financial Statements

1. Cash and bank balances

Item	**31 December 2019**	**31 December 2018**
Cash	192,424.17	677,666.40
Bank deposit	2,677,770,729.06	2,346,593,395.88
Other cash and cash equivalents	936,786,540.95	745,108,678.89
Total	**3,614,749,694.18**	**3,092,379,741.17**
Including: deposited in overseas banks	3,195,286.81	5,360,115.07

As at the end of 2019, there is RMB909,672,892.97 of other cash and cash equivalents, which is the security fund deposited by the Company for issuing bank acceptance bills, RMB12,502,491.92 is the security fund for factoring business, the RMB8,611,156.06 is the security fund for letter of guarantee, RMB6,000,000.00 is the security fund for letter of credit. Except for that, there is no amount in the Closing balance of cash and cash which is restricted for use due to mortgage, pledge or freeze, or has potential risk in recovery.

2. *Notes receivable*

(1) Classification of notes receivables

	31 December 2019			31 December 2018		
Category	**Carrying amount**	**Bad debt provision**	**Book value**	**Carrying amount**	**Bad debt provision**	**Book value**
Bank Acceptance Bill	—	—	—	582,665,001.61	—	582,665,001.61
Commercial Acceptance Bill	535,098,049.58	39,041,143.19	496,056,906.39	747,675,224.68	—	747,675,224.68
Total	**535,098,049.58**	**39,041,143.19**	**496,056,906.39**	**1,330,340,226.29**	**—**	**1,330,340,226.29**

(2) There is no notes receivable of the company pledged at the end of the reporting period.

(3) Notes receivable of the Company that have been endorsed or discounted and are not yet due at the end of the reporting period.

Item	**Derecognized amount**	**Amount not derecognized**
Bank Acceptance Bill	—	—
Commercial Acceptance Bill	—	58,529,550.00
Total	**—**	**58,529,550.00**

(4) The company transferred the defaulted notes receivable into accounts receivable at the end of the reporting period

Item	**Amounts transferred into accounts receivable**
Commercial Acceptance Bill	828,047,700.00

(5) Presentation of notes receivable by provisions

	December 31st 2019				
	Carrying amount		Credit loss provision		
Category	**Amount**	**Proportion**	**Amount**	**Proportion**	**Book value**
		(%)		*(%)*	
Provision for credit loss on a single basis	200,000,000.00	37.38	10,000,000.00	5.00	190,000,000.00
Provision for credit loss by portfolios	335,098,049.58	62.62	29,041,143.19	8.67	306,056,906.39
Group 1: Commercial Acceptance Bill	335,098,049.58	62.62	29,041,143.19	8.67	306,056,906.39
Group 2: Bank Acceptance Bill	—	—	—	—	—
Total	**535,098,049.58**	**100.00**	**39,041,143.19**	**7.30**	**496,056,906.39**

① Note receivable for which provision for credit loss is made by group 1 as at December 31st 2019:

Item	December 31st 2019		
	Carrying amount	Credit loss provision	Proportion
			(%)
Group 1: Commercial Acceptance Bill	335,098,049.58	29,041,143.19	8.67

② No note receivable for which provision for credit loss is made by group 2 as at December 31st 2019.

(6) Change in provision for credit loss for the current period

Category	December 31st 2018	Change in accounting policy	January 1st 2019	Provision	Recovery or reversal	Write-down or write-off	December 31st 2019
Provision for credit loss on a single basis	—	—	—	10,000,000.00	—	—	10,000,000.00
Provision for credit loss by portfolios	—	—	—	29,041,143.19	—	—	29,041,143.19
Total	**—**	**—**	**—**	**39,041,143.19**	**—**	**—**	**39,041,143.19**

(7) There is no write-off of notes receivable during current reporting period.

(8) Note receivables decreased by 62.71% to the end of 2019 from the end of 2018, which was mainly due to more notes endorsed of the Company at the end of the current period.

3. Accounts receivable

(1) Disclosure by aging

Aging	December 31st 2019	December 31st 2018
Within 1 year	4,095,023,138.28	3,689,899,997.95
1~2 year	1,610,072,236.16	1,221,806,322.73
2~3 year	375,366,090.14	526,471,993.07
3~4 year	161,568,634.91	46,309,650.54
4~5 year	34,003,252.26	23,962,083.10
Over 5 years	51,909,281.62	38,866,307.54
Subtotal	6,327,942,633.37	5,547,316,354.93
Less: Credit loss provision	721,307,425.97	546,572,689.40
Total	5,606,635,207.40	5,000,743,665.53

(2) Disclosure by credit loss provision by methods

① December 31st 2019 (on simplified model)

Category	December 31st 2019				
	Carrying amount		Credit loss provision		
	Amount	Proportion	Amount	Proportion	Book value
		(%)		(%)	
Provision for credit loss on a single basis	210,215,079.09	3.32	115,412,374.29	54.90	94,802,704.80
Customer 1	140,170,654.57	2.22	70,085,327.29	50.00	70,085,327.28
Customer 2	40,959,880.59	0.65	20,479,940.30	50.00	20,479,940.29
Customer 3	16,786,369.47	0.27	16,786,369.47	100.00	—
Customer 4	8,474,874.46	0.13	4,237,437.23	50.00	4,237,437.23
Customer 5	3,823,300.00	0.06	3,823,300.00	100.00	—
Provision for credit loss by portfolios	6,117,727,554.28	96.68	605,895,051.68	9.90	
Portfolio 1	—	—	—	—	—
Portfolio 2	6,117,727,554.28	96.68	605,895,051.68	9.90	5,511,832,502.60
Total	6,327,942,633.37	100.00	721,307,425.97	11.40	5,606,635,207.40

② December 31st 2018 (based on incurred loss model)

Category	December 31st 2018				
	Carrying amount		Credit loss provision		
	Amount	Proportion	Amount	Proportion	Book value
		(%)		(%)	
Receivables individually significant and with provision for bad debts on an individual basis	21,120,000.00	0.38	21,120,000.00	100.00	—
Receivables for which bad debt provision is made on portfolio basis by similar credit risk characteristics	5,522,373,054.93	99.55	521,629,389.40	9.45	5,000,743,665.53
Individually insignificant receivables with provision for bad debts on an individual basis	3,823,300.00	0.07	3,823,300.00	100.00	—
Total	5,547,316,354.93	100.00	546,572,689.40	9.85	5,000,743,665.53

Specific explanation on provision for credit loss:

① No accounts receivable for which credit losses are made by portfolio 1 as at December 31st 2019.

② The credit risk and expected credit losses of accounts receivable from portfolio 2 as at December 31st 2019 are as follows:

Aging	December 31st 2019		
	Carrying amount	Credit loss provision	Proportion
			(%)
Within 1 year	3,951,006,065.70	197,550,303.28	5.00
1~2 year	1,564,483,899.12	156,448,389.93	10.00

Aging	December 31st 2019		
	Carrying amount	Credit loss provision	Proportion
			(%)
2~3 year	375,366,090.14	112,609,827.04	30.00
3~4 year	161,568,634.91	80,784,317.47	50.00
4~5 year	34,003,252.26	27,202,601.81	80.00
Over 5 years	31,299,612.15	31,299,612.15	100.00
Total	6,117,727,554.28	605,895,051.68	9.90

Basis for the amount of bad debt provision for the current period: the basis for determining bad debt provision on portfolio basis and explanation thereof are set out in Note 3.10.

③ Receivables individually significant and with provision for bad debts on an individual basis on December 31st 2018

Accounts receivable (by unit)	December 31st 2018			
	Carrying amount	Credit loss provision	Proportion	Reason
			(%)	
Customer 3	21,1260,000.00	21,120,000.00	100.00%	Expected to be irrecoverable.

④ Accounts receivable with provision for bad debts drawn by aging analysis in portfolio on December 31st 2018

Aging	December 31st 2018		
	Accounts receivable	Provision for credit loss	Provision
Within 1 year	3,689,899,997.95	184,494,999.90	5.00%
1~2 year	1,221,806,322.73	122,180,632.28	10.00%
2~3 year	526,471,993.07	157,941,597.93	30.00%
3~4 year	46,309,650.54	23,154,825.27	50.00%
4~5 year	20,138,783.10	16,111,026.48	80.00%
Over 5 years	17,746,307.54	17,746,307.54	100.00%
Total	**5,522,373,054.93**	**521,629,389.40**	**9.45%**

Explanation on basis for determination of such portfolio: ages which are taken as a credit risk characteristic.

⑤ Individually insignificant receivables with provision for bad debts on an individual basis on December 31st 2018

Accounts receivable (by unit)	December 31st 2018			
	Carrying amount	Credit loss provision	Proportion	Reason
			(%)	
Customer 5	3,823,300.00	3,823,300.00	100.00%	Expected to be irrecoverable.

(3) Change in bad debt provision for the current period

Category	December 31st 2018	Change in accounting policy	January 1st 2019	Changes for the current period			December 31st 2019
				Provision	Recovery or reversal	Write-down or write-off	
Provision for accounts receivables.	546,572,689.40	—	546,572,689.40	179,068,367.10	4,333,630.53	—	721,307,425.97

(4) No actual write-off of accounts receivable during current reporting period.

(5) Top five debtors based on corresponding closing balance of accounts receivable

Debtor	Closing balance	Proportion of balance of accounts receivable	Closing balance for credit loss provision
		(%)	
Debtor 1	733,268,169.80	11.59	36,663,408.49
Debtor 2	654,320,456.00	10.34	39,063,397.80
Debtor 3	576,444,445.63	9.11	33,190,793.14
Debtor 4	332,162,361.08	5.25	16,608,118.95
Debtor 5	277,887,733.55	4.39	13,894,386.68
Total.	2,574,083,166.06	40.68	139,420,105.06

(6) There is no accounts receivable derecognized due to transfer of financial assets during the current period

Item	Way of transfer of financial assets	Amount of de-recognized	Gains or losses related to de-recognition
Transfer of accounts receivable . .	Transfer of accounts receivable without recourse	190,069,367.40	5,903,221.84

Hefei Gotion, a subsidiary of the Company, has signed a Rongyida Business Contract with the customer and Shenzhen Buji Sub-branch of the Bank of China Limited. According to the contract, Shenzhen Buji Sub-branch of the Bank of China Limited takes up the customer's credit line and provides receivables for financing without recourse for Hefei Gotion.

4. *Receivables for financing*

(1) Classification

Item	Fair value as at December 31st 2019	Fair value as at December 31st 2018
Notes receivable	45,619,845.21	—
Accounts receivable	—	—
Total	**45,619,845.21**	**—**

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

Item	Pledged amount as at December 31st 2019
Bank Acceptance Bill	17,340,000.00

(3) Notes receivable of the Company that have been endorsed or discounted and are not yet due at the end of the period

Item	Derecognized amount	Amount not derecognized
Bank Acceptance Bill	3,575,034,191.16	—

(4) All receivables for financing at the end of the period were bank acceptance bill. The Company believes there will be no material credit risks exposed to the bank acceptance bill held, nor will be significant loss due to default of the bank or other issuer, therefore no provision for bad debt of assets was made.

(5) The significant increase of receivables for financing at the end of 2019 over that at the end of 2018 was primarily due to the new standard for financial instruments implemented since January 1st 2019, which classified bank acceptance bills with higher credit rating into "receivables for financing".

5. Prepayment

(1) Prepayments by aging analysis

	December 31st 2019		December 31st 2018	
Aging	**Amount**	**Proportion**	**Amount**	**Proportion**
		(%)		*(%)*
Within 1 year	173,315,082.04	76.54	141,477,521.72	79.18
1~2 year	44,872,039.45	19.82	29,400,056.05	16.46
2~3 year	1,068,282.39	0.47	5,749,656.46	3.22
Over 3 years	7,174,120.33	3.17	2,034,541.07	1.14
Total	226,429,524.21	100.00	178,661,775.30	100.00

(2) Closing balances of top five prepayments parties

Entity	Balance as at December 31st 2019	Proportion to total Prepayments
		(%)
The first	41,809,502.11	14.09
The second	27,691,557.89	9.34
The third	23,000,000.00	7.75
The fourth	22,756,033.23	7.67
The fifth	20,311,345.59	6.85
Total	**135,568,438.82**	**45.70**

6. Other receivables

(1) Classification

Item	December 31st 2019	December 31st 2018
Interest receivable	—	696,400.00
Other receivables	159,636,477.68	72,328,518.56
Total	159,636,477.68	73,024,918.56

(2) Interest receivable

Item	December 31st 2019	December 31st 2018
Time deposit	—	696,400.00

(3) Other receivables

① Disclosure by aging

Aging	December 31st 2019	December 31st 2018
Within 1 year	147,352,006.53	43,154,605.54
1~2 year	5,796,578.92	32,283,771.48
2~3 year	19,736,873.02	2,316,202.18
3~4 year	932,417.80	1,192,539.86
4~5 year	765,652.28	293,187.57
Over 5 years	2,816,036.79	2,754,930.47
Subtotal	177,399,565.34	81,995,237.10
Less: Provision for credit loss	17,763,087.66	9,666,718.54
Total	**159,636,477.68**	**72,328,518.56**

② Disclosure by nature

Item	December 31st 2019	December 31st 2018
Receivables and payables	94,256,184.33	13,946,267.18
Guarantees	65,586,128.96	46,200,048.78
Temporary payments	6,209,694.60	6,631,469.40
Deposits	1,188,697.00	5,410,748.68
Others	10,158,860.45	9,806,703.06
Subtotal	177,399,565.34	81,995,237.10
Less: Credit loss provision	17,763,087.66	9,666,718.54
Total	**159,636,477.68**	**72,328,518.56**

③ Shown by classification of bad debt provisions

A. The provision for bad debts as of December 31st 2019 is accrued under the three-stage model as follows:

Stage	Carrying amount	Credit loss provision	Book value
Stage 1	177,399,565.34	17,763,087.66	159,636,477.68
Stage 2	—	—	—
Stage 3	—	—	—
Total	177,399,565.34	17,763,087.66	159,636,477.68

A1. Bad debts at stage 1 as of December 31st 2019 are as follows:

Category	Carrying amount	Expected credit losses in the next 12 months	Provision for credit loss	Book value	Reason
		(%)			
Provision for credit loss on a single basis	—	—	—	—	
Provision for credit loss by portfolio	177,399,565.34	10.01	17,763,087.66	159,636,477.68	
Portfolio 1	—	—	—	—	
Portfolio 2	177,399,565.34	10.01	17,763,087.66	159,636,477.68	
Total	177,399,565.34	10.01	17,763,087.66	159,636,477.68	

As of December 31st 2019, the Company has no other receivables at the stages of 2 and 3.

B. Credit loss as of December 31st 2018 has been provided under the incurred loss model as follows:

	December 31st 2018				
	Carrying amount		Credit loss provision		
Category	Amount	Proportion	Amount	Proportion	Book value
		(%)		(%)	
Other receivables individually significant and with provision for bad debts on an individual basis	—	—	—	—	—
Other receivables for which bad debt provision is made on group basis by similar credit risk characteristics	81,995,237.10	100.00	9,666,718.54	11.79	72,328,518.56
Individually insignificant other receivables with provision for bad debts on an individual basis	—	—	—	—	—
Total	**81,995,237.10**	**100.00**	**9,666,718.54**	**11.79**	**72,328,518.56**

B1. There were no other receivables individually significant and with provision for bad debts on an individual basis as at December 31st 2018.

B2. Bad debt provision by aging analysis method in portfolio at as December 31st 2018

	Closing balance		
Aging	**Other receivables**	**Provision for credit loss**	**Provision**
			(%)
Within 1 year	43,154,605.54	2,157,730.26	5.00%
1-2 year	32,283,771.48	3,228,377.16	10.00%
2-3 year	2,316,202.18	694,860.65	30.00%
3-4 year	1,192,539.86	596,269.94	50.00%
4-5 year	293,187.57	234,550.06	80.00%
Over 5 years	2,754,930.47	2,754,930.47	100.00%
Total	**81,995,237.10**	**9,666,718.54**	**11.79%**

B3. There were no individually insignificant other receivables with provision for bad debts on an individual basis as at December 31st 2018.

④ Change in provision for credit loss

				Changes in current period			
Category	**December 31st 2018**	**Change in accounting policy**	**January 1 2019**	**Provision**	**Recovered or reversed**	**Write down or write off**	**December 31st 2019**
Provision for bad debt of other receivables	9,666,718.54	—	9,666,718.54	8,096,369.12	—	—	17,763,087.66

⑤ The actual write-off of other receivables during the current reporting period is nil.

⑥ Top five debtors based on corresponding closing balance of other receivables

	December 31st 2019				
Entity	**Nature**	**Balance**	**Aging**	**Proportion of total closing balance for other receivables**	**Credit loss provision**
				(%)	
Entity 1	Current account	40,208,000.00	Within 1 year	22.67	2,010,400.00
Entity 2	Current account	30,000,000.00	Within 1 year	16.91	1,500,000.00
Entity 3	Security deposit	11,000,000.00	Within 1 year	6.20	550,000.00
Entity 4	Security deposit	10,200,000.00	Within 1 year	5.75	510,000.00
Entity 5	Security deposit	7,523,200.00	Within 1 year	4.24	376,160.00
Total		**98,931,200.00**	**Within 1 year**	**55.77**	**4,946,560.00**

⑦ Other receivables at the end of 2019 increased by 120.58% over that in the end of 2018, which was mainly due to the increase in current accounts and deposits during the current period.

7. Inventories

(1) Classification of inventories

Item	December 31st 2019			December 31st 2018		
	Carrying amount	Credit loss provision	Book value	Carrying amount	Credit loss provision	Book value
Raw materials	274,636,279.22	9,784,344.69	264,851,934.53	208,270,286.41	6,493,848.99	201,776,437.42
Goods in stock	1,817,144,163.99	194,800,673.83	1,622,343,490.16	995,883,279.55	48,512,831.74	947,370,447.81
Goods dispatched	1,998,351,543.57	173,605,100.20	1,824,746,443.37	680,696,719.35	9,532,214.13	671,164,505.22
Goods in process	252,408,024.92	6,524,281.65	245,883,743.27	385,199,146.30	—	385,199,146.30
Revolving materials	1,006,275.14	—	1,006,275.14	23,849,800.98	—	23,849,800.98
Commissioned processing materials	—	—	—	715,522.96	—	715,522.96
Materials in transit	—	—	—	47,059,471.04	—	47,059,471.04
Total	**4,343,546,286.84**	**384,714,400.37**	**3,958,831,886.47**	**2,341,674,226.59**	**64,538,894.86**	**2,277,135,331.73**

(2) Provision for inventory depreciation or provision for impairment of contract performance cost

Item	December 31st 2018	Increase in current period		Decrease in current period		December 31st 2019
		Provision	Others	Reversal or write off	Others	
Raw materials	6,493,848.99	4,824,087.22	—	1,533,591.52	—	9,784,344.69
Goods in stock	48,512,831.74	146,287,842.09	—	—	—	194,800,673.83
Goods dispatched	9,532,214.13	164,072,886.07	—	—	—	173,605,100.20
Goods in process	—	6,524,281.65	—	—	—	6,524,281.65
Total	**64,538,894.86**	**321,709,097.03**	**—**	**1,533,591.52**	**—**	**384,714,400.37**

(3) Inventories at the end of 2019 increased by 73.85% over that at the end of 2018, which was mainly due to the increase in production capacity arising from the release of capacity at the end of the current period.

8. Non-current assets maturing within one year

Item	December 31st 2019	December 31st 2018
Balance of long-term receivables	53,835,993.29	74,824,324.97
Less: Financing income unrecognized	10,311,401.22	14,922,536.51
Less: Credit loss provision	2,176,229.60	2,995,089.42
Carrying amount	41,348,362.47	56,906,699.04

9. Other current assets

Item	December 31st 2019	December 31st 2018
Deductible value tax	605,840,534.12	365,787,590.66
Income tax prepaid	5,386,700.44	13,236,667.07
Deferred expenses	462,236.17	8,117,356.37
Total	**611,689,470.73**	**387,141,614.10**

Other current assets at the end of 2019 increased by 58.00% over that at the end of 2018, which was mainly due to the increase in deductible input taxes in the current period.

10. *Financial assets available for sale*

(1) *Information on financial assets available for sale*

Item	December 31st 2019			December 31st 2018		
	Carrying amount	Credit loss provision	Book value	Carrying amount	Credit loss provision	Book value
Equity instrument available for sale	—	—	—	—	—	—
Measured at fair value	—	—	—	—	—	—
Measured at cost	—	—	—	705,830,516.50	—	705,830,516.50
Total	**—**	**—**	**—**	**705,830,516.50**	**—**	**705,830,516.50**

(2) *There was no financial assets available for sale measured at fair value at the end of 2018.*

(3) *Financial assets available for sale measured at cost at the end of 2018*

Investee	December 31st 2017	Carrying amount		December 31st 2018
		Increase in the period	Decrease in the period	
Beijing Electric Vehicle Co., Ltd.	307,200,000.00	—	—	307,200,000.00
New Energy Vehicle Technology Innovation (Hefei) Equity Investment Partnership (L.P.)	216,500,000.00	—	—	216,500,000.00
Ningbo Meishan Bonded Port Area Guoxuan Gaoke New Energy Automotive Industry Investment Center (L.P.)	102,000,000.00	—	—	102,000,000.00
Anhui Jintong New Energy Automobile Fund (Phase I) Partnership (L.P.)	—	75,000,000.00	—	75,000,000.00
Hefei Guoke New Energy Equity Investment Management Partnership (L.P.) (合肥国科新能股权投资管理合伙企业(有限合伙))	1,500,000.00	875,000.00	—	2,375,000.00
Anhui Jintong Zhihui New Energy Vehicle Investment Management Partnership (L.P.) (安徽金通智汇新能源汽车投资管理合伙企业(有限合伙))	—	1,617,000.00	—	1,617,000.00
BAIC EV Center Silicon Valley (北汽新能源硅谷研发公司)	1,138,516.50	—	—	1,138,516.50
Hefei Tongguan Copper Material Co., Ltd. (合肥铜冠铜材有限公司)	42,155,400.00	—	42,155,400.00	—
Hefei Xuanyi Huiyin Equity Investment Partnership (Limited Partnership)	—	5,000,000.00	5,000,000.00	—
Total	**670,493,916.50**	**82,492,000.00**	**47,155,400.00**	**705,830,516.50**

(continued)

Investee	Credit loss provision December 31st 2017	Increase in current period	Decrease in current period	December 31st 2018	Shareholding in investee	Cash dividend in current period
					(%)	
Beijing Electric Vehicle Co., Ltd.	—	—	—	—	2.27	—
New Energy Vehicle Technology Innovation (Hefei) Equity Investment Partnership (L.P.)	—	—	—	—	43.30	—
Ningbo Meishan Bonded Port Area Guoxuan Gaoke New Energy Automotive Industry Investment Center (L.P.)	—	—	—	—	9.62	—
Anhui Jintong New Energy Automobile Fund (Phase I) Partnership (L.P.)	—	—	—	—	9.28	—
Hefei Guoke New Energy Equity Investment Management Partnership (L.P.) (合肥国科新能股权投资管理合伙企业(有限合伙))	—	—	—	—	23.75	—
Anhui Jintong Zhihui New Energy Vehicle Investment Management Partnership (L.P.) (安徽金通智汇新能源汽车投资管理合伙企业(有限合伙))	—	—	—	—	10.00	—
BAIC EV Center Silicon Valley (北汽新能源硅谷研发公司)	—	—	—	—	33.00	—
Hefei Tongguan Copper Material Co., Ltd. (合肥铜冠铜材有限公司)	19,819,683.81	—	19,819,683.81	—	—	—
Hefei Xuanyi Huiyin Equity Investment Partnership (Limited Partnership) (合肥轩一徽银股权投资合伙企业(有限合伙))	—	—	—	—	—	—
Total	**19,819,683.81**	**—**	**19,819,683.81**	**—**		**—**

(3) The significant decrease in the financial assets available for sale at the end of 2019 over that at the end of 2018 was mainly because the Company implemented the new standards for financial instruments on January 1st 2019 and classified such investment that was originally included in financial assets available for sale and measured at cost into investment in other equity instruments.

11. Long-term receivables

(1) Long-term receivables

Item	December 31st 2019 Carrying amount	Credit loss provision	Book value	December 31st 2018 Carrying amount	Credit loss provision	Book value
Sales of goods by installments	151,027,877.38	7,729,111.07	143,298,766.31	185,263,457.69	9,263,172.87	176,000,284.82
Less: Long-term receivables due within one year	43,524,592.07	2,176,229.60	41,348,362.47	59,901,788.46	2,995,089.42	56,906,699.04
Total	**107,503,285.31**	**5,552,881.47**	**101,950,403.84**	**125,361,669.23**	**6,268,083.45**	**119,093,585.78**

(2) Classification by credit loss provision method

① The credit losses as of December 31st 2019 are provided under the three stages model as follows:

Stages	Carrying amount	Credit loss provision	Book value
Stage 1	107,503,285.31	5,552,881.47	101,950,403.84
Stage 2	—	—	—
Stage 3	—	—	—
Total	**107,503,285.31**	**5,552,881.47**	**101,950,403.84**

A.2 The bad debt provision for long-term receivables at stage 1 on December 31st 2019 is accrued as follows:

Classification	Carrying amount	Expected credit loss in the next 12 months	Credit loss provision	Book value	Reason
		(%)			
Provision for credit loss on a single basis	—	—	—	—	
Provision for credit loss by portfolios	107,503,285.31	5.17	5,552,881.47	101,950,403.84	
Portfolio 1	107,503,285.31	5.17	5,552,881.47	101,950,403.84	
Total	**107,503,285.31**	**5.17**	**5,552,881.47**	**101,950,403.84**	

B. There are no long-term receivables at stage 2 as at December 31st 2019.

C. There are no long-term receivables at stage 3 as at December 31st 2019.

② Bad debt provision as of December 31st 2018 was accrued under incurred loss model as follows:

	December 31st 2018				
	Carrying amount		Bad debt provision		
Classification	Amount	Proportion	Amount	Provision	Book value
		(%)		*(%)*	
Long-term receivables individually significant and with provision for bad debts on an individual basis	—	—	—	—	
Long-term receivables for which bad debt provision is made on group basis by similar credit risk characteristics	125,361,669.23	100.00	6,268,083.45	5.00	119,093,585.78
Individually insignificant long-term receivables with provision for bad debts on an individual basis	—	—	—	—	
Total	**125,361,669.23**	**100.00**	**6,268,083.45**	**5.00**	**119,093,585.78**

(3) *Change in provision for bad debt made*

			Amount of change in current period				
Classification	**December 31st 2018**	**Change in accounting policy**	**January 1st 2019**	**Provision made**	**Recovered or reversed**	**Written down**	**December 31st 2019**
Provision for bad debt of long-term receivables	6,268,083.45	—	6,268,083.45	—	715,201.98	—	5,552,881.47

12. *Long-term equity investment*

			Increase/decrease in the current period			
Investee	**December 31st 2018**	**Additional investment**	**Decrease in investment**	**Investment gains or losses recognized under equity method**	**Adjustment in other comprehensive income**	**Change in other equity**
Associates						
Hefei Xingyuan New Energy Materials Co., Ltd.	30,232,333.91	—	—	-1,656,781.74	—	—
MCC Ramu New Energy Technology Co., Ltd.	281,052,000.00	—	—	348,047.34	—	—
Hefei Tongguan Gotion Copper Material Co., Ltd.	68,009,711.57	—	—	3,403,777.38	—	—
Litong Energy Technology Co., Ltd.	4,948,629.81	—	—	-2,757,022.80	—	—
Beijing Gotion Full-Service Optical Storage & Discharge Technology Co., Ltd.	9,990,128.94	—	—	-160,310.09	—	—
Shanghai Electric Gotion New Energy Technology Co., Ltd.	120,699,596.42	98,000,000.00	—	-20,963,263.12	—	—
Beijing Full-Service Oil & Gas Technology Co., Ltd.	—	53,699,231.68	—	-2,580,833.10	—	—
Total	**514,932,400.65**	**151,699,231.68**	**—**	**-24,366,386.13**	**—**	**—**

(continued)

		Increase/decrease in current period			
Investee	**Cash dividends or profits declared for distribution**	**Provision for impairment**	**Others**	**December 31st 2019**	**Balance of impairment provision**
II. Associates					
Hefei Xingyuan New Energy Materials Co., Ltd.	—	—		28,575,552.17	—
MCC Ramu New Energy Technology Co., Ltd.	—	—	—	281,400,047.34	—

Investee	Cash dividends or profits declared for distribution	Increase/decrease in current period: Provision for impairment	Others	December 31st 2019	Balance of impairment provision
Hefei Tongguan Gotion Copper Material Co., Ltd.	—	—	—	71,413,488.95	19,819,683.81
Litong Energy Technology Co., Ltd.	—	—	—	2,191,607.01	—
Beijing Gotion Full-Service Optical Storage & Discharge Technology Co., Ltd.	—	—	—	9,829,818.85	—
Shanghai Electric Gotion New Energy Technology Co., Ltd.	—	—	—	197,736,333.30	—
Beijing Full-Service Oil & Gas Technology Co., Ltd.	—	—	—	51,118,398.58	—
Total	**—**	**—**	**—**	**642,265,246.20**	**19,819,683.81**

13. Investment in other equity instrument

Item	December 31st 2019	December 31st 2018
Investment in listed equity instrument	400,217,122.53	—
Investment in unlisted equity instrument	371,630,516.50	—
Total	**771,847,639.03**	**—**

14. Fixed assets

(1) Presentation by classification

Item	December 31st 2019	December 31st 2018
Fixed assets	5,548,856,678.30	4,704,041,320.11
Disposal of fixed assets	—	—
Total	**5,548,856,678.30**	**4,704,041,320.11**

(2) Fixed assets

① Fixed assets

Item	Buildings and structures	Machinery and equipment	Transportation tools	Office equipment	Electronic equipment and others	Total
I. Original carrying amount						
December 31st 2018	1,752,146,030.08	3,539,269,246.41	53,793,633.97	105,089,967.03	185,331,204.73	5,635,630,082.22
Increase in the current period	454,070,982.44	843,045,330.97	—	1,851,984.09	48,561,631.80	1,347,529,929.30
Purchase	173,688,009.49	439,265,142.49	—	1,851,984.09	44,027,797.16	658,832,933.23
Transfer from construction-in-progress	280,382,972.95	403,780,188.48	—	—	4,533,834.64	688,696,996.07
Decrease in the current period	5,325,041.27	11,463,801.09	159,907.00	378,808.43	965,438.92	18,292,996.71

Item	Buildings and structures	Machinery and equipment	Transportation tools	Office equipment	Electronic equipment and others	Total
(1) Disposal or scrapping	5,325,041.27	11,463,801.09	159,907.00	378,808.43	965,438.92	18,292,996.71
December 31st 2019 . . .	2,200,891,971.25	4,370,850,776.29	53,633,726.97	106,563,142.69	232,927,397.61	6,964,867,014.81
II. Accumulated depreciation						
December 31st 2018 . . .	214,545,170.00	569,934,247.88	22,014,267.34	56,544,624.69	63,673,109.74	926,711,419.65
Increase in the current period	73,228,910.12	356,959,880.88	7,064,419.14	15,922,577.22	38,327,340.35	491,503,127.71
(1) Provision.	73,228,910.12	356,959,880.88	7,064,419.14	15,922,577.22	38,327,340.35	491,503,127.71
Decrease in the current period	951,268.43	5,408,082.26	146,338.29	261,862.95	314,001.38	7,081,553.31
(1) Disposal or scrapping	951,268.43	5,408,082.26	146,338.29	261,862.95	314,001.38	7,081,553.31
December 31st 2019 . . .	286,822,811.69	921,486,046.50	28,932,348.19	72,205,338.96	101,686,448.71	1,411,132,994.05
III. Provision for impairment.						
December 31st 2018 . . .	—	4,877,342.46	—	—	—	4,877,342.46
Increase in the current period	—	—	—	—	—	—
(1) Provision.	—	—	—	—	—	—
(2) Increase in business combination	—	—	—	—	—	—
Decrease in current period	—	—	—	—	—	—
(1) Disposal or scrapping	—	—	—	—	—	—
December 31st 2019 . . .	—	4,877,342.46	—	—	—	4,877,342.46
IV. Book value.						
December 31st 2019 . . .	1,914,069,159.56	3,444,487,387.33	24,701,378.78	34,357,803.73	131,240,948.90	5,548,856,678.30
December 31st 2018 . . .	1,537,600,860.08	2,964,457,656.07	31,779,366.63	48,545,342.34	121,658,094.99	4,704,041,320.11

② There are no temporarily idle fixed assets at the end of 2019

③ Fixed assets leased under finance leases

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Book value
Haitong UniTrust leasing project . . .	258,802,986.40	67,975,976.01	—	190,827,010.39
Shanghai Electric leasing project . . .	261,837,606.84	15,100,006.50	—	246,737,600.34
China General Nuclear Power Group (CGN) leasing project . . .	118,299,144.91	31,834,272.22	—	86,464,872.69
Total	**638,939,738.15**	**114,910,254.73**	**—**	**524,029,483.42**

④ Fixed assets with the certificate of title not obtained

Item	Book value	Reasons for the failure to obtain certificate of title
Phase 1 and phase 2 plants in Qingdao.	212,218,982.09	In progress

15. Construction in progress

(1) Details of construction in progress

Item	December 31st 2019	December 31st 2018
Construction in progress	1,281,842,022.75	458,984,966.00
Materials hold for construction in progress	1,073,797.95	1,785,139.23
Total	**1,282,915,820.70**	**460,770,105.23**

(2) Materials hold for construction in progress

	December 31st 2019			December 31st 2018		
Item	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Materials for special use	1,073,797.95	—	1,073,797.95	1,785,139.23	—	1,785,139.23

(3) Construction in progress

	December 31st 2019			December 31st 2018		
Item	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
New plant project of Tangshan Gotion	1,592,919.92	—	1,592,919.92	7,994,114.39	—	7,994,114.39
Qingdao Gotion 300 million Ah (annual production) high-energy-density power lithium battery industrialization project	—	—	—	21,510,151.07	—	21,510,151.07
New energy vehicle charging facilities and key parts projects with annual capacity of 210,000 sets	27,410,060.56	—	27,410,060.56	26,274,005.16	—	26,274,005.16
Hefei directly-subordinate 1st plant construction project	4,041,637.27	—	4,041,637.27	34,274,170.73	—	34,274,170.73
Directly-subordinate 3rd plant reconstruction project	8,478,771.91	—	8,478,771.91	33,284,273.08	—	33,284,273.08
Nanjing Gotion 300 million Ah (annual production) high-energy-density power lithium battery industrialization project	137,073,080.41	—	137,073,080.41	36,356,079.53	—	36,356,079.53
10,000 t (annual production) high nickel ternary cathode materials and 5,000 t (annual production) silicon-based anode materials project	61,187,184.67	—	61,187,184.67	216,615.39	—	216,615.39
Renovation projects of plant in Hefei	1,520,990.03	—	1,520,990.03	10,177,387.27	—	10,177,387.27
Lujiang new energy new-built plant project	—	—	—	18,904,318.87	—	18,904,318.87
Reconstruction project of electric appliance plant in Dongyuan	343,689.32	—	343,689.32	557,915.92	—	557,915.92

Item	December 31st 2019 Carrying amount	December 31st 2019 Provision for impairment	December 31st 2019 Book value	December 31st 2018 Carrying amount	December 31st 2018 Provision for impairment	December 31st 2018 Book value
BMS R&D and production (annual production of 500,000 sets) and Hefei Central Research Institute R&D center project	146,104,422.30	—	146,104,422.30	2,517,437.40	—	2,517,437.40
Lujiang new energy phase 2 project	—	—	—	23,478,622.01	—	23,478,622.01
Japan office building project	10,078,198.86	—	10,078,198.86	9,454,420.79	—	9,454,420.79
Nanjing new energy	799,798,722.43	—	799,798,722.43	30,263,986.02	—	30,263,986.02
Street light project of 3rd plant in Hefei	434,547.23	—	434,547.23	434,547.23	—	434,547.23
Lujiang new energy phase 2 project	—	—	—	406,741.90	—	406,741.90
Hefei Gotion 600 million Ah (annual production) high-energy-density power lithium battery industrialization project	37,867,879.60	—	37,867,879.60	202,215,314.14	—	202,215,314.14
Shanghai R&D Center	26,689,911.06	—	26,689,911.06	664,865.10	—	664,865.10
New plant project in the Economic Development Zone	3,998,918.56	—	3,998,918.56	—	—	—
Assets pending commissioning	15,221,088.62	—	15,221,088.62	—	—	—
Total	**1,281,842,022.75**	**—**	**1,281,842,022.75**	**458,984,966.00**	**—**	**458,984,966.00**

② Change in major construction in progress during the current period

Name of item	December 31st 2019	Increase in current period	Transfer into fixed assets in current period: Amount	Transfer into fixed assets in current period: Other decrease in current period	December 31st 2018
New plant project of Tangshan Gotion	7,994,114.39	43,470,290.36	49,871,484.83	—	1,592,919.92
Qingdao Gotion 300 million Ah (annual production) high-energy-density power lithium battery industrialization project	21,510,151.07	69,814,626.51	91,324,777.58	—	—
New energy vehicle charging facilities and key parts projects with annual capacity of 210,000 sets	26,274,005.16	44,968,283.76	43,832,228.36	—	27,410,060.56
Hefei directly-subordinate 1st plant construction project	34,274,170.73	18,167,526.05	40,185,472.52	8,214,586.99	4,041,637.27
Directly-subordinate 3rd plant reconstruction project	33,284,273.08	18,514,934.34	43,320,435.51	—	8,478,771.91

Name of item	December 31st 2019	Transfer into fixed assets in current period		Other decrease in current period	December 31st 2018
		Increase in current period	Amount		
Nanjing Gotion 300 million Ah (annual production) high-energy-density power lithium battery industrialization project	36,356,079.53	106,577,931.21	5,860,930.33	—	137,073,080.41
10,000 t (annual production) high nickel ternary cathode materials and 5,000 t (annual production) silicon-based anode materials project	216,615.39	90,204,329.76	29,233,760.48	—	61,187,184.67
Renovation projects of plant in Hefei	10,177,387.27	136,551.04	8,792,948.28	—	1,520,990.03
Auxiliary workshop ABCD project	—	1,224,409.71	1,224,409.71	—	—
Lujiang new energy new-built plant project	18,904,318.87	42,452.83	18,946,771.70	—	—
Reconstruction project of electric appliance plant in Dongyuan	557,915.92	74,233,548.97	74,447,775.57	—	343,689.32
BMS R&D and production (annual production of 500,000 sets) and Hefei Central Research Institute R&D center project	2,517,437.40	143,586,984.90	—	—	146,104,422.30
Lujiang new energy phase 2 project	23,478,622.01	65,925,939.27	89,404,561.28	—	—
Japan office building project	9,454,420.79	623,778.07	—	—	10,078,198.86
Nanjing new energy	30,263,986.02	769,534,736.41	—	—	799,798,722.43
Street light project of 3rd plant in Hefei	434,547.23	—	—	—	434,547.23
Lujiang new energy phase 2 project	406,741.90	—	406,741.90	—	—
Hefei Gotion 600 million Ah (annual production) high-energy-density power lithium battery industrialization project	202,215,314.14	27,497,263.48	191,844,698.02	—	37,867,879.60
Shanghai R&D Center	664,865.10	26,025,045.96	—	—	26,689,911.06
New plant project in the Economic Development Zone	—	3,998,918.56	—	—	3,998,918.56
Assets pending commissioning	—	15,221,088.62	—	—	15,221,088.62
Total	**458,984,966.00**	**1,519,768,639.81**	**688,696,996.07**	**8,214,586.99**	**1,281,842,022.75**

(continued)

Name of item	Total investment as percentage of budget	Construction progress	Accumulated capitalised interest	Including: interest capitalised during the reporting period	Interest capitalisation rate during the reporting period	Source of funds
					(%)	
New plant project of Tangshan Gotion	—	—	—	—	—	Raised fund
Qingdao Gotion 300 million Ah (annual production) high-energy- density power lithium battery industrialization project	—	—	8,075,000.00	—	—	Raised fund
New energy vehicle charging facilities and key parts projects with annual capacity of 210,000 sets	—	—	3,225,606.26	496,177.09	—	Self-financing
Hefei directly-subordinate 1st plant construction project . . .	—	—	—	—	—	Self-financing
Directly-subordinate 3rd plant reconstruction project	—	—	—	—	—	Self-financing
Nanjing Gotion 300 million Ah (annual production) high-energy-density power lithium battery industrialization project	—	—	—	—	—	Raised fund
10,000 t (annual production) high nickel ternary cathode materials and 5,000 t (annual production) silicon-based anode materials project.	—	—	—	—	—	Raised fund
Renovation projects of plant in Hefei	—	—	—	—	—	Self-financing
Auxiliary workshop ABCD project	—	—	—	—	—	Self-financing
Lujiang new energy new-built plant project	—	—	—	—	—	Self-financing
Reconstruction project of electric appliance plant in Dongyuan	—	—	—	—	—	Self-financing
BMS R&D and production (annual production of 500,000 sets) and Hefei Central Research Institute R&D center project	—	—	—	—	—	Raised fund
Lujiang new energy phase 2 project.	—	—	—	—	—	Self-financing
Japan office building project . . .	—	—	—	—	—	Self-financing
Nanjing new energy	—	—	—	—	—	Self-financing
Street light project of 3rd plant in Hefei	—	—	—	—	—	Self-financing
Lujiang new energy phase 2 project.	—	—	—	—	—	Self-financing
Hefei Gotion 600 million Ah (annual production) high-energy- density power lithium battery industrialization project	—	—	—	—	—	Raised fund
Shanghai R&D Center	—	—	—	—	—	Self-financing

Name of item	Total investment as percentage of budget	Construction progress	Accumulated capitalised interest	Including: interest capitalised during the reporting period	Interest capitalisation rate during the reporting period	Source of funds
					(%)	
New plant project in the Economic Development Zone	—	—	—	—	—	Self-financing
Assets pending commissioning	—	—	—	—	—	Self-financing
Total	**—**	**—**	**11,300,606.26**	**496,177.09**	**—**	**—**

③ At the end of the period, there was no impairment of construction in progress, so no provision for impairment of construction in progress was made.

(4) The increase by 178.43% of the construction in progress at the end of 2019 over that at the end of last year was mainly due to more investment in Nanjing new energy phase 1 project in current period.

16. Intangible assets

(1) Intangible assets

Item	Land use right	Non-patented technology	Software and others	Total
I. Original carrying amount				
1. December 31st 2018	551,126,904.61	61,869,758.88	23,322,377.28	636,319,040.77
2. Increase in current period	140,070,313.65	123,682,890.88	11,407,081.15	275,160,285.68
(1) Purchase	140,070,313.65	—	3,192,494.16	143,262,807.81
(2) Transferred from construction in progress	—	—	8,214,586.99	8,214,586.99
(3) Internal research and development	—	123,682,890.88	—	123,682,890.88
3. Decrease in the current period	—	—	—	—
(1) Disposal	—	—	—	—
4. December 31st 2019	691,197,218.26	185,552,649.76	34,729,458.43	911,479,326.45
II. Accumulated amortization				
1. December 31st 2018	46,389,437.26	1,546,743.97	4,940,320.54	52,876,501.77
2. Increase in the current period	14,746,237.52	13,408,698.73	3,294,386.52	31,449,322.77
(1) Provision	14,746,237.52	13,408,698.73	3,294,386.52	31,449,322.77
3. Decrease in the current period	—	—	—	—
(1) Disposal	—	—	—	—
4. December 31st 2019	61,135,674.78	14,955,442.70	8,234,707.06	84,325,824.54
III. Provision for impairment	—	—	—	—

Item	Land use right	Non-patented technology	Software and others	Total
1. December 31st 2018	—	—	—	—
2. Increase in current period	—	—	—	—
(1) Provision	—	—	—	—
3. Decrease in current period	—	—	—	—
(1) Disposal	—	—	—	—
4. December 31st 2019	—	—	—	—
IV. Book value	—	—	—	—
1. Book value as at December 31st 2019	630,061,543.48	170,597,207.06	26,494,751.37	827,153,501.91
2. Book value as at December 31st 2018	504,737,467.35	60,323,014.91	18,382,056.74	583,442,539.00

(2) The proportion of intangible assets formed through internal research and development of the Company in the balance of intangible assets at the end of 2019

The proportion of intangible assets formed through internal research and development of the Company in the balance of intangible assets as of December 31st 2019 is 20.62%.

(3) Land use rights with certificate of title not obtained

Item	Book value	Reasons for the failure to obtain the certificate of title
Guorui New Energy land	26,696,872.17	In progress

(4) The land use right under intangible assets with a carrying amount of RMB316,244,941.03 at the end of 2019 was pledged as a collateral of loans to subsidiaries.

(5) The increase by 41.77% of the intangible assets at the end of 2019 over that at the end of 2018 was mainly due to the additional land use rights of Shanghai research institute and the larger amount of intangible assets formed by internal R&D in current period.

17. Development expenditure

Item	December 31st 2018	Increase in current period		Decrease in current period		December 31st 2019
		Expenditure on internal development	Others	Recognized as intangible assets	Transfer into current profit or loss	
Ternary cell development and industrialization	38,427,078.99	7,435,339.13	—	45,862,418.12	—	—
Model-based battery design and intelligent manufacturing technology development	33,965,331.61	27,926,546.57	—	61,891,878.18	—	—
Technologies to improve energy density of battery	11,597,808.37	4,330,786.21	—	15,928,594.58	—	—

Item	December 31st 2018	Increase in current period: Expenditure on internal development	Increase in current period: Others	Decrease in current period: Recognized as intangible assets	Decrease in current period: Transfer into current profit or loss	December 31st 2019
Development of 23ah lithium iron phosphate batteries. . .	—	28,746,634.19	—	—	—	28,746,634.19
Development of 52ah lithium iron phosphate batteries. . .	—	30,067,564.37	—	—	—	30,067,564.37
Development of 170wh/kg lithium iron phosphate batteries	—	26,792,461.73	—	—	—	26,792,461.73
Development of 180wh/kg lithium iron phosphate batteries	—	20,478,381.49	—	—	—	20,478,381.49
Development of 14.5ah lithium iron phosphate batteries	—	5,079,857.99	—	—	—	5,079,857.99
DX-19-08-01 (Development and industrialization of high specific energy soft pack battery)	—	6,324,217.30	—	—	6,324,217.30	—
CP-18-03-07 (Development of 200Wh/kg battery management system)	—	13,735,562.55	—	—	13,735,562.55	—
DX-18-02-03 (Development of 2265146 lithium iron phosphate batteries).	—	5,222,436.35	—	—	5,222,436.35	—
DX-19-02-05 (Development of low-cost 2265146 lithium iron phosphate batteries CL-19-01-02 (Development and industrialization of high-performance lithium iron phosphate materials) . .	—	17,729,942.39	—	—	17,729,942.39	—
CP-18-03-11 (Overall design of 200Wh/kg battery system)	—	12,354,780.20	—	—	12,354,780.20	—
DX-18-02-02(20100140- . . .	—	5,707,263.20	—	—	5,707,263.20	—
Development of 152Wh/Kg lithium iron phosphate batteries	—	14,893,784.00	—	—	14,893,784.00	—
DX-18-02-09 (Optimization of battery structure)	—	6,605,525.22	—	—	6,605,525.22	—
CP-18-03-06 (JAC iEV6E long mileage version). . . .	—	10,764,174.66	—	—	10,764,174.66	—
CP-18-03-16 (Chery Kairui Youyou Generation I). . . .	—	13,864,636.15	—	—	13,864,636.15	—
CP-19-03-107 (Geely GEV project)	—	59,018,880.32	—	—	59,018,880.32	—
Upgrading and switching of 32Ah lithium iron phosphate battery production line	—	2,475,800.72	—	—	2,475,800.72	—
Research on the rapid capacity distribution method of lithium battery	—	1,533,550.07	—	—	1,533,550.07	—

Item	December 31st 2018	Increase in current period: Expenditure on internal development	Increase in current period: Others	Decrease in current period: Recognized as intangible assets	Decrease in current period: Transfer into current profit or loss	December 31st 2019
Research on reducing the risk of short circuit of prismatic battery case	—	1,445,620.83	—	—	1,445,620.83	—
A rate increase of 2GWH production line	—	1,676,217.31	—	—	1,676,217.31	—
Coating consistency improvement	—	1,229,948.32	—	—	1,229,948.32	—
Winding pass rate and consistency improvement	—	1,444,926.76	—	—	1,444,926.76	—
Improvement for a customer complaint about leakage	—	1,235,626.36	—	—	1,235,626.36	—
Introduction and consistency improvement of self-discharge screening	—	1,858,905.42	—	—	1,858,905.42	—
Compilation of cell PFMEA file	—	1,543,872.51	—	—	1,543,872.51	—
Research on the integrated system of pack screw fixed torque marking	—	1,335,069.06	—	—	1,335,069.06	—
Mass production of special vehicle battery pack systems higher than 140Wh/kg	—	1,715,566.17	—	—	1,715,566.17	—
Optimization of the non-performing pasted insulating medium	—	1,301,629.63	—	—	1,301,629.63	—
Summary of research and development projects of Silicon Valley Research Institute	—	55,540,389.83	—	—	55,540,389.83	—
Renovation of 15Ah cell mass production line	—	15,301,058.36	—	—	15,301,058.36	—
Carbon-coated aluminum foil research and development project	—	1,283,658.50	—	—	1,283,658.50	—
Research on the development and industrialization of high-pressure-compacted lithium iron phosphate materials	—	15,612,605.35	—	—	15,612,605.35	—
Research on the development process of the second supply of raw materials	—	14,834,307.11	—	—	14,834,307.11	—
Ternary material research and development project	—	14,852,952.37	—	—	14,852,952.37	—
43AH power battery research and development and trial production	—	106,304.75	—	—	106,304.75	—
Development of high specific energy lithium iron phosphate cylindrical battery above 14Ah	—	18,694,213.62	—	—	18,694,213.62	—

Item	December 31st 2018	Increase in current period		Decrease in current period		December 31st 2019
		Expenditure on internal development	Others	Recognized as intangible assets	Transfer into current profit or loss	
Development and trial production verification of 52Ah power battery	—	13,696,269.75	—	—	13,696,269.75	—
Analysis and improvement of the influence of battery internal resistance on module capacity	—	3,672,394.75	—	—	3,672,394.75	—
Battery insulation film coating improvement—six sigma project	—	3,769,888.24	—	—	3,769,888.24	—
Projects to improve the overcurrent capability of laser welding	—	5,386,057.39	—	—	5,386,057.39	—
Project of improving the overall quality rate of Tangshan Phase II production line	—	2,795,993.00	—	—	2,795,993.00	—
105AH battery manufacturing cost reduction project	—	5,529,828.10	—	—	5,529,828.10	—
High SOC screening self-discharge process development project	—	9,439,359.32	—	—	9,439,359.32	—
Project analyzing the influence of high temperature soaking time on the battery interface	—	3,199,165.29	—	—	3,199,165.29	—
Summary of research and development projects for high and low voltage switchgear	—	39,124,186.93	—	—	39,124,186.93	—
Summary of other sporadic projects	—	29,431,318.68	—	—	29,431,318.68	—
Total	**83,990,218.97**	**588,145,458.52**		**123,682,890.88**	**437,287,886.84**	**111,164,899.77**

The increase by 32.35% of development expenses at the end of 2019 over that at the end of 2018 was mainly due to the increase in research and development project.

18. Goodwill

(1) Original book value of goodwill

Name of investee or matters forming goodwill	December 31st 2018	Increase in current period		Decrease in current period		December 31st 2019
		From business combination	Others	Disposal	Others	
Goodwill from reverse purchase	80,427,604.58	—	—	—	—	80,427,604.58

(2) Provision for impairment of goodwill

Name of investee or matters forming goodwill	December 31st 2018	Increase in current period		Decrease in current period		December 31st 2019
		Provision	Others	Disposal	Others	
Goodwill from reverse purchase	—	—	—	—	—	—

(3) Information about asset groups of combination of asset groups from which goodwill is formed

According to the relevant provisions of Accounting Standards for Business Enterprises No. 8—Impairment of Assets, the asset groups or portfolio of asset groups related to goodwill impairment test should be those that can benefit from the synergy effects of business combination. The goodwill of the Company was initially formed in September 2015 from the Company's reverse purchase of Dongyuan Electrical. The business system of Dongyuan Electrical and its subsidiaries is clear, their production and operation are independent and their primary business is directly connected with the market with the price determined by the market, which is in line with the relevant requirements of the asset group. Therefore, the Company finally decided to identify Dongyuan Electrical and its subsidiaries as a portfolio of asset group, and conduct goodwill impairment test on such basis.

(4) Explain the process of goodwill impairment test, parameters and the recognition method of goodwill impairment loss

In calculating goodwill impairment at the end of 2019, the Company first determined the asset group, then selected the corresponding method to calculate the recoverable amount of the asset group without goodwill, and compared the recoverable amount of the asset group with the book value of the asset group to determine whether the asset group is impaired or not. Then, the Company conducted an impairment test on the asset group with goodwill, and compared the recoverable amount of the asset group with the book value of the asset group (including the book value of the apportioned goodwill) to determine whether the goodwill is impaired.

19. Long-term deferred expenses

Item	December 31st 2018	Increase in current period	Decrease in current period		December 31st 2019
			Amortization in current period	Other decrease	
Plant overhaul cost of Dongyuan Electrical	10,167,841.27	5,411,765.92	4,276,045.18	—	11,303,562.01
Leased fixed asset improvement of Dongyuan Electrical	245,982.90	22,731.50	15,428.52	—	253,285.88
Formation of finance lease	—	3,050,434.51	77,133.81	—	2,973,300.70
Total	10,413,824.17	8,484,931.93	4,368,607.51	—	14,530,148.59

The increase by 39.53% of the long-term deferred expenses at the end of 2019 over that at the end of 2018 was mainly due to much higher increase of the overhaul cost of plant of Donyuan Electrical for the current period.

20. *Deferred tax assets/Deferred tax liabilities*

(1) Deferred tax assets before offset

	December 31st 2019		December 31st 2018	
Item	**Deductible temporary differences**	**Deferred tax assets**	**Deductible temporary differences**	**Deferred tax assets**
Provision for credit loss	776,366,278.22	115,663,858.31	563,756,154.76	85,838,221.42
Provision for impairment losses of inventory	384,714,400.37	55,959,216.56	64,538,894.86	9,680,834.22
Provisions	304,041,021.10	48,711,357.29	395,752,030.99	65,696,105.73
Deferred income	274,950,145.36	41,753,296.74	268,165,141.27	40,772,271.20
Unrealized profit from intergroup transactions	131,598,271.45	19,739,740.72	100,540,436.60	15,081,065.49
Unrecognized income with taxes paid	3,119,658.12	779,914.53	3,119,658.12	779,914.53
Deductible losses	482,016,884.48	101,963,282.31	247,212,706.93	51,846,502.56
Total	**2,356,806,659.10**	**384,570,666.46**	**1,643,085,023.53**	**269,694,915.15**

(2) Deferred tax liabilities before offset

	December 31st 2019		December 31st 2018	
Item	**Taxable temporary difference**	**Deferred tax liabilities**	**Taxable temporary difference**	**Deferred tax liabilities**
Difference in installments	81,050,684.51	12,157,602.68	105,592,420.30	15,838,863.05
Difference in depreciation of fixed assets	133,852,964.02	20,077,944.60	63,918,777.85	9,587,816.68
Estimated added value of assets not under common control	45,032,017.20	6,754,802.58	47,712,031.33	7,156,804.70
Total	**259,935,665.73**	**38,990,349.86**	**217,223,229.48**	**32,583,484.43**

(3) Details of unrecognized deferred tax assets

Item	**December 31st 2019**	**December 31st 2018**
Provision for impairment of long-term equity investment	19,819,683.81	19,819,683.81
Deferred income	36,251,049.54	20,736,133.66
Deductible losses	32,558,332.01	21,830,061.44
Provision for impairment of fixed assets	4,877,342.46	4,877,342.46
Provision for credit loss	5,637,466.07	1,746,426.05
Total	**99,143,873.89**	**69,009,647.42**

(4) Deductible loss of unrecognized deferred tax assets to be due in the following years

Year	December 31st 2019	December 31st 2018	Remark
2019	—	1,015,033.45	
2020	1,560,937.97	1,560,937.97	
2021	2,175,394.44	2,175,394.44	
2022	15,420,357.71	15,420,357.71	
2023	21,830,061.44	21,830,061.44	
2024	28,775,432.89	—	
Total	**69,762,184.45**	**42,001,785.01**	

(5) The increase by 42.59% of the deferred tax assets at the end of 2019 over that at the end of 2018 was mainly due to the much higher amount of bad debt provision and inventory impairment provision were accrued in current period.

21. Other non-current assets

Item	December 31st 2019	December 31st 2018
Advance for project equipment	528,947,474.61	540,512,436.60
Advance for project investment fund	123,487,528.48	121,487,192.78
Unguaranteed residual value	11,151,765.88	11,151,765.88
Prepaid land premium	—	4,700,000.00
Total	**663,586,768.97**	**677,851,395.26**

22. Short-term borrowings

(1) Classification of short-term borrowings

Item	December 31st 2019	December 31st 2018
Guaranteed borrowings	2,875,850,000.00	1,224,000,000.00
Pledge loan	345,000,000.00	527,569,800.00
Credit borrowings	450,717,358.50	317,958,473.52
Mortgaged borrowings	190,000,000.00	160,000,000.00
Total	**3,861,567,358.50**	**2,229,528,273.52**

(2) During the current period, the Company did not have any overdue short-term loans that were failed to repay.

(3) The increase by 73.20% of short-term borrowings from the end of 2018 to the end of 2019 was mainly due to the expansion of the production capacity of the Company and the increase in bank borrowings to replenish liquidity.

25. Notes payable

Category	December 31st 2019	December 31st 2018
Bank acceptance bill	1,451,114,988.70	1,959,865,694.24
Commercial acceptance bill	667,468,202.22	489,572,076.46
Total	**2,118,583,190.92**	**2,449,437,770.70**

24. *Accounts payable*

(1) Present by nature

Item	December 31st 2019	December 31st 2018
Payments for goods	3,177,216,592.66	2,385,621,967.47
Payables on equipment	1,163,588,388.45	676,204,167.63
Total	**4,340,804,981.11**	**3,061,826,135.10**

(2) At the end of the period, the Company did not have any significant accounts payable with aging above one year.

(3) The increase by 41.77% of the accounts payable from the end of 2018 to the end of 2019 was mainly due to the expansion of the production capacity of the Company and the increase in payment of materials.

25. *Receipts in advance*

(1) Presentation of receipts in advance

Item	December 31st 2019	December 31st 2018
Goods price received in advance	96,773,314.46	57,654,181.72
Lease fee received in advance	8,859,761.62	7,399,584.67
Total	**105,633,076.08**	**65,053,766.39**

(2) Significant receipts in advance with aging above one year

Item	December 31st 2019	Reason for failing to repay or carry forward
Lease fee received in advance	7,399,584.67	Condition for recognition is unmet.

(3) The increase by 62.38% of the receipts in advance from the end of 2018 to the end of 2019 was mainly due to the much higher increase in receipts in advance in the current period.

26. *Employee benefits payable*

(1) Details of employee benefits payable

Item	December 31st 2018	Increase in current period	Decrease in current period	December 31st 2019
I. Short-term employee compensation	69,720,481.99	775,537,194.24	755,545,495.31	89,712,180.92
II. Post-employment benefits—defined contribution plan	187,212.49	48,299,314.50	48,204,376.00	282,150.99
III. Dismissal welfare	—	2,710,162.00	2,710,162.00	—
IV. Other benefits due within one year	—	—	—	—
Total	**69,907,694.48**	**826,546,670.74**	**806,460,033.31**	**89,994,331.91**

(2) Details of short-term employee benefits payable

Item	December 31st 2018	Increase in current period	Decrease in current period	December 31st 2019
1. Salary, bonus, allowance and subsidy	68,343,294.04	693,759,383.85	674,208,085.63	87,894,592.26
2. Employee welfare expenses	203,125.00	39,338,263.90	39,362,523.06	178,865.84
3. Social insurance premiums	60,011.11	27,057,719.27	27,040,630.60	77,099.78
Including: medical insurance premium	52,797.91	24,563,722.12	24,547,722.03	68,798.00
Work-related injury insurance	2,596.76	1,247,334.48	1,245,800.35	4,130.89
Maternity insurance fee	4,616.44	1,246,662.67	1,247,108.22	4,170.89
4. Housing provident funds	717,121.73	12,574,774.17	12,002,225.04	1,289,670.86
5. Trade union funds and employee education funds	396,930.11	2,807,053.05	2,932,030.98	271,952.18
6. Short-term paid leave	—	—	—	—
7. Short-term profit sharing plan	—	—	—	—
Total	**69,720,481.99**	**775,537,194.24**	**755,545,495.31**	**89,712,180.92**

(3) Details of defined contribution plans

Item	December 31st 2018	Increase in current period	Decrease in current period	December 31st 2019
Post-employment benefits				
1. Basic pension insurance	184,118.21	46,641,622.03	46,548,351.72	277,388.52
2. Unemployment insurance premiums	3,094.28	1,657,692.47	1,656,024.28	4,762.47
3. Corporate annuity premiums	—	—	—	—
Total	**187,212.49**	**48,299,314.50**	**48,204,376.00**	**282,150.99**

27. Taxes payable

Item	December 31st 2019	December 31st 2018
Corporate income tax	120,749,546.79	98,449,861.71
Value-added tax	15,585,172.72	10,994,520.32
Business tax	1,890,746.06	1,895,312.29
Urban maintenance and construction tax	1,991,959.95	1,828,572.75
Educational surcharges	1,691,565.88	1,763,149.09
Others	10,400,150.70	9,018,993.43
Total	**152,309,142.10**	**123,950,409.59**

28. Other payables

(1) By classification

Item	December 31st 2019	December 31st 2018
Interests payable	40,769,759.31	42,091,163.32
Dividends payable	2,033,891.80	1,304,083.20
Other accounts payable	250,148,814.35	438,728,046.82
Total	**292,952,465.46**	**482,123,293.34**

(2) Interests payable

Item	December 31st 2019	December 31st 2018
Interest payable on corporate bonds	25,100,000.00	24,375,000.00
Interest payable for long-term borrowings with interest paid in installments and principal paid on maturity	8,156,244.72	13,413,802.97
Interest on long-term payables	3,846,787.26	2,474,860.27
Interest payable on short-term borrowing	3,666,727.33	1,827,500.08
Total	**40,769,759.31**	**42,091,163.32**

(3) Dividend payable

Item	December 31st 2019	December 31st 2018
Dividend of ordinary shares	2,033,891.80	1,304,083.20

Dividend payable refers to dividend payable by the Company on restricted shares granted but not yet unlocked.

(4) Other payables

① Other payables presented by nature of funds

Item	December 31st 2019	December 31st 2018
Obligation for repurchase of restricted shares	164,842,476.92	168,258,336.92
Borrowings from non-financial institutions	10,000,000.00	211,000,000.00
Accrued expenses	17,326,636.15	30,990,459.39
Current accounts	12,422,060.31	13,180,243.61
Security deposit	38,850,911.57	12,012,271.44
Others	6,706,729.40	3,286,735.46
Total	**250,148,814.35**	**438,728,046.82**

② Please refer to Note X.2 for the formation of repurchase obligation of restricted shares.

③ The balance of borrowings of Shanghai Gotion, as subsidiary, from non-financial institution at the end of 2019 of RMB10 million was from the Management Committee of Shanghai Pudong New Area Development Zone.

(5) The decrease in other payable by 42.98% from the end of 2018 to the end of 2019 was mainly because the borrowing from Lujiang County Economic Development Zone Construction Investment Co., Ltd. (庐江县经济开发区建设投资有限公司) was converted into subsidies.

29. Non-current liabilities maturing within one year

Item	December 31st 2019	December 31st 2018
Long-term borrowings maturing within one year	232,142,857.14	194,943,360.00
Long-term payables maturing within one year	198,711,920.50	—
Total	**430,854,777.64**	**194,943,360.00**

The increase of non-current liabilities maturing within one year by 121.02% from the end of 2018 to the end of 2019 was mainly due to the larger amount of long-term payables maturing within one year.

30. Other current liabilities

Item	December 31st 2019	December 31st 2018
Unrealized profits of internal sales corresponding to the inventory committed to repurchase	4,464,531.65	4,464,531.65

In November 2012, Hefei Gotion, a subsidiary of the Company, sold to its former subsidiary Shanghai Huayue Investment Development Co., Ltd. (formerly known as Shanghai Gotion New Energy Co., Ltd., hereinafter "Shanghai Huayue") battery packs, which formed an unrealized internal sales profit of RMB4,464,531.65, In August 2013, the Company transferred the equity held by it in Shanghai Huayue to a non-related party. It is provided in the equity transfer agreement that the Company shall repurchase the battery packs sold to Shanghai Huayue. After the equity transfer, the unrealized internal sales profit corresponding to the said internal transaction will be recognized as other current liabilities before the repurchase obligation is fulfilled.

31. Long-term borrowings

Item	December 31st 2019	December 31st 2018
Guaranteed borrowing	373,333,428.58	728,632,000.00
Mortgaged borrowing	401,656,000.00	246,943,360.00
Factoring borrowings	—	99,984,000.00
Pledged borrowing	180,000,000.00	85,714,285.72
Subtotal	954,989,428.58	1,161,273,645.72
Less: long-term borrowings maturing within one year	232,142,857.14	194,943,360.00
Total	**722,846,571.44**	**966,330,285.72**

32. Bonds payable

(1) Bonds payable

Item	December 31st 2019	December 31st 2018
18 Gotion Green Bond 01	497,337,656.97	496,721,337.35
18 Gotion Green Bond 02	497,073,514.88	496,398,153.84
Convertible corporate bonds	1,471,894,940.27	—
Subtotal	2,466,306,112.12	993,119,491.19
Less: bond payables maturing within one year	—	—
Total	**2,466,306,112.12**	**993,119,491.19**

(2) Increase/decrease of bonds payable

Bond	Nominal value	Issuance date	Maturity period	Issuance amount	December 31st 2018
18 Gotion Green Bond 01	500,000,000.00	April 12th 2018	5 years	500,000,000.00	496,721,337.35
18 Gotion Green Bond 02	500,000,000.00	November 14th 2018	5 years	500,000,000.00	496,398,153.84
Convertible corporate bonds	1,850,000,000.00	December 17th 2019	6 years	1,850,000,000.00	—
Total	**2,850,000,000.00**			**2,850,000,000.00**	**993,119,491.19**

(continued)

Bond	Issuance during the period	Interest accrued at nominal value	Amortisation of premium or discount	Repayment during the period	December 31st 2019
18 Gotion Green Bond 01	—	33,116,319.63	2,662,343.03	32,500,000.00	497,337,656.97
18 Gotion Green Bond 02	—	38,181,398.32	2,920,447.84	37,500,000.00	497,073,514.88
Convertible corporate bonds	1,471,894,940.27	—	—	—	1,471,894,940.27
Total	**1,471,894,940.27**	**71,297,717.95**	**5,582,790.87**	**70,000,000.00**	**2,466,306,112.12**

(3) About the conditions and time for the conversion of convertible corporate bonds to shares:

With the approval of China Securities Regulatory Commission by the document numbered "Zheng Jian FA Xing Zi [2019] No. 2310", the Company publicly issued 18.5 million convertible corporate bonds on December 17, 2019, with a face value of RMB100 each and a total amount of RMB185,000.00, and a term of 6 years. The stated interest rate of the convertible bonds issued by the Company is 0.4% in the first year, 0.6% in the second year, 1.0% in the third year, 1.5% in the fourth year, 1.8% in the fifth year and 2.0% in the sixth year. Such interest will be paid on a quarterly basis, and the first interest will be paid on December 17, 2020. The conversion period starts from the first trading day (including June 23, 2020) after six months after the date of issue (December 23, 2019) and ends on the trading day (including that day) before the maturity date of convertible corporate bonds (December 17, 2025). The holders may apply for conversion during the conversion period. The initial conversion price at the time of issue of the convertible corporate bonds is RMB12.21 per share.

33. Long-term payables

(1) Presented by classification

Item	December 31st 2019	December 31st 2018
Long-term payables	1,068,526,975.06	679,100,000.00
Subtotal	1,068,526,975.06	679,100,000.00
Less: Long-term payables maturing within one year	198,711,920.50	—
Total	**869,815,054.56**	**679,100,000.00**

(2) Long-term payables presented by nature of funds

Item	December 31st 2019	December 31st 2018
Financial lease funds payable	478,726,975.06	—
Equity repurchase funds payable	589,800,000.00	679,100,000.00
Subtotal	1,068,526,975.06	679,100,000.00
Less: long-term payables maturing within one year	198,711,920.50	—
Total	**869,815,054.56**	**679,100,000.00**

34. Provisions

Item	December 31st 2019	December 31st 2018	Reason for formation
Product quality assurance	307,625,186.53	395,076,850.99	Estimated quality warranty money
Others	675,180.00	675,180.00	Leasing product insurance
Total	**308,300,366.53**	**395,752,030.99**	

35. Deferred income

(1) Deferred income

Item	December 31st 2018	Increase in current period	Decrease in current period	December 31st 2019	Reason for formation
Government subsidies	288,901,274.93	53,586,800.00	55,667,629.57	286,820,445.36	Receipt of government grants
Unrealized loss and profit on the after sales leaseback	—	25,234,104.99	853,355.45	24,380,749.54	Formation of finance lease
Total	**288,901,274.93**	**78,820,904.99**	**50,278,385.02**	**311,201,194.90**	

(2) Projects involving government subsidies

Projects	December 31st 2018	New subsidies for the current period	Amount included in other income during the current period	Other changes	December 31st 2019	Related to assets/ income
Subsidy of Economic & Trade Development Bureau of Xinzhan District for strengthening the core competence of manufacturing industry in 2016	79,611,524.23	—	9,940,170.92	—	69,671,353.31	Related to assets
Key special subsidy for "New Energy Automobile" by the High Technology Research and Development Center, MOST . .	52,988,150.89	10,500,000.00	10,017,800.00	—	53,470,350.89	Related to assets
Subsidy for 2016 national intelligent standard application projects by Hefei Economic and Information Technology Commission.	30,822,688.04	—	3,852,835.96	—	26,969,852.08	Related to assets
Support for annual output of 600 million by construction fund of "Three Priorities and One Innovation" of Anhui Province in 2017	24,659,300.00	—	7,397,790.00	—	17,261,510.00	Related to assets
Fixed-assets support subsidy . . .	—	12,000,000.00	400,000.00	—	11,600,000.00	Related to assets
Subsidy for fixed-asset investment received from the management committee.	11,127,649.12	—	519,578.95	—	10,608,070.17	Related to assets
Fixed-assets support subsidy . . .	—	10,000,000.00	416,666.67	—	9,583,333.33	Related to assets
2017 national new energy vehicle key project high safety and high specific energy lithium ion . . .	12,657,310.80	2,130,000.00	—	5,980,400.00	8,806,910.80	Related to assets
Financial incentive fund (land) . .	8,245,300.00	—	—	—	8,245,300.00	Related to assets
Guidance fund project for 2014 provincial strategic emerging industry development in Hefei.	9,250,000.11	—	1,480,000.00	—	7,770,000.11	Related to assets
Industry revitalization and technological transformation project	10,917,254.27	—	3,264,313.32	—	7,652,940.95	Related to assets
Promotion for automation of industrialized and standardized ternary cell by the Economic & Trade Development Bureau of Xinzhan District	5,000,000.00	5,000,000.00	3,000,000.00	—	7,000,000.00	Related to assets
Special funds for intelligent switchgear	7,591,953.58	—	779,333.30	—	6,812,620.28	Related to assets
Return of infrastructure supporting fees	5,260,000.00	—	—	—	5,260,000.00	Related to assets
Construction of "Three Priorities and One Innovation"	5,891,500.00	—	638,245.83	—	5,253,254.17	Related to assets

Projects	December 31st 2018	New subsidies for the current period	Amount included in other income during the current period	Other changes	December 31st 2019	Related to assets/ income
Subsidy for fixed assets	6,257,127.38	—	1,079,076.00	—	5,178,051.38	Related to assets
Subsidies from the Economic and Information Technology Commission in the first half of 2018	4,674,022.50	—	510,607.50	—	4,163,415.00	Related to assets
Subsidies for new energy vehicles promotion	3,600,000.00	1,800,000.00	1,560,000.00	—	3,840,000.00	Related to assets
Promotion for development of lithium-ion power battery production line by the Economic & Trade Development Bureau of Xinzhan District	5,000,000.00	—	1,500,000.00	—	3,500,000.00	Related to assets
Subsidy for industry development of Hefei in the second half of 2018	—	5,000,000.00	1,500,000.00	—	3,500,000.00	Related to assets
Return of infrastructure supporting fees	3,433,708.12	—	183,131.10	—	3,250,577.02	Related to assets
Inclusive rewards and subsidies to support industrial enterprises' investment in technology and equipment	—	3,000,000.00	600,000.00	—	2,400,000.00	Related to assets
Subsidy received from the financial system of Anhui Science and Technology Department	—	2,000,000.00	333,333.33	—	1,666,666.67	Related to assets
Hefei Financial Treasury Payment Center	—	1,500,000.00	—	—	1,500,000.00	Related to assets
Technological transformation project for equipment	1,298,880.08	—	133,333.30	—	1,165,546.78	Related to assets
Key and special "Solid Waste Reclamation" of the national key research and development program of China	—	656,800.00	—	262,200.00	394,600.00	Related to assets
Special fund for technical research on key technologies of lithium-ion battery and key system	399,905.81	—	103,813.39	—	296,092.42	Related to assets
FCZW-38.5 special guiding funds for key industrial technological transformation of prefabricated substation projects	95,000.00	—	95,000.00	—	—	Related to assets
Municipal science and technology plan projects and financially funded science and technology funds	120,000.00	—	120,000.00	—	—	Related to assets
Total	**288,901,274.93**	**53,586,800.00**	**49,425,029.57**	**6,242,600.00**	**286,820,445.36**	

36. Share capital

	December 31st 2018	Increase or decrease (+, -) Share newly issued	Shares donated	Shares transferred from capital reserves	Others	Subtotal	December 31st 2019
Total number of shares	1,136,650,819.00	—	—	—	—	—	1,136,650,819.00

37. Capital reserves

Item	December 31st 2018	Increase in the current period	Decrease in the current period	December 31st 2019
Capital premium (share premium)	4,570,704,007.83	347,487,135.20	80,123,513.00	4,838,067,630.03
Other capital reserves	—	29,208,661.69	—	29,208,661.69
Total	**4,570,704,007.83**	**376,695,796.89**	**80,123,513.00**	**4,867,276,291.72**

38. Treasury shares

Item	December 31st 2018	Increase in the current period	Decrease in the current period	December 31st 2019
Restricted shares incentive plan	168,258,336.92	—	—	168,258,336.92
Equity of the parent company held by subsidiaries	59,000,000.00	—	—	59,000,000.00
Share repurchase	176,699,032.00	23,267,880.21	160,247,026.00	39,719,886.21
Total	**403,957,368.92**	**23,267,880.21**	**160,247,026.00**	**266,978,223.13**

39. Other comprehensive income

Item	December 31st 2018	Change in accounting policy	January 1st 2019
I. Other comprehensive incomes that cannot be reclassified into profits and losses later	—	126,021,871.05	126,021,871.05
Including: Changes in fair values of the other equity instrument investments	—	126,021,871.05	126,021,871.05
II. Other comprehensive income that will be			
III. Reclassified to profits and losses later	6,695,300.69	—	6,695,300.69
Including: Translation difference of foreign currency financial statements	6,695,300.69	—	6,695,300.69
Total other comprehensive income	6,695,300.69	126,021,871.05	132,717,171.74

(continued)

Item	Amount incurred before income tax in the current period	Less: amount included in other comprehensive income previously and then transferred into current profits and losses	Amount incurred in the current period Less: income tax expense	Attributable to parent company after tax	Attributable to minority stockholders after tax	December 31st 2019
I. Other comprehensive incomes that cannot be reclassified into profits and losses later	-123,252,882.36	—	—	—	—	2,768,988.69
Changes in fair values of the other equity instrument investments	-123,252,882.36	—	—	—	—	2,768,988.69
II. Other comprehensive income that will be reclassified to profits and losses later	—	—	—	—	—	—
Translation difference of foreign currency financial statements	2,488,079.80	—	—	—	—	9,183,380.49
Total other comprehensive income	**-120,764,802.56**	**—**	**—**	**—**	**—**	**11,952,369.18**

40. Surplus reserves

Item	December 31st 2018	Change in accounting policy	January 1, 2019	Increase in current period	Decrease in current period	December 31st 2019
Statutory surplus reserves	158,973,015.65	—	158,973,015.65	—	—	158,973,015.65

41. Retained earnings

Item	2019	2018
Retained earnings at the end of the previous period before adjustment	3,056,995,536.36	2,606,816,889.83
Adjustment for the total amount of retained profits at the beginning of the period (increase, decrease, +/-)	—	—
Retained earnings at the beginning of this period after adjustment	3,056,995,536.36	2,606,816,889.83
Plus: net profit attributable to the owner of the parent company in the current period	51,253,825.33	580,345,487.56
Less: Appropriation of statutory surplus reserve	—	16,501,759.13
Appropriation of any surplus reserve	—	—
Appropriation of general risk reserve	—	—
Ordinary share dividends payable	112,089,925.90	113,665,081.90
Ordinary share dividend converted to share capital	—	—
Retained earnings at the end of the period	2,996,159,435.79	3,056,995,536.36

42. Operating revenue and operating cost

Item	2019 Income	2019 Cost	2018 Income	2018 Cost
Primary business	4,820,838,662.00	3,296,324,137.44	4,991,069,080.18	3,601,852,125.37
Other businesses	138,059,920.32	49,129,538.01	135,926,113.38	28,804,534.10
Total	4,958,898,582.32	3,345,453,675.45	5,126,995,193.56	3,630,656,659.47

(1) Operating business (by products)

Product category	2019 Income	2019 Cost	2018 Income	2018 Cost
Power lithium battery products	4,320,979,393.30	2,879,217,805.72	4,559,954,846.76	3,246,804,391.56
Transmission and distribution products	499,859,268.70	417,106,331.72	431,114,233.42	355,047,733.81
Total	**4,820,838,662.00**	**3,296,324,137.44**	**4,991,069,080.18**	**3,601,852,125.37**

(2) Operating business (by region)

Region	2019 Income	2019 Cost	2018 Income	2018 Cost
Mainland China	4,798,692,646.02	3,284,033,493.41	4,944,942,878.28	3,564,341,529.07
Offshore (including Hong Kong, Macao and Taiwan)	22,146,015.98	12,290,644.03	46,126,201.90	37,510,596.30
Total	**4,820,838,662.00**	**3,296,324,137.44**	**4,991,069,080.18**	**3,601,852,125.37**

(3) Operating income of top five customers of the Company

Customer	Operating income	Percentage to all operating income of the Company for the current period
		(%)
The First	1,152,852,905.69	23.25
The Second	882,173,010.74	17.79
The Third	458,931,154.62	9.25
The Fourth	356,263,842.79	7.18
The Fifth	295,920,636.60	5.97
Total	**3,146,141,550.44**	**63.44**

43. Taxes and surcharges

Item	2019	2018
Urban maintenance and construction tax	1,593,199.27	6,808,327.22
Real estate tax	15,994,682.74	13,482,220.34
Land usage tax	8,216,253.76	7,850,800.44
Educational surcharges	986,637.48	3,389,275.88
Local educational surcharges	667,351.26	2,258,183.91
Stamp tax	5,457,150.01	3,415,285.62
Others	5,150,928.67	3,723,568.64
Total	**38,066,203.19**	**40,927,662.05**

44. Selling expenses

Item	2019	2018
Quality assurance and after-sales service expenses	183,891,076.97	133,488,844.92
Employee compensation	53,408,091.44	49,124,287.20
Logistics transportation charge	52,522,430.33	40,359,912.06
Travel expense	17,183,537.16	19,651,471.15
Reception and business publicity expenses	5,878,801.35	12,087,928.74
Bidding and tendering cost	3,957,553.12	8,924,444.62
Water and electricity and office expenses	4,920,930.99	7,210,838.66
Depreciation and amortization	5,262,191.32	6,819,155.03
Others	6,854,489.20	4,040,882.57
Total	**333,879,101.88**	**281,707,764.95**

45. Administrative expenses

Item	2019	2018
Employee compensation	204,405,449.16	153,351,915.88
Water and electricity and office expenses	48,816,601.97	62,826,969.66
Depreciation and amortization	62,613,282.11	51,740,627.60
Intermediary service fee	33,697,891.11	16,597,345.71
Business entertainment and promotion expenses	10,734,517.29	16,180,214.07
Sporadic projects and housing renovation	15,132,721.93	14,469,654.44
Travel expense	6,638,744.18	12,259,382.56
Logistics and transportation expenses	3,407,726.11	9,317,392.89
Equity incentive fees	—	-4,682,200.00
Others	12,492,229.38	11,557,733.46
Total	**397,939,163.24**	**343,619,036.27**

46. R&D expenses

Item	2019	2018
R&D materials expenses	133,541,798.65	173,039,579.92
Employee compensation	188,434,043.77	72,685,479.25
Water and electricity and office expenses	20,330,323.49	8,032,494.65
Depreciation and amortization	47,649,365.01	37,452,255.21
Cooperative development and patent expenses	31,433,631.83	28,352,747.71
Test fee	5,931,554.25	17,155,834.64
Travel expense	6,869,691.93	7,177,170.68
Others	3,097,477.91	3,581,689.77
Total	**437,287,886.84**	**347,477,251.83**

47. Financial expense

Item	2019	2018
Interest expense	373,273,451.39	191,086,276.63
Less: interest income	95,325,866.05	80,469,861.37
Net interest expenditure	277,947,585.34	110,616,415.26
Net exchange losses	6,036,347.11	-10,162,923.35
Bank charges	6,877,178.52	7,175,444.65
Total	**290,861,110.97**	**107,628,936.56**

The increase by 170.24% of the finance cost from the end of 2018 to the end of 2019 was mainly due to the increase in interest expense on bank borrowings in the current period.

48. Other incomes

Item	2019	2018	Related to assets/ related to income
I. Government subsidies included in other gains	509,506,767.99	423,108,376.58	
Including: government subsidies relating to deferred income (related to assets)	49,425,029.57	22,836,182.87	Related to assets
Government subsidies relating to deferred income (related to income)	—	238,360,000.00	Related to income
Government subsidies directly included in current profit or loss (related to income)	460,081,738.42	161,912,193.71	Related to income
II. Other items related to daily operations and included in other income	—	—	
Total	**509,506,767.99**	**423,108,376.58**	

49. Investment income

Item	2019	2018
Long-term equity investment income accounted by equity method	-24,366,386.13	8,888,224.20
Investment income from disposal of long-term equity investments	—	61,165,805.31
Total	**-24,366,386.13**	**70,054,029.51**

The sharp decrease in investment incomes from 2018 to 2019 was mainly due to the disposal of equity interest of Suzhou Gotion,a subsidiary, in the first half of the year.

50. Credit impairment loss

Item	2019	2018
Loss on bad debt of notes receivable	-39,041,143.19	—
Loss on bad debts of accounts receivable	-174,734,736.57	—
Loss on bad debt of other receivables	-8,096,369.12	—
Loss on bad debts of long-term receivables	1,534,061.80	—
Total	**-220,338,187.08**	**—**

51. Asset impairment loss

Item	2019	2018
I. Loss on bad debt	—	-224,703,011.29
II. Inventory depreciation loss	-323,374,303.93	-8,811,922.90
Total	**-323,374,303.93**	**-233,514,934.19**

The increase in asset impairment loss by 38.48% from 2018 to 2019 was mainly due to the larger amount of provision for inventory depreciation loss accrued in current year.

52. Gains from disposal of assets

Item	2019	2018
Disposal gains or losses recognized when disposal of non-current assets classified as held for sale (excluding financial instrument, long-term equity investment and investment property) or disposal groups (save as subsidiaries and business)	—	—
Gains or losses from disposal of fixed assets, construction in progress, productive biological assets and intangible assets that are not classified as held for sale	2,014,019.12	4,724,882.54
Including: Fixed assets	2,014,019.12	-847,664.54
Intangible assets	—	5,572,547.08
Total	**2,014,019.12**	**4,724,882.54**

The decrease in gains from disposal of assets by 57.37% from 2018 to 2019 was mainly due to more proceeds from disposal of intangible assets in last period.

53. Non-operating income

(1) Breakdown of non-operating income

Item	2019	2018	Amount included in current non-recurring profit or loss
Penalty income	5,226,780.01	3,955,262.77	5,226,780.01
Government subsidies irrelevant to daily operation of the corporation	223,200.00	6,049,260.00	223,200.00
Others	183,349.25	504,201.76	183,349.25
Total	**5,633,329.26**	**10,508,724.53**	**5,633,329.26**

(2) Government subsidies irrelevant to the daily operation of the corporation

Item	2019	Related to assets/ related to income
2019 skills training subsidy from provinces with technological power	123,200.00	Related to income
2018 excellent corporate award	100,000.00	Related to income
Total	**223,200.00**	

The decrease in non-operating income by 46.39% from 2018 to 2019 was mainly due to the decrease in government subsidy irrelevant to daily activities of the corporation received this year.

54. Non-operating expenses

Item	2019	2018	Amount included in non-recurring profit or loss in current period
Expenditure on charity donation	1,943,768.70	3,576,559.66	1,943,768.70
Compensation expenses	9,949,548.27	—	9,949,548.27
Others	699,021.59	372,850.03	699,021.59
Total	**12,592,338.56**	**3,949,409.69**	**12,592,338.56**

55. *Income tax expense*

(1) Statement of income tax expense

Item	2019	2018
Current income tax expense	112,030,482.43	122,879,893.46
Deferred income tax expense	-108,468,885.88	-58,655,626.50
Total	**3,561,596.55**	**64,224,266.96**

(2) Adjustment process of accounting profit and income tax expense

Item	2019	2018
Total profit	51,894,341.42	645,909,551.71
Income tax expense calculated according to statutory/applicable tax rate	12,973,585.36	161,477,387.93
Influence of application of different tax rates by subsidiaries	13,106,860.77	-84,166,840.04
Influence of adjustment to income tax of prior periods	-3,431,386.13	-429,911.26
Influence of non-taxable income	2,026,837.16	—
Influence of non-deductible costs, expenses and losses	409,289.69	1,642,706.97
Influence of deductible loss on utilisation of deferred tax assets that were not recognized in the previous period	—	—
Influence of deductible temporary differences or deductible losses of unrecognized deferred tax assets in the current period	19,561,404.66	13,180,989.47
Additional deduction of R&D expenditures	-41,084,994.95	-27,480,066.11
Income tax expense	3,561,596.55	64,224,266.96

56. *Other comprehensive income*

For details of other comprehensive income items and their transfers into profit or loss and reconciliation of other comprehensive income items, please refer to Note V. 39 Other comprehensive income.

57. *Notes to items in the Statement of Cash Flows*

(1) Other cash received from operating activities

Item	2019	2018
Government subsidies	339,510,988.88	304,726,253.71
Guarantee deposits	26,838,640.13	9,757,275.00
Current accounts	4,222,051.68	11,277,613.65
Others	13,692,897.86	9,381,808.98
Total	**384,264,578.55**	**335,142,951.34**

(2) Other cash paid for operating activities

Item	2019	2018
Asset management plan receivables	—	660,967,848.42
R&D expenditures	201,204,478.06	237,339,517.37
Water and electricity and office expenses	53,737,532.96	70,037,808.32
Logistics transportation charge	55,930,156.44	49,677,304.95
Travel expense	23,822,281.34	31,910,853.71
Reception and business publicity expenses	16,613,318.64	28,268,142.81
Intermediary service fee	33,697,891.11	16,597,345.71
Others	72,816,400.88	15,598,616.04
Sporadic projects and housing renovation	15,132,721.93	14,469,654.44
Deposits	26,200,000.00	9,757,275.00
Bidding and tendering cost	3,957,553.12	8,924,444.62
Quality assurance and after-sales service expenses	6,935,723.00	4,052,820.88
Total	**510,048,057.48**	**1,147,601,632.27**

(3) Other cash receipts relating to investing activities

Item	2019	2018
Interest income	96,022,266.05	81,169,792.55

(4) Other cash paid for investing activities

Item	2019	2018
Borrowings to related parties	40,000,000.00	—
Total	**40,000,000.00**	**—**

(5) Other cash receipts relating to financing activities

Item	2019	2018
Equity incentive subscription fund	80,123,513.00	—
Loans from non-financial institutions	—	6,000,000.00
Total	**80,123,513.00**	**6,000,000.00**

(6) Other cash paid for financing activities

Item	2019	2018
Repayment to non-financial institutions	50,000,000.00	224,000,000.00
Acceptance deposit paid	256,085,683.65	402,210,613.28
Amount for repurchase of shares	23,267,880.21	176,699,032.00
Payment for issuance of bonds and other financing activities	—	625,141.50
Total	**329,353,563.86**	**803,534,786.78**

58. Supplementary information to the Statement of Cash Flows

(1) Supplementary information to the Statement of Cash Flows

Supplementary information	2019	2018
1. Net profit adjusted to cash flows from operating activities:		
Net profit	48,332,744.87	581,685,284.75
Plus: provision for asset impairment	320,175,505.51	233,514,934.19
Credit impairment losses	220,338,187.08	—
Depreciation of fixed assets, investment property, oil and gas assets and productive biological assets	491,503,127.71	332,766,945.54
Amortization of intangible assets	31,449,322.77	17,525,422.57
Amortization of long-term deferred expenses	-4,116,324.42	3,302,345.38
Loss from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-2,014,019.12	-4,724,882.54
Losses from write-off of fixed assets ("-" for gains)	—	—
Losses from changes in fair value ("-" for gains)	—	—
Financial expenses ("-" for gains)	283,983,932.45	93,535,594.54
Investment loss ("-" for gains)	24,366,386.13	-70,054,029.51
Decrease in deferred tax assets ("-" for increase)	-114,875,751.31	-55,433,744.66
Increase in deferred tax liabilities ("-" for decrease)	6,406,865.43	-3,221,881.84
Decrease in inventories ("-" for increase)	-2,001,872,060.25	-889,464,643.59
Decrease in operating receivables ("-" for increase)	-394,564,728.48	-2,810,397,889.56
Increase in operating payables ("-" for decrease)	407,692,613.38	1,017,009,013.71
Others	—	-4,682,200.00
Net cash flow from operating activities	-683,194,198.25	-1,558,639,731.02
2. Significant investing and financing activities that do not involve in cash receipts and payments:		
Conversion of debt into capital	—	—
Convertible corporate bonds maturing within 1 year	—	—
Fixed assets acquired under finance leases	—	—
3. Net changes in cash and cash equivalents:		
Closing balance of cash	2,677,963,153.23	2,347,271,062.28
Less: Opening balance of cash	2,347,271,062.28	4,532,955,865.63
Plus: Closing balance of cash equivalents	—	—
Less: Opening balance of cash equivalents	—	—
Net increase in cash and cash equivalents	330,692,090.95	-2,185,684,803.35

(2) Composition of cash and cash equivalents

Item	December 31st 2019	December 31st 2018
I. Cash	2,677,963,153.23	2,347,271,062.28
Including: cash on hand	192,424.17	677,666.40
Bank deposit for payment at any time	2,677,770,729.06	2,346,593,395.88
Other monetary capital for payment at any time	—	—
II. Cash equivalents	—	—
Including: Bond investment maturing within three months	—	—
III. Closing balance of cash and cash equivalents	2,677,963,153.23	2,347,271,062.28

59. Assets with Restriction in Ownership or Use Rights

Item	Book value at December 31st 2019	Cause of restriction
Cash and bank balances	936,786,540.95	Guaranteed deposit
Notes receivable	17,340,000.00	Pledged
Accounts receivable	154,172,990.58	Pledged
Fixed assets	524,029,483.42	Finance lease
Fixed assets	656,894,963.33	Secured
Intangible assets	316,244,941.03	Secured
Long-term receivables	90,203,808.00	Pledged
Non-current assets maturing within one year	40,545,480.88	Pledged
Total	**1,799,431,667.24**	

60. Monetary Items of Foreign Currencies

Item	Balance in foreign currency at December 31st 2019	Exchange rate for conversion	Balance of RMB converted at December 31st 2019
Cash and bank balances			11,313,108.07
Including: USD	1,546,741.08	6.9762	10,790,375.12
EUR	6,153.00	7.8155	48,088.77
JPY	324,479.45	0.0641	20,794.59
SGD	87,719.05	5.1739	453,849.59
Accounts receivable			111,855,261.16
Including: USD	16,033,838.07	6.9762	111,855,261.16
Long-term borrowings			69,762,000.00
Including: USD	10,000,000.00	6.9762	69,762,000.00

61. Government Grants

(1) Government grants relating to assets

Details of government grants relating to assets are set out in Note V. 35 Deferred income.

(2) Government grants relating to income

Item	Amount	Balance sheet items presented	Amounts included in current profits and losses or for offsetting relevant cost losses		Presented items included in current profits and losses or for offsetting relevant cost losses
			2019	2018	
Product R&D and large-scale production incentive funds in Lujiang County	350,000,000.00	—	350,000,000.00		Other income
Industrial Assistance Fund of Lubei Xinxing Manufacturing Park Management Committee	27,475,199.94	—	27,475,199.94		Other income
Unemployment insurance and job stabilizing returns from Hefei Municipal Finance Bureau	23,554,010.00	—	23,554,010.00		Other income
"Three Priorities and One Innovation" in 2018	16,794,700.00	—	16,794,700.00	—	Other income

Item	Amount	Balance sheet items presented	Amounts included in current profits and losses or for offsetting relevant cost losses		Presented items included in current profits and losses or for offsetting relevant cost losses
			2019	2018	
2018 Provincial Strategic Emerging Industry Cluster Development Base Construction Project—R&D .	7,320,000.00	—	7,320,000.00	—	Other income
New energy vehicle and intelligent connected vehicle industry technology innovation project . . .	7,020,000.00	—	7,020,000.00	—	Other income
Scientific research poverty alleviation fund in Lujiang High-tech Zone . .	6,040,000.00	—	6,040,000.00	—	Other income
National 2018 Industrial Transformation and Upgrading (Made in China 2025) Fund	3,600,000.00	—	3,600,000.00	—	Other income
Article 52 of the National Science and Technology Major Special Award fulfilled under the Independent Innovation Policy of Municipal Science and Technology Bureau	2,180,000.00	—	2,180,000.00	—	Other income
Technology Innovation Award in New energy vehicle industry	2,003,900.00	—	2,003,900.00	—	Other income
Construction fund of "Three Priorities and One Innovation" by the Economic & Trade Development Bureau of Xinzhan District.	2,000,000.00	—	2,000,000.00	—	Other income
2018 Hefei Independent Innovation Policy Subsidy	1,321,000.00	—	1,321,000.00	—	Other income
Incentive from Development and Reform Bureau of Lubei district . .	1,000,000.00	—	1,000,000.00	—	Other income
Construction and private economic development awards and subsidies from provinces with strong manufacturing power in 2019 . . .	1,000,000.00	—	1,000,000.00	—	Other income
Summary of other government subsidy projects	8,996,128.48	—	8,996,128.48	—	Other income/ non-operating income
Total	**460,304,938.42**	**—**	**460,304,938.42**	**—**	

VI. Changes in Consolidation Scope

Change in consolidation scope for other reasons

In May 2019, Nanjing Gotion established Nanjing Research Institute, a wholly-owned subsidiary; in June 2019, Hefei Gotion established Sichun Gotion, a wholly-owned subsidiary; in September 2019, Hefei Gotion established Hefei Jiachi, a holding subsidiary, therefore Nanjing Research Institute, Sichuan Gotion and Hefei Jiachi were included in the consolidation scope.

VII. Interest in Other Entities

1. Equity in subsidiaries

(1) Composition of the corporate group

Name of subsidiary	Principal place of business	Place of registration	Business nature	Shareholding (%) Direct	Indirect	Way of acquisition
Taifu Company	Nantong, Jiangsu	Nantong, Jiangsu	Industrial production	—	100.00	Establishment
Suzhou Tianli	Suzhou, Jiangsu	Suzhou, Jiangsu	Industrial production	—	100.00	Establishment
Asitong Company	Nantong, Jiangsu	Nantong, Jiangsu	Industrial production	—	68.66	Establishment
Intelligent Company	Nantong, Jiangsu	Nantong, Jiangsu	Industrial production	—	100.00	Establishment
Dongyuan Electrical	Nantong, Jiangsu	Nantong, Jiangsu	Industrial production	99.82	0.18	Establishment
New Energy Technology	Nantong, Jiangsu	Nantong, Jiangsu	Industrial production	—	100.00	Establishment
Hefei Gotion	Hefei, Anhui	Hefei, Anhui	Industrial production	100.00	—	Reverse purchase
Gotion New Energy	Hefei, Anhui	Hefei, Anhui	Industrial production	—	100.00	Reverse purchase
Guorui New Energy*1	Chaohu, Anhui	Chaohu, Anhui	Industrial production	—	65.00	Reverse purchase
Shanghai Xuanyi	Shanghai	Shanghai	R&D and sales	—	100.00	Reverse purchase
USA Gotion	USA	California, USA Fremont, Asia	R&D	—	100.00	Reverse purchase
Nanjing Gotion	Nanjing, Jiangsu	Nanjing, Jiangsu	Industrial production	—	100.00	Reverse purchase
Lujiang Gotion	Lujiang, Anhui	Hefei, Anhui	Industrial production	—	95.23	Reverse purchase
Shanghai Gotion	Shanghai	Shanghai	R&D	—	100.00	Establishment
Qingdao Gotion	Qingdao, Shandong	Qingdao, Shandong	Industrial production	—	100.00	Establishment
Tangshan Gotion*2	Tangshan, Hebei	Tangshan, Hebei	Industrial production	—	100.00	Establishment
Luzhou Gotion*3	Luzhou, Sichuan	Luzhou, Sichuan	Industrial production	—	—	Establishment
Lujiang New Energy	Hefei, Anhui	Hefei, Anhui	Industrial production	—	100.00	Establishment
Japan Gotion	Japan	Ibaraki, Japan	R&D	—	100.00	Establishment
Gotion Coating	Hefei, Anhui	Hefei, Anhui	Industrial production	—	100.00	Establishment
Xuanyi Investment	Hefei, Anhui	Hefei, Anhui	Investment and management	—	100.00	Establishment
Gotion Storage	Hefei, Anhui	Hefei, Anhui	Industrial production	—	100.00	Establishment
Nanjing New Energy*4	Nanjing, Jiangsu	Nanjing, Jiangsu	Industrial production	—	100.00	Establishment
EDZ Gotion	Hefei, Anhui	Hefei, Anhui	Industrial production	—	100.00	Establishment
Hong Kong Gotion	Hong Kong	Hong Kong	R&D	100.00	—	Establishment
Singapore Gotion	Singapore	Singapore	R&D	—	100.00	Establishment
Sichuan Gotion	Chengdu, Sichuan	Chengdu, Sichuan	Industrial production	—	100.00	Establishment
Nanjing Research Institute	Nanjing, Jiangsu	Nanjing, Jiangsu	R&D	—	100.00	Establishment
Hefei Jiachi*5	Hefei, Anhui	Hefei, Anhui	Industrial production	—	88.89	Establishment

*Note *1:* Hefei Guorui New Energy Automobile Technology Co., Ltd. was established by Hefei Gotion at a subscription contribution of 55.00% as stipulated under the articles of association. The actual contribution of the Company is 65.00% at present.

*Note *2:* Aerospace GuoXuan (Tangshan) Lithium Battery Co., Ltd was established by Hefei Gotion at a subscription contribution of 51.00% as stipulated under the articles of association. The actual contribution of the Company is 100.00% at present.

*Note *3:* Gotion Kangsheng (Luzhou) Battery Co., Ltd was established by Hefei Gotion at a subscription contribution of 51.00% as stipulated under the articles of association. None of shareholders has actually made contribution at present.

*Note *4:* Nanjing Gotion New Energy Co., Ltd was established by Hefei Gotion at a subscription contribution of 70.00% as stipulated under the articles of association. The actual contribution of the Company is 100.00% at present.

*Note *5:* Hefei Jiachi Technology Co., Ltd was established by Hefei Gotion at a subscription contribution of 80.00% as stipulated under the articles of association. The actual contribution of the Company is 88.89% at present.

(2) Major non-wholly-owned subsidiaries

Name of subsidiary	Shareholding ratio of minority shareholders	Profit or loss attributable to minority shareholders in the current period	Dividend declared to minority shareholders in the current period	Closing balance of minority equity
Asitong Company . .	31.34%	-5,837,197.10	—	13,041,119.98
Lujiang Gotion	4.77%	2,877,125.99	—	123,668,462.06
Hefei Jiachi	11.11%	-366,692.50	—	9,633,307.50
Guorui New Energy	35.00%	-204,720.89	—	5,458,379.84

(3) Main financial information of major non-wholly-owned subsidiaries

	December 31st 2019					
Name of subsidiaries	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Asitong Company . . .	125,092,084.15	9,413,780.60	134,505,864.75	83,038,256.21	—	83,038,256.21
Lujiang Gotion	3,257,061,721.45	615,656,839.44	3,872,718,560.89	840,285,881.40	441,974,739.34	1,282,260,620.74
Hefei Jiachi	88,512,584.19	997,303.90	89,509,888.09	2,810,120.55	—	2,810,120.55
Guorui New Energy . .	181,619.91	26,109,051.09	26,290,671.00	2,450,000.00	8,245,300.00	10,695,300.00

(continued)

	December 31st 2018					
Name of subsidiaries	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Asitong Company . . .	150,313,598.12	6,736,435.49	157,050,033.61	88,904,719.08	—	88,904,719.08
Lujiang Gotion	2,789,844,330.72	527,847,360.66	3,317,691,691.38	553,634,248.15	521,693,171.62	1,075,327,419.77
Hefei Jiachi	—	—	—	—	—	—
Guorui New Energy . .	1,378,715.67	26,696,872.17	28,075,587.84	3,650,000.00	8,245,300.00	11,895,300.00

(continued)

	2019			
Name of subsidiaries	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Asitong Company . .	93,229,000.72	-16,677,705.99	-16,677,705.99	-16,046,716.88
Lujiang Gotion	1,140,964,178.87	198,093,670.78	198,093,670.78	-188,880,037.98
Hefei Jiachi	-4,297,536.36	-3,300,232.46	-3,300,232.46	-2,336,556.99
Guorui New Energy	—	-584,916.84	-584,916.84	-1,196,845.76

(continued)

	2018			
Name of subsidiaries	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Asitong Company . .	129,025,183.81	4,944,251.87	4,944,251.87	5,365,124.83
Lujiang Gotion	1,149,714,837.09	247,158,331.41	247,158,331.41	75,057,012.80
Hefei Jiachi	—	—	—	—
Guorui New Energy	—	-599,232.42	-599,232.42	-57,447.50

2. *Transactions which lead to changes in owners' equity in a subsidiary but still has control over the subsidiary*

(1) Explanation of changes in owners' equity in a subsidiary

In July 2019, Anhui Jintong New Energy Automobile Fund (Phase I) Partnership (L.P.) injected RMB149,999,997.76 to Lujiang Gotion for capital increase, upon which, it held 4.77% equity interest of Lujiang Gotion.

(2) The transaction's impact on the interest of minority shareholders and equity attributable to owners of the parent

	Lujiang Gotion
Cost of purchase/consideration for disposal.	149,999,997.76
— Cash	149,999,997.76
Total cost of purchase/consideration for disposal.	149,999,997.76
Less: Share of net asset of subsidiaries calculated at the shareholding proportion obtained/disposed of	120,791,336.07
Difference.	29,208,661.69
Including: Adjustment to capital reserve	29,208,661.69

3. *Equity in associates*

(1) Insignificant associates

Name of associates	Principal place of operation	Place of registration	Business nature	Shareholder proportion (%) Direct	Shareholder proportion (%) Indirect	Accounting treatment method for investment in joint ventures or associates
Hefei Xingyuan	Lujiang, Anhui	Lujiang, Anhui	Industrial production	—	26.92	Equity method
MCC Ramu	Tangshan, Hebei	Tangshan, Hebei	Industrial production	—	30.00	Equity method
Shanghai Electric Gotion	Shanghai	Shanghai	Industrial production	43.00	—	Equity method
Tongguan Gotion	Hefei, Anhui	Hefei, Anhui	Industrial production	—	11.25	Equity method
Gotion full-service	Beijing	Beijing	Industrial production	—	25.00	Equity method
Litong Energy	Taiwan	Taiwan	Industrial production	—	20.00	Equity method
Full-service Oil & Gas	Beijing	Beijing	Industrial production	—	40.00	Equity method

VIII. Risks relating to financial instruments

The risks relating to financial instruments of the Company arise from various financial assets and liabilities recognized by the Company in the course of operation, including credit risk, liquidity risk and market risks.

The management of the Company shall be responsible for formulating the management objectives and policies of various risks relating to financial instruments of the Company. The operation and management level are responsible for daily risk management via the functional departments. The internal audit department of the Company shall supervise the implementation of the Company's risk management policies and procedures on a daily basis, and report relevant findings to the Company's Audit Committee in a timely manner.

The Company's overall objective of risk management is to formulate risk management policies to minimize risks relating to financial instruments without unduly affecting the competitiveness and resilience of the Company.

1. Credit risk

Credit risk refers to the risk that one party to a financial instrument fails to fulfill its obligations, causing financial loss to the other party. The Company's credit risks mainly arise from cash and cash equivalents, notes receivable, accounts receivable, other receivables and long-term receivables. The credit risks of these financial assets originate from counterparty default, and the maximum risk exposure is equal to the carrying amount of these instruments.

Cash and cash equivalents of the Company are mainly deposited in financial institutions such as commercial banks. The Company believes that the commercial banks have good reputation and asset status with low credit risks.

For notes receivable, accounts receivable, other receivables and long-term receivables, the Company has adopted relevant policies to control the exposure to the credit risks. The Company assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Company. In respect of customers with a poor credit history, the Company will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Company is limited to a controllable extent.

2. Liquidity risk

Liquidity risk refers to the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. The Company is responsible for co-coordinating cash management work for subsidiaries within the Company, including short-term investment of cash surpluses and loan financing to meet expected cash demands. The Company's policy is to regularly monitor short-term and long-term working capital requirements, and to verify compliance with lending covenants so as to ensure that it maintains sufficient reserves of cash and readily realizable securities.

3. Market risk

(1) Foreign exchange risk

The Company's exchange rate risks mainly come from the foreign currency assets and liabilities held by the Company and its subsidiaries and priced by the currency other than the functional currency. Foreign exchange risk assumed by the Company is mainly related to the borrowings priced by HKD and USD. Except that the subsidiaries set in Hong Kong Special Administrative Region and overseas countries are priced and settled in HKD, USD, GBP, RMB or SGD, other major businesses of the Company are priced and settled in RMB.

(2) Interest rate risk

The interest rate risk of the Company principally arises from long-term interest-bearing debts, including long-term bank loans and bonds payable. Financial liabilities with floating interest rate expose the Company to interest rate risk in cash flows; financial liabilities with fixed interest rate expose the Company to interest rate risk in fair value. The Company determines the comparative proportion of fixed rate and floating rate according to the market environment.

The Company's finance department at headquarters has been monitoring the level of interest rates. Interest rate rises will increase the cost of new interest-bearing debts and interest expenses of outstanding interest-bearing debts at variable rates, and have a material adverse impact on financial results of the Company. According to the latest market conditions, the Management will make timely adjustments.

IX. Related Party Relationships and Transactions

Basis for determination of related parties: one party controls, jointly controls or exerts significant influence on another party, and two or more parties are controlled, jointly controlled or significantly influenced by one party.

1. Information on Parent Company of the Company

Name of the Parent Company	Place of registration	Business nature	Registered capital	Percentage of the Company's equities held by the parent Company	Ratio of voting right of the parent company in the Company
				(%)	*(%)*
Zhuhai Gotion Trading Co., Ltd.	Room 201, No. 25, Hongqiao 1st Road, Baijiao Science and Technology Industrial Park, Doumen District, Zhuhai	Commercial wholesale and retail	1,983.00	24.84	24.84

① Description of the Parent Company of the Company: the establishment of Zhuhai Gotion Trading Co., Ltd., the Parent Company of the Company, was approved by Zhuhai Administration for Industry and Commerce on April 15th 2005 with the unified social credit code of 91440400775081600P. The place of registration is Room 201, No. 25, Hongqiao 1st Road, Baijiao Science and Technology Industrial Park, Doumen District, Zhuhai. The legal representative is Li Zhen.

② The ultimate controller of the Company: the natural person, Li Zhen, directly holds 11.86% of the Company's equity interest and holds 24.84% equity interest of the Company indirectly through Zhuhai Gotion Trading Co., Ltd.. Li Zhen holds 36.70% equity interests of the Company in total and is the de facto controller of the Company.

2. Information on the Subsidiaries of the Company

For details of the subsidiaries of the Company, see Note VII. Equity in other entities.

3. Information on the Joint Ventures and Associated Companies of the Company

(1) Information on the Joint Ventures and Associated Companies of the Company

Name of the associates or joint ventures	Relationship with the Company
Hefei Xingyuan new energy material Co., Ltd.	The company holds 26.92% of its equity
MCC Ruimu New Energy Technology Co., Ltd.	The company holds 30.00% of its equity
Shanghai Electric Gotion New Energy Technology Co., Ltd.	The company holds 43.00% of its equity
Hefei Tongguan Gotion copper material Co., Ltd	The company holds 11.25% of its equity
Beijing Gotion full-service optical storage and charging technology Co., Ltd.	The company holds 25.00% of its equity
Litong Energy Technology Co., Ltd.	The company holds 20.00% of its equity
Beijing full-service oil and Gas Technology Co., Ltd	The company holds 40.00% of its equity

4. Information on Other Related Parties of the Company

Name of other related parties	Relationship with the Company
Nascent Investment. LLC	A company controlled by Li Chen, the son of the actual controller
Gotion Holdings Group Co., Ltd.	A company controlled by the actual controller
Hefei Aolai New Energy Automobile Sales Co., Ltd.	A company controlled by the actual controller
Hefei Qirong International Village Property Development Co., Ltd.	A company controlled by the actual controller
Anhui Minsheng Property Management Co., Ltd.	A company controlled by the actual controller
Anhui Tangchi Film and Television Cultural Industry Co., Ltd.	A company controlled by the actual controller
Anhui Gotion New Energy Investment Co., Ltd.	A company controlled by the actual controller
Anhui Guolian Property Co., Ltd.	A company controlled by the actual controller
Jiangsu Jiankang Automobile Co., Ltd.	Anhui government new energy investment Co., Ltd holds 11% shares and appoints directors
Lixin Electric Bus Co., Ltd.	A company controlled by the actual controller
Tunchang Xinhai New Energy Bus Co., Ltd.	A company controlled by the actual controller
Wenchang Dadao New Energy Bus Co., Ltd.	A company controlled by the actual controller
Huangshan Dadao New Energy Bus Co., Ltd.	A company controlled by the actual controller
Jingde Dadao New Energy Bus Co., Ltd.	A company controlled by the actual controller
Hebei Xinxuan Transportation Co., Ltd.	A company controlled by the actual controller
Anhui Xindadao Transportation Co., Ltd.	A company controlled by the actual controller
Yingshang Dadao New Energy Bus Co., Ltd.	A company controlled by the actual controller
Taihe Dadao New Energy Bus Co., Ltd.	A company controlled by the actual controller
Shanghai Dajiang Network Technology Co., Ltd.	A company controlled by the actual controller
Gotion New Energy (Suzhou) Co., Ltd.	A subsidiary of the associate Shanghai Electric Gotion
Anhui Guolian Property Co., Ltd.	A company controlled by the actual controller

5. Related-party transactions

(1) Related-party transactions for purchasing/selling commodities or rendering/ accepting labor services

Purchasing commodities or accepting labor service

Related party	Contents of related-party transaction	Amount incurred in 2019	Amount incurred in 2018
Hefei Tongguan Gotion copper material Co., Ltd	Copper foil	39,946,076.21	54,022,732.78
Shanghai Dajiang Network Technology Co., Ltd.	Information system	1,653,400.00	3,826,551.92
Hefei Xingyuan new energy material Co., Ltd.	Diaphragm	50,436,868.15	—
Gotion New Energy (Suzhou) Co., Ltd.	Battery pack	24,391,720.38	144,932,975.59
Anhui Minsheng Property Co., Ltd.	Property service	12,096,132.16	5,615,377.83
MCC Ruimu New Energy Technology Co., Ltd.	Labor service	328,700.00	—

Sales of commodities/rendering of services:

Related party	Contents of related-party transaction	Amount incurred in 2019	Amount incurred in 2018
Jiangsu Jiankang Automobile Co., Ltd.	Battery packs	—	146,449,412.16
Lixin Electric Bus Co., Ltd.. . .	Charging equipment	32,917,655.65	1,909,554.15
Tunchang Xinhai New Energy Bus Co., Ltd..	Charging equipment	—	446,551.72
Wenchang Avenue New Energy Bus Co., Ltd..	Charging equipment	—	563,793.10
Taihe Dadao New Energy Bus Co., Ltd.	Switchgear	—	1,431,896.55
Huangshan Dadao New Energy Bus Co., Ltd..	Charging equipment	—	1,448,275.86
Gotion New Energy (Suzhou) Co., Ltd.	Carbon coated aluminum foil, electrolyte	—	1,043,103.45
Shanghai Electric Gotion New Energy Technology Co., Ltd.	Controlling box	45,430,993.73	25,324,919.38
Jingde Dadao New Energy Bus Co., Ltd.	Charging equipment	192,000.00	—
Hebei Xinxuan Transportation Co., Ltd.	Charging equipment	765,000.00	—

(2) Related leases

The Company as a lessee:

Name of lessor	Type of leased assets	Lease expenses recognized in 2019	Lease expenses recognized in 2018
Anhui Gotion New Energy Investment Co., Ltd.	Property	402,187.50	804,375.00
Nascent Investment.LLC	Property	$96,000.00	$144,000.00

(3) Guaranteed by the related party

① As of December 31st 2019, Hefei Gotion, a subsidiary of the Company, acted as the guaranteed

Guaranteed	Guarantee amount	Start date of guarantee	Maturity date of guarantee	Whether the guarantee obligation has been discharged
Gotion Holdings Group Co., Ltd., Li Zhen	200,000,000.00	2016/5/30	2019/5/30	Yes
Li Zhen	90,000,000.00	2019/7/12	2020/7/12	No
Li Zhen	260,050,601.58	2019/9/19	2022/9/19	No

② As of December 31st 2019, guarantee provided by the Company to other related parties

Guarantor	Amount of guarantee	Starting date of guarantee	Maturity date of guarantee	Guarantee fulfilled or not
MCC Ramu New Energy Technology Co., Ltd.	349,530,000.00	2018/8/1	2023/8/1	No
Shanghai Electric Gotion New Energy Technology Co., Ltd.	269,500,000.00	2018/8/1	2020/8/1	No

③ Fund lending/borrowing to/from related parties

Name of related party	Lending/borrowing	Amount of lending/ borrowing	Starting date	Maturity date	Remark
Zhuhai Gotion Trading Co., Ltd.	Borrowing	40,000,000.00	2019/11/18	2020/4/27	Interest attributable to 2019 is RMB 208,000.00
Zhuhai Gotion Trading Co., Ltd.	Lending	10,000,000.00	2019/3/29	2019/4/2	
Anhui Guolian Real Estate Co., Ltd.	Lending	10,000,000.00	2019/3/29	2019/4/2	

(4) Compensation for key managers

Item	Incurred amount in 2019	Incurred amount in 2018
	(RMB ten thousand)	*(RMB ten thousand)*
Compensation for key managers.	1,320.70	1,054.99

(5) Other related party transaction

① Anhui Xindadao Transportation Co., Ltd. ("Xindadao") is a customer of Zhongtong Bus & holding Company ("Zhongtong Bus"), and Xindadao procures electric buses from Zhongtong Bus. Zhongtong Bus is a customer of Hefei Gotion, which sales battery packs to Zhongtong Bus. On December 31st 2019, the balance of accounts receivable that Hefei Gotion is due from Zhongtong Bus amounts to RMB164.62 million.

On September 23rd 2019, Zhongtong Bus remitted goods payment of RMB30 million to Hefei Gotion, which remitted the amount into Xindadao through a supplier on September 26th, and on the same date, Xindadao remitted goods payment of RMB30 million to Zhongtong Bus. On September 29th 2019, Zhongtong Bus remitted goods payment of RMB35 million to Hefei Gotion, which remitted such amount into Xindadao through a supplier on September 30th, and on the same date, Xindadao remitted goods payment of RMB35 million to Zhongtong Bus. Given that the two transfers were generated by the three parties in order to settle the creditor's rights and debts, on December 31st 2019, Hefei Gotion did not receive the goods payment and the Company recorded the two sums totaling RMB65 million as receivables due from Xindadao. On April 27th 2020, Hefei Gotion received the goods payment of RMB65 million from Xindadao.

② Commercial bill unpaid when due

On December 4th 2019, the bank acceptance bill of RMB11.419 million that Hefei Aolai New Energy Automobile Sales Co., Ltd. (a related party) owed to Hefei Gotion was unpaid on due, and the commercial acceptance bill was reversed by Hefei Gotion as account receivable due from the original endorser. As of the date of this report, Hefei Gotion received the commercial acceptance bill paid by Hefei Aolai Electric Vehicle Co., Ltd. (合肥奧萊電動汽車有限公司).

③ The Company incurred conference accommodation fee during the meeting at Anhui Tangchi Film and Television Cultural Industry Co., Ltd. of RMB56,134.00 in current period; and incurred conference accommodation fee during the meeting at Anhui Tangchi Film and Television Cultural Industry Co., Ltd. of RMB576,111.00 in last period.

6. *Receivables from and payables to related parties*

(1) Receivables from related parties

Item	Related parties	December 31st 2019		December 31st 2018	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Accounts receivable . . .	Hefei Xingyuan new energy material Co., Ltd.	180,000.00	90,000.00	180,000.00	54,000.00
	Jiangsu Jiankang Automobile Co., Ltd.	273,983,079.02	36,235,608.45	272,371,876.93	27,215,081.75
	Lixin Electric Bus Co., Ltd.	—	—	1,149,405.60	114,940.56
	Yingshang Dadao New Energy Bus Co., Ltd.	420,000.00	42,000.00	4,574,400.00	457,440.00
	Taihe Dadao New Energy Bus Co., Ltd.	300,000.00	30,000.00	4,897,600.00	405,760.00
	Huangshan Dadao New Energy Bus Co., Ltd.	280,000.00	28,000.00	1,170,000.00	58,500.00
	Tunchang Xinhai New Energy Bus Co., Ltd.	140,122.00	14,012.20	504,000.00	25,200.00
	Wenchang Dadao New Energy Bus Co., Ltd.	—	—	1,461,000.00	73,050.00
	Shanghai Electric Gotion New Energy Technology Co., Ltd.	100,011,404.59	5,000,570.23	59,875.20	2,993.76
	Gotion New Energy (Suzhou) Co., Ltd.	223,191,754.22	18,773,314.21	72,397,858.41	3,619,892.92
	Jingde Dadao New Energy Bus Co., Ltd.	382,500.00	19,125.00	—	—
Other receivables . . .	Zhuhai Gotion Trading Co., Ltd.	40,208,000.00	2,010,400.00	—	—
Prepayments . . .	Hefei Aolai New Energy Automobile Sales Co., Ltd.	171,491.27	—	300,000.00	—
Prepayments . . .	Hefei Palace Decoration Design Engineering Co., Ltd.	2,237,732.35	—	2,237,732.35	—

(2) Payables

Item	Related party	December 31st 2019	December 31st 2018
Accounts payable . .	Hefei Tongguan Gotion copper material Co., Ltd.	21,242,492.80	18,500,022.31
	Anhui Minsheng Property Management Co., Ltd.	1,020,197.00	456,119.00
	Gotion New Energy (Suzhou) Co., Ltd.	33,485,787.66	96,961,512.76
	Hefei Xingyuan New Energy Materials Co., Ltd.	43,594,804.75	—
	Hebei Xinxuan Transportation Co., Ltd.	220,000.00	—
Notes payable	Hefei Tongguan Gotion copper material Co., Ltd.	1,124,325.95	25,600,000.00

Item	Related party	December 31st 2019	December 31st 2018
Accounts payable . .	Hefei Palace Decoration Design Engineering Co., Ltd.	80,000.00	—
Other payables	Anhui Gotion New Energy Investment Co., Ltd.	—	941,536.00
Other payables	Anhui Tangchi Film and Television Cultural Industry Co., Ltd.	—	12,342.00
Other payables	Gotion New Energy (Suzhou) Co., Ltd.	—	8,000,000.00
Other payables	Anhui Minsheng Property Management Co., Ltd.	3,204,804.05	710,000.00

X. Share-based payment

1. Overview of share-based payment

	2019	2018
Total amount of equity instruments granted by the Company in the current period.	—	—
Total amount of equity instruments exercised by the Company in the current period	—	3,744,769.00
Total amount of equity instruments expired in the current period	7,064,086.00	—
The exercise price (ex-rights) of the outstanding Share-based payments of the Company at the end of the reporting period and the remaining period of the contract	—	① RMB15.15 per share for those granted in 2015, by four installments, and the remaining contractual periods are 1 month, 13 months, 25 months and 37 months, respectively ② RMB17.24 per share for those granted in 2017, by three installments, and the remaining contractual periods are 1 month, 13 months and 25 months, respectively.
The exercise price (ex-rights) of the outstanding other equity instrument of the Company at the end of the reporting period and the remaining period of the contract	—	—

2. *Equity-settled share-based payment*

	2019	2018
Method of determining the fair value of equity instruments on the grant date	Black-Scholes model	Black-Scholes model
Recognition basis of the number of the equity instruments qualified for vesting	—	—
Reasons for significant difference between the estimate in this period and prior period	Nil	Nil
Accumulated amount of equity-settled share-based payment in capital reserve	—	23,576,504.00
Total expenses recognized for equity-settled share-based payment in the current period	—	-4,682,200.00

In accordance with the *Proposal on the Company's "Restricted Stock Incentive Plan (Draft)" and its Summary* passed at the fifth extraordinary shareholders' meeting of the Company in 2015, the resolution of the 18th, 20th and 21th meetings of the sixth board of directors and the amended Articles of Association of the Company, the Company granted 14,017,888 restricted shares to 165 incentive recipients including Fang Jianhua, Wang Yong and Xu Xingwu, and determined November 16, 2015 as the grant date on which the corresponding number of restricted shares would be granted to incentive recipients. The restricted shares were granted at the price of RMB15.15 per share. The Company will grant incentive shares to the incentive recipients by way of issuing targeted shares to the incentive recipients. After one year from the day of granting the restricted shares under the plan, if the incentive recipients meet the unlocking conditions, the restricted shares can be unlocked in batches according to the proportion of 20%:20%:20%:40% each year during the unlocking period.

As of December 28, 2015, the Company has received the contribution of RMB212,371,003.20 paid by the incentive receipts, RMB14,017,888.00 of which is included in the paid-in capital (share capital) and RMB198,353,115.20 of which is included in the capital reserve (capital premium). The grant date under the incentive plan is November 16, 2015, and the listing date of the restricted shares is January 5, 2016. On January 5, 2016, the Company completed the procedures for the registration of restricted share granted under the incentive plan.

In accordance with the *Proposal on the Company's "Restricted Stock Incentive Plan (Draft)" and its Summary* passed at the fifth extraordinary shareholders meeting of the Company in 2015, the resolution of the 29th meeting of the sixth board of directors and the amended Articles of Association of the Company, and being authorized by the resolution of the fifth extraordinary shareholders meeting of the Company in 2015, the Company repurchased and cancelled the 257,888.00 restricted shares that have been granted to Xie Ailiang and Fan Chunxia but not yet unlocked on December 2016. After the cancellation, the number of restricted shares was changed from 14,017,888 to 13,760,000.

In accordance with the *Proposal on the Company's "Restricted Stock Incentive Plan (Draft)" and its Summary* passed at the fifth extraordinary shareholders meeting of the Company in 2015, the resolution of the 30th meeting of the sixth board of directors and the amended Articles of Association of the Company, and being authorized by the resolution of the fifth extraordinary shareholders meeting of the Company in 2015, the Company granted 1,507,888 restricted shares to 18 incentive recipients, including Hou Fei, Huang Youlong, Wu Jun and Qin Weixian. After the grant, the number of restricted shares was changed from 13,760,000 to 15,267,888.

In accordance with the *Proposal on the Company's "Restricted Stock Incentive Plan (Draft)" and its Summary* passed at the fifth extraordinary shareholders meeting of the Company in 2015, the resolution of the 7th meeting of the seventh board of directors and the amended Articles of Association of the Company, and being authorized by the resolution of the fifth extraordinary shareholders meeting of the Company in 2015, the Company repurchased and cancelled the 1,180,000 restricted shares that have been granted to seven persons, namely, Fang Jianhua, Chen Yu, Xu Xiaoming, Huang Youlong, Wu Jun, Qin Weixian and Chen Le, but not yet unlocked. After the cancellation, the number of restricted shares was changed from 15,267,888 to 14,087,888.

In accordance with the *Proposal on the Company's "Restricted Stock Incentive Plan (Draft)" and its Summary* passed at the fifth extraordinary shareholders meeting of the Company in 2015, the conditions for the fourth time of unlocking the restricted shares granted for the first time, and the conditions for the third time of unlocking the restricted shares reserved (i.e., the performance evaluation index that "the net profit after deducting non-recurring profit and loss in 2018 shall not be less than RMB569 million"), the Company thinks that the unlocking conditions for the said restricted shares are not met, and the total amount of equity instruments which are invalid in this period is RMB7,064,086.00.

XI. Commitments and Contingencies

1. Major commitments

(1) In August 2013, Hefei Gotion transferred all 80% of the equity held by it in Shanghai Huayue. After the equity transfer, the business scope of Shanghai Huayue was changed. In order to divest the original battery business of Shanghai Huayue, according to the equity transfer agreement, Hefei Gotion committed to repurchase the 10 battery packs held by Shanghai Huayue at a price of RMB10 million (tax included). As the 10 battery packs have been leased to Shanghai Songjiang Bus Co., Ltd for a term of 8 years, the rights and obligations under the lease agreement will be succeeded by Hefei Gotion after the battery packs are repurchased.

(2) In October 2015, Hefei Urban Construction Investment Holding Co., Ltd invested RMB500 million in Lujiang Gotion for the construction of Lujiang Gotion 10,000-ton phosphate cathode material production base. The investment period is 10 years, and the average annual return on investment within the investment period is 1.272%. At the end of the investment period, Lujiang Gotion shall repurchase the equity according to the agreed repurchase plan. As of December 31, 2019, the balance of the said repurchase obligations of Lujiang Gotion was RMB410.7 million.

(3) In February 2016, Hefei Urban Construction Investment Holding Co., Ltd invested RMB179.10 million in Hefei Gotion for the construction of Hefei Gotion 600 million Ah lithium battery project production base. The investment period is 11 years, and the average annual return on investment within the investment period is 1.272%. At the end of the investment period, Hefei Gotion shall repurchase the equity according to the agreed repurchase plan. As of December 31, 2019, the balance of the said repurchase obligations of Hefei Gotion was RMB179.10 million.

Apart from the above items, as at December 31, 2019, the Company had no other major matters required to be disclosed.

2. *Contingencies*

Significant contingencies as at the balance sheet date:

(1) Sales contract dispute between the Company and Zhejiang Zhengyu Electromechanical Co., Ltd

The Company had a dispute with Zhejiang Zhengyu Electromechanical Co., Ltd (hereinafter referred to as "Zhengyu Electromechanical") in respects of the sales contract, whereby Zhengyu Electromechanical was required to bear the principal and interest of RMB23,774,697.00 by the Company. On 12 June 2015, the Company received the Notice of Case Acceptance ([2015] Jin Yongshang Chuzi No. 2331) from Yongkang People's Court of Zhejiang Province. In this regard, Yongkang People's Court of Zhejiang Province accepted the bankruptcy application by Zhengyu Electromechanical on 7 August 2015, and the case was in the bankruptcy procedure. As of 31 December 2019, the carrying amount receivable by the Company from Zhengyu Electromechanical was RMB16,786,369.47, and the Company has made fully bad-debt provision for such amounts.

(2) Product quality dispute between Hefei Gotion (a subsidiary of the Company) and Suixi Hengrui Electric Bus Co., Ltd (濉溪县恒瑞电动公交有限公司)

In September 2019, Suixi Hengrui Electric Bus Co., Ltd (濉溪县恒瑞电动公交有限公司) filed a lawsuit against Hefei Gotion and required it to pay RMB10 million for the loss caused by product quality. As of 31 December 2019, the judicial opinion on battery classification had not been issued, and the above case was still under trial. The Company has accrued corresponding estimated liability for products with warranty commitments.

Save as disclosed above, the Company did not have any other significant contingencies which need to be disclosed as of 31 December 2019.

XII. Events After Balance Sheet Date

1. *Profit distribution*

According to the 2019 profit distribution plan adopted at the third meeting of the eighth Board meeting on 29 April 2020, the Company would not distribute profits in 2019, and such resolution needs to be considered and reviewed at the general meeting.

As of 29 April 2020, the Company did not have any other events after the balance sheet date which need to be disclosed.

XIII. Other Major Events

1. *Correction of previous accounting errors*

As of December 31, 2019, the Company had no matter of correction of previous accounting errors that need to be disclosed.

2. Energy storage business transactions

(1) The Company's customer, Anhui Xunying New Energy Technology Co., Ltd. (安徽巡鹰新能源科技有限公司), is a company in which Mao Haidong, a former employee of the Company, has a shareholding. For years prior to 2019, accounts receivable formed by the sales of batteries and related products by the Company to Anhui Xunying New Energy Technology Co., Ltd. have not yet been settled. As of December 31, 2019, the balance of the accounts receivable was RMB148.1969 million.

(2) The Company's customer, Hefei Zhengrui Energy Storage Technology Co., Ltd. (合肥正瑞储能科技有限公司), is a company established by Li Xiaojian upon his resignation from Anhui Tangchi Film and Television Culture Industry Co., Ltd. (安徽汤池影视文化产业有限公司), a company controlled by the de facto controller. For years prior to 2019, accounts receivable formed by the sales of batteries and related products by the Company to Hefei Zhengrui Energy Storage Technology Co., Ltd. have not yet been settled. As of December 31, 2019, the balance of the accounts receivable was RMB38.1114 million. In 2019, the Company indirectly sold energy storage power station systems to it through Anhui Jiyuan Software Co., Ltd. (安徽继远软件有限公司) with a total sales amount of RMB108.4071 million, accounting for 2.19% of the operating revenue for the year.

(3) Changzhou Dongzhou New Energy Co., Ltd. (常州东州新能源有限公司) is a company established by Hao Yinqi upon his retirement as a supervisor of the Company. In 2019, the Company indirectly sold energy storage power station systems to it through State Grid Jiangsu Integrated Energy Service Co., Ltd. with a total sales amount of RMB88.5133 million, accounting for 1.78% of the operating revenue for the year.

3. Equity pledge

As of 31 December 2019, 140,552,800 shares of the Company's share capital were pledged externally, of which 136,390,700 shares were pledged externally by Zhuhai Gotion Trading Co., Ltd. as the parent company and Li Zhen as the actual controller. In addition to the above, Zhuhai Gotion issued exchangeable bond trust guarantee to freeze 201,650,000 shares.

4. Other Matters

Anhui Ankai Automobile Co., Ltd. (hereinafter referred to as "Ankai Automobile") is a customer of Hefei Gotion, whereby Hefei Gotion sells battery packs to Ankai Automobile. Anhui Dadao Electric Bus Co., Ltd. (安徽大道电动巴士有限公司) (hereinafter referred to as "Anhui Dadao") is a customer of Ankai Automobile, whereby Anhui Dadao purchases electric bus from Ankai Automobile. As of 31 December 2019, the balances of accounts receivable of Hefei Gotion from Ankai Automobile was RMB227,617,100.

As at 31 December 2019, Ankai Automobile made the payments for goods of RMB71,000,000 to Hefei Gotion. On the same date, Hefei Gotion entrusted Shanghai Xuanyi, a wholly-owned subsidiary, to transfer RMB49.9 million to Anhui Dadao through the supplier, and Anhui Dadao would make a payment of RMB50 million to Ankai Automobile as the payments for goods. Given that the amount of RMB50 million was incurred when Ankai Automobile and Hefei Gotion settled claims and debts with Anhui Dadao, and that Hefei Gotion did not receive the payments for goods of RMB50 million as at 31 December 2019, Hefei Gotion would take it as the accounts receivable from Anhui Dadao. On 24 April 2020, Shanghai Xuanyi has received payments for goods of RMB50 million transferred by Anhui Dadao through the supplier.

Save as disclosed above, the Company has no other important matters to disclose as of 31 December 2019.

XIV. Notes to major items in the financial statements of the parent company

1. Accounts receivable

(1) Disclosure by ageing

Ageing	31 December 2019	31 December 2018
Within 1 year	4,789,328.72	87,508,256.67
1-2 years	12,646,824.46	36,665,798.21
2-3 years	12,647,298.67	4,231,405.65
3-4 years	590,131.77	—
4-5 years	—	—
Over 5 years	—	—
Subtotal	30,673,583.62	128,405,460.53
Less: bad debt provision	5,593,404.38	9,311,414.35
Total	**25,080,179.24**	**119,094,046.18**

(2) Disclosure by the classification of bad debt provision

① 31 December 2019 (provision by simplified model)

31 December 2019

			Provision for bad debt		
Category	Carrying amount	Amount proportion	Amount	Proportion of provision	Book value
		(%)		(%)	
Provision for bad debt on a single basis	—	—	—	—	—
Provision for bad debt by portfolio	30,673,583.62	100.00	5,593,404.38	18.24	25,080,179.24
Portfolio 1	—	—	—	—	—
Portfolio 2	30,673,583.62	100.00	5,593,404.38	18.24	25,080,179.24
Total	**30,673,583.62**	**100.00**	**5,593,404.38**	**18.24**	**25,080,179.24**

② 31 December 2018 (provision by incurred loss model)

31 December 2018

			Provision for bad debt		
Category	Carrying amount	Amount proportion	Amount	Proportion of provision	Book value
		(%)		(%)	
Accounts receivable with individual significance and accruing bad debt provision on individual basis	—	—	—	—	—
Accounts receivable with bad debt provision on group basis (credit risk characteristics)	128,405,460.53	100.00	9,311,414.35	7.25	119,094,046.18
Accounts receivable with individual insignificance but individually accruing bad debt provision	—	—	—	—	—
Total	**128,405,460.53**	**100.00**	**9,311,414.35**	**7.25**	**119,094,046.18**

Specific instructions on bad debt provision:

① *As at 31 December 2019*, there were no accounts receivable with bad debt provision on individual basis.

② *As at 31 December 2019*, there were no accounts receivable with bad debt provision on Portfolio 1.

③ *As at 31 December 2019*, there were accounts receivable with bad debt provision on Portfolio 2.

	31 December 2019		
Ageing	**Carrying amount**	**Provision for bad debt**	**Proportion of provision**
			(%)
Within 1 year	4,789,328.72	239,466.44	5.00
1-2 years	12,646,824.46	1,264,682.45	10.00
2-3 years	12,647,298.67	3,794,189.60	30.00
3-4 years	590,131.77	295,065.89	50.00
Total	**30,673,583.62**	**5,593,404.38**	**18.24**

④ *As at 31 December 2018*, there were no accounts receivable with individual significance and accruing bad debt provision on individual basis.

⑤ *As at 31 December 2018*, there were accounts receivable with bad debt provision by aging method.

	Closing balance		
Ageing	**Accounts receivable**	**Provision for bad debt**	**Proportion of provision**
Within 1 year	87,508,256.67	4,375,412.83	5.00%
1-2 years	36,665,798.21	3,666,579.82	10.00%
2-3 years	4,231,405.65	1,269,421.70	30.00%
Total	**128,405,460.53**	**9,311,414.35**	**7.25%**

(3) Change in bad debt provision during the current period

		Changes during the current period					
Category	**31 December 2018**	**Changes in accounting policies**	**1 January 2019**	**Provision**	**Recovery or reversal**	**Charge-off or write-off**	**31 December 2019**
Bad debt provision for accounts receivable	9,311,414.35	—	9,311,414.35	—	3,718,009.97	—	5,593,404.38

(4) There are no actual accounts receivable written off during the current period.

(5) The top five account receivables collected by the defaulting party as at 31 December 2019

Entity	Balance	Proportion of accounts receivable balance	Balance of the bad debt provision
		(%)	
The first	9,524,537.34	31.05	712,987.30
The second	4,880,454.40	15.91	1,249,242.16
The third	2,800,517.52	9.13	280,051.75
The fourth	2,459,077.84	8.02	737,723.35
The fifth	2,399,445.85	7.82	239,944.59
Total	**22,064,032.95**	**71.93**	**3,219,949.15**

(6) The account receivables of 2019 decreased by 78.94% as compared with that in 2018, mainly due to the significant decrease in the operating revenue of the Company.

2. *Other receivables*

(1) Classification list

Item	31 December 2019	31 December 2018
Interest receivable	—	—
Dividend receivable	106,769,081.20	50,000,000.00
Other receivables	817,369,164.08	565,856,287.21
Total	**924,138,245.28**	**615,856,287.21**

(2) Dividend receivable

Investee	31 December 2019	31 December 2018
Hefei Gotion Hi-Tech Power Energy Co., Ltd	106,769,081.20	50,000,000.00

(3) Other receivables

① Disclosure by ageing

Ageing	31 December 2019	31 December 2018
Within 1 year	808,699,381.66	548,857,200.77
1-2 years	1,138,334.25	18,662,836.58
2-3 years	11,135,821.08	451,487.00
3-4 years	—	—
4-5 years	—	—
Over 5 years	—	—
Total	**820,973,536.99**	**567,971,524.35**

② Classification by the nature of money

Nature of money	31 December 2019	31 December 2018
Current accounts	805,703,518.41	546,587,053.24
Security deposit	11,965,875.56	19,929,902.83
Others	3,304,143.02	1,454,568.28
Subtotal	820,973,536.99	567,971,524.35
Less: bad debt provision	3,604,372.91	2,115,237.14
Total	**817,369,164.08**	**565,856,287.21**

③ Disclosure by the classification of bad debt provision

A. Provision for the bad debts as of 31 December 2019 is set out below in a three-stage model:

Stage	Carrying amount	Provision for bad debt	Book value
Stage 1	820,973,536.99	3,604,372.91	817,369,164.08
Stage 2	—	—	—
Stage 3	—	—	—
Total	**820,973,536.99**	**3,604,372.91**	**817,369,164.08**

Provision for bad debt in stage 1 as of 31 December 2019:

Category	Carrying amount	The expected credit loss for the next 12 months	Provision for bad debt	Book value	Reason
		(%)			
Provision for bad debt on a single basis	—	—	—	—	—
Provision for bad debt by portfolio	820,973,536.99	0.44	3,604,372.91	817,369,164.08	
Portfolio 1	805,703,518.41	—	—	805,703,518.41	Related parties within the scope of consolidation
Portfolio 2	15,270,018.58	23.60	3,604,372.91	11,665,645.67	
Total	**820,973,536.99**	**0.44**	**3,604,372.91**	**817,369,164.08**	

A1.1 As at 31 December 2019, there were no other receivables with bad debt provision on individual basis

A1.2 As at 31 December 2019, there were no other receivables with bad debt provision on Portfolio 1

Other receivables (by units)	Closing balance			
	Other receivables	Provision for bad debt	Proportion of provision	Reason for provision
Hefei Gotion Hi-Tech Power Energy Co., Ltd	805,703,518.41	—	—	No bad debt shall be provided within the scope of consolidation

A1.3 As at 31 December 2019, there were other receivables with bad debt provision on Portfolio 2

Ageing	31 December 2019		
	Carrying amount	Provision for bad debt	Proportion of provision
			(%)
Within 1 year.	2,995,863.25	149,793.16	5.00
1-2 years	1,138,334.25	113,833.43	10.00
2-3 years	11,135,821.08	3,340,746.32	30.00
Total	**15,270,018.58**	**3,604,372.91**	**23.60**

The basis of the amount of bad debt provision for the current period:

Please see Note 3.10 for the recognition standards and explanation of the provision for bad debt by portfolio.

B. Set out below is the bad debt provision by the incurred loss model as of 31 December 2018:

Carrying amount Category	31 December 2018				
			Provision for bad debt		
	Amount	Proportion	Amount	Proportion of provision	Book value
		(%)		(%)	
Other receivables with individual significance and accruing bad debt provision on individual basis	—	—	—	—	—
Other receivables with bad debt provision on group basis (credit risk characteristics) . .	567,971,524.35	100.00	2,115,237.14	0.37	565,856,287.21
Portfolio 1: with ageing as the credit risk characteristic portfolio	21,384,471.11	3.77	2,115,237.14	9.89	19,269,233.97
Portfolio 2: with the nature of the money as the credit risk characteristic portfolio.	546,587,053.24	96.23	—	—	546,587,053.24
Other receivables with individual insignificance but individually accruing bad debt provision.	—	—	—	—	—
Total	567,971,524.35	100.00	2,115,237.14	0.37	565,856,287.21

B1. As at 31 December 2018, there were no other receivables with individual significance and bad debt provision on individual basis.

B2. As at 31 December 2018, there were other receivables with bad debt provision by aging method.

	31 December 2018		
Ageing	Carrying amount	Provision for bad debt	Proportion of provision
Within 1 year	2,270,147.53	113,507.38	5.00%
1-2 years	18,662,836.58	1,866,283.66	10.00%
2-3 years	451,487.00	135,446.10	30.00%
Total	**21,384,471.11**	**2,115,237.14**	**9.89%**

B3. As at 31 December 2018, there were As at 31 December 2018, there were with individual insignificance but individually accruing bad debt provision

④ Changes in provision for bad debt

Category	31 December 2018	Changes in accounting policies	1 January 2019	Provision	Changes during the current period Recovery or reversal	Charge-off or write-off	31 December 2019
Bad debt provision for other receivables	2,115,237.14	—	2,115,237.14	1,489,135.77	—	—	3,604,372.91

⑤ No actual write-off of other receivables during current reporting period

⑥ Top five debtors based on corresponding balance of other receivables as of *31 December 2019*

Entity	Nature	Balance of 31 December 2019	Ageing	Proportion of total balance for other receivables	Balance for bad debt provision
				(%)	
The first	Current account	805,703,518.41	Within 1 year	98.14	—
The second	Tender bond	2,394,941.04	Within 1 year	0.29	119,747.05
The third	Tender bond	1,833,810.00	0-3 years	0.22	461,524.65
The fourth	Tender bond	572,446.98	Within 1 year	0.07	28,622.35
The fifth	Tender bond	500,000.00	1-2 years	0.06	50,000.00
Total		811,004,716.43			

3. Long-term equity investment

	31 December 2019			31 December 2018		
Item	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Investments in subsidiaries	9,784,759,596.16	—	9,784,759,596.16	8,315,377,520.69	—	8,315,377,520.69
Investments in associates	197,736,333.30	—	197,736,333.30	120,699,596.42	—	120,699,596.42
Total	**9,982,495,929.46**	**—**	**9,982,495,929.46**	**8,436,077,117.11**	**—**	**8,436,077,117.11**

(1) Investments in subsidiaries

Investee	Opening balance	Increase during the current period	Decrease during the current period	Closing balance	Impairment provision during the current period	Closing balance for the impairment provision
Hefei Gotion Hi-Tech Power Energy Co., Ltd	7,506,336,639.58	1,469,382,075.47	—	8,975,718,715.05	—	—
Jiangsu Dongyuan Electrical Group Co., Ltd	809,040,881.11	—	—	809,040,881.11	—	—
Total	**8,315,377,520.69**	**1,469,382,075.47**	**—**	**9,784,759,596.16**	**—**	**—**

(2) Investments in associates and joint ventures

Investor	31 December 2018	Additional investment	Negative investment	Investment gains and losses recognized under the variable equity method for the current period	Adjustment for other comprehensive income	Changes in other equity
Joint venture.						
Shanghai Electric Gotion.						
New Energy Technology Co., Ltd..	120,699,596.42	98,000,000.00	—	-20,963,263.12	—	—
Total.	120,699,596.42	98,000,000.00	—	-20,963,263.12	—	—

(Continued table)

Investor	Declaration of distributing cash, dividend or profit			Changes in the current period	
	31 December 2019	Impairment provision	Others	31 December 2019	Balance for impairment provision
Joint venture					
Shanghai Electric Gotion					
New Energy Technology Co., Ltd . . .	—	—	—	197,736,333.30	—
Total	**—**	**—**	**—**	**197,736,333.30**	**—**

4. Operating revenue and operating cost

(1) Operating revenue and cost

Item	2019		2018	
	Income	Cost	Income	Cost
Primary business	6,282,628.06	6,282,628.06	87,439,235.84	87,423,506.31
Other business	—	—	4,235.85	—
Total	**6,282,628.06**	**6,282,628.06**	**87,443,471.69**	**87,423,506.31**

(2) Primary business (by product)

Category	2019 Income	2019 Cost	2018 Income	2018 Cost
Transmission and distribution products	6,282,628.06	6,282,628.06	87,439,235.84	87,423,506.31

(3) Operating revenue and operating cost in 2019 has decreased 92.81% as compared with that in 2018, mainly because the Company transferred the power transmission and distribution business to Dongyuan Electrical, a subsidiary of the Company.

5. Investment income

	2019	2018
Item	210,000,000.00	180,000,000.00
Investment income from long-term equity investments under the cost method		
Investment income from long-term equity investments	-20,963,263.12	-8,300,403.58
Total	**189,036,736.88**	**161,699,596.42**

XV. Supplementary information

1. Detailed statement of non-recurring profits and losses

Item	2019	2018	Notes
Profit or loss from disposal of non-current assets	2,014,019.12	4,724,882.54	
Tax refunds or relief of tax subject to ultra vires or without official approval	—	—	
The government subsidies included in the current profits and losses (excluding the government subsidy closely related to regular course of corporate business and government subsidy based on standard quota or quantitative continuous enjoyment according to the state industrial policy)	509,729,967.99	429,157,636.58	
Capital occupancy fee from non-financial enterprises recognized in profit or loss for the current period	—	—	
Income arising from the fair value of net identifiable assets of the investee that the enterprise should enjoy when the cost of investment it acquired from the subsidiary, affiliated enterprise and joint venture was less than the investment it obtained	—	—	
Gain or loss from exchange of non-monetary assets exchange	—	—	

Item	2019	2018	Notes
Gain or loss on the assets by entrusting others to invest or manage	—	—	
Provisions for asset impairment accrued due to force majeure (e.g. natural disasters)	—	—	
Gain or loss from debt restructuring. . .	—	—	
Enterprise restructuring charges, such as the staffing expenditure and integrating expenses.	—	—	
Gain or loss of the part exceeding the fair value arising from the transaction with the bargain price losing fair	—	—	
Net profit or loss of subsidiaries under common control from period – begin till combination date	—	—	
Gain or loss from contingencies unrelated to normal operations	—	—	
In addition to the effective hedging business related to the normal business of the Company, gain or loss from changes in fair value arising from financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, and investment gains from disposal of transactional financial assets, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debts . .	—	—	
Profit or loss from the change of fair value of financial assets held for trading, financial liabilities held for trading and the disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and financial assets for sale except for those gain or loss relating to the hedging transactions under the Company's normal operating business	—	—	
Reversal of depreciation reserves of receivables under independent impairment testing	4,333,630.53	409,680.00	
Gain or loss from externally entrusted loans.	—	—	
Gain or loss arising from changes in the fair value of investment property by using the fair value model for subsequent measurement	—	—	
Influence on current profit or loss for one-time adjustment of the current profit and loss as required by the relevant taxation or accounting laws and regulations	—	—	

Item	2019	2018	Notes
Trustee fee income achieved from the entrusted operation	—	—	
Other non-operating revenue and cost other than the above-mentioned	-7,182,209.30	510,054.84	
Other gain or loss items conforming to definition of the non-recurring gain or loss	—	61,165,805.31	
Total non-recurring profit and loss	508,895,408.34	495,968,059.27	
Less: Affected amount of income tax from non-recurring profit and loss	111,550,772.41	106,866,880.36	
Non-recurring profit and loss, net	397,344,635.93	389,101,178.91	
Net non-recurring profit and loss attributable to minority shareholders	1,260,920.68	45,634.26	
Net non-recurring profit and loss attributable to Net profit attributable to ordinary shareholders of the Company	396,083,715.25	389,055,544.65	

2. *Net return rate of assets and earnings per share*

① *2019*

Profit generated during the reporting period	Weighted average net return rate of assets	Earnings per share	
		Basic earnings per share	Diluted earnings per share
	(%)		
Net profit attributable to ordinary shareholders of the Company	0.60	0.05	0.05
Net profit attributable to ordinary shareholders of the Company, net of non-recurring gain or loss	-4.03	-0.30	-0.30

② *2018*

Profit generated during the reporting period	Weighted average net return rate of assets	Earnings per share	
		Basic	Diluted
	(%)		
Net profit attributable to ordinary shareholders of the Company	6.86	0.51	0.51
Net profit attributable to ordinary shareholders of the Company, net of non-recurring gain or loss	2.26	0.17	0.17

Company: Gotion High-tech Co., Ltd.
Date:29 April 2020