Auditor's Report

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 balance sheets as at December 31, 2020, the consolidated and Company's income statements, the consolidated and Company's statements of cash flows and the consolidated and Company's statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of Company as at 31 December 2020, and the consolidated and company financial performance and cash flows of Company for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

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 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. 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.

1. Recognition of income

Key audit matters	How to deal with these matters in the audit
Refer to the accounting policies set out in the Note to the financial statements "III Significant Accounting Policies and Accounting Estimates" and "V Notes to the Consolidated Financial Statements"	
The Company achieved an operation revenue of RMB6,620,680,800 for year of 2020. As revenue is one of the key performance indicators of the Company, there is an inherent risk that revenue may not be recognized in a correct period. So we identify revenue recognition as a key audit matter.	(1) Understand, evaluate and test the design and implementation of internal control related to revenue recognition and to conduct a walk through test for company, Check whether the relevant internal control system is effectively implemented; (2) Check key sales contracts on a sampling basis to identify relevant trading terms, and evaluate whether the accounting policies for revenue recognition of Company meet the requirements of the Enterprise Accounting Standards. We analyzed the contract by using new revenue standard, judged the composition of performance obligations and time point of control transfer; (3) On a sampling basis and according to different trading terms, reconcile the revenue recorded in the current year to relevant supporting files such as sales invoices, sales contract, outgoing order, delivery receipts, etc. to evaluate whether revenue is recognized in accordance with the accounting policies of the Company; (4) Implement confirmation procedures for customers to confirm the amount of operating revenue, so as to evaluate the authenticity and accuracy of the revenue recognition; (5) Perform a cut-off test to check whether there is an intertemporal income by taking a sample of revenue transactions recorded around the balance sheet date, to assess whether revenue is recorded in the appropriate period; (6) Check the industrial and commercial registration information of the main customers, conduct on-site visits or video interviews to the main customers, visit the business premises of the main customers, and verify their business cooperation and related party relationship with the Company.

2. Recoverability of accounts receivable

Key audit matters	How to deal with these matters in the audit
Refer to the accounting policies set out in the Note to the financial statements "III Major Accounting Policies and Accounting Estimates" and "V Notes to the Items in the Consolidated Financial Statements"	
On 31 December 2020, as for accounts receivable of the Company, the carrying amount was RMB7,623,115,900, the bad debt provision was RMB1,035,764,500. The book value is relatively high. The bad debt of accounts receivable due to failure of recovery at maturity or failure of recovery will generate significant impacts on financial statements, thus, we identify the impairment of accounts receivable as a key audit item.	(1) Understand, evaluate and test the design and operation effectiveness of internal control related to the accounts receivable management, and carry out walk-through test to confirm the implementation of internal control systems; (2) analyze the rationality of the accounting estimation of provision for bad debt of accounts receivable; measure the accounts receivable with expected credit loss on a single basis; obtain and review the management's estimation of the expected cash flow; evaluate the rationality of the key assumptions used in the estimation and the accuracy of the data; evaluate the rationality of the management's classification of portfolios according to credit risk characteristics for the accounts receivable whose expected credit loss is measured based on portfolio; evaluate the rationality of the expected credit loss rate determined by the management according to the historical credit loss experience and forward-looking estimation; test the accuracy and integrity of the data used by the management (including the aging of accounts receivable, etc.) and the accuracy of the calculation of provision for bad debt; (3) Send request for confirmation of balances to customers; (4) Check the collection of accounts receivable after the period, and evaluate the rationality of credit loss of accounts receivable; (5) Evaluate the accuracy of management's bad debts calculation process, and review whether the financial statements are adequately and appropriately disclosed.

IV. Other Information

The management of the Company (the "Management") is responsible for the other information. The other information comprises all the information included in the 2020 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.

V. 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.

VI. 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, including the disclosures, 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 a auditors' report exceeds the public interest benefits arising therefrom, we determine that such matter should not be communicated in the auditors' report.

SuyaJincheng CPA LLP	Certified Public Accountants of China: (Engagement Partner)
Nanjing, China	April 21, 2021

Financial statements

The monetary unit in the notes to the financial statements is RMB.

1. Consolidated Balance Sheet

Prepared by: Gotion High-tech Co., Ltd

Item	Balance as at 31 December 2020	Balance as at 31 December 2019
Current assets:		
Cash and bank balances	3,343,527,263.79	3,614,749,694.18
Balances with clearing companies		
Loans to banks and other financial institutions		
Held-for-trading financial assets	411,114,371.81	
Derivative financial assets		
Notes receivable	426,640,727.37	496,056,906.39
Accounts receivable	6,587,351,398.56	5,606,635,207.40
Receivables for financing	608,839,017.64	45,619,845.21
Prepayments	248,702,643.38	226,429,524.21
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserves receivable		
Other receivables	134,938,931.80	159,636,477.68
Including: interest receivable	0.00	0.00
Dividends receivable	0.00	0.00
Financial assets purchased under resale agreements		
Inventories	3,220,326,787.62	3,958,831,886.47
Contract assets		
Assets held for sale		
Non-current assets maturing within one year	84,217,473.68	41,348,362.47
Other current assets	553,848,417.59	611,689,470.73
Total current assets	15,619,507,033.24	14,760,997,374.74
Non-current assets:		
Disbursement of loans and advances		
Creditor's right investment		
Other debt investment	4,567,430.00	
Long-term receivables	71,473,663.57	101,950,403.84
Long-term equity investment	667,998,925.53	622,445,562.39
Other equity investment	915,306,947.39	771,847,639.03
Other non-current financial assets		
Investment properties		
Fixed assets	7,159,879,961.36	5,548,856,678.30
Construction in progress	1,151,952,297.82	1,282,915,820.70
Productive biological assets		
Oil and gas assets		
Use right assets		
Intangible assets	1,264,136,456.37	827,153,501.91
Development expenditure	149,815,816.87	111,164,899.76
Goodwill	81,366,333.62	80,427,604.58
Long-term deferred expenses	12,042,115.27	14,530,148.59
Deferred tax assets	466,207,919.93	384,570,666.46
Other non-current assets	270,357,289.45	663,586,768.97
Total non-current assets	12,215,105,157.18	10,409,449,694.53
Total assets	27,834,612,190.42	25,170,447,069.27

Item	Balance as at 31 December 2020	Balance as at 31 December 2019
Current liabilities:		
Short-term borrowings	3,251,886,000.00	3,861,567,358.50
Borrowings from central bank		
Loans from banks and other financial institutions		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable	3,031,992,478.44	2,118,583,190.92
Accounts payable	4,016,756,379.22	4,340,804,981.11
Advances from customers		105,633,076.08
Contract liabilities	123,360,121.85	
Financial assets sold under repurchase agreements		
Absorption of deposits and interbank deposits		
Receiving from vicariously traded securities		
Receiving from vicariously sold securities		
Employee benefits payable	113,386,897.98	89,994,331.91
Taxes payable	220,428,792.48	152,309,142.10
Other payables	239,021,508.23	292,952,465.46
Including: interest payable	43,348,953.78	40,769,759.31
Dividends payable	2,033,891.80	2,033,891.80
Handling charge and commission payable		
Reinsurance accounts payable		
Liabilities held for sale		
Non-current liabilities due within one year	879,397,249.24	430,854,777.64
Other current liabilities	17,517,610.82	4,464,531.65
Total current liabilities	11,893,747,038.26	11,397,163,855.37
Non-current liabilities:		
Reserves for insurance contracts		
Long-term borrowings	2,586,657,483.68	722,846,571.44
Bonds payable	995,799,629.08	2,466,306,112.12
Including: preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables	697,551,884.79	869,815,054.56
Long-term Employee benefits payable		
Provisions	281,617,439.77	308,300,366.53
Deferred income	264,873,230.79	311,201,194.90
Deferred tax liabilities	39,039,996.22	38,990,349.86
Other non-current liabilities		
Total non-current liabilities	4,865,539,664.33	4,717,459,649.41
Total liabilities	16,759,286,702.59	16,114,623,504.78
Owner's equity:		
Share capital	1,280,544,489.00	1,136,650,819.00
Other equity instruments		
Including: preferred shares		
Perpetual bonds		
Capital reserves	6,231,304,068.37	4,867,276,291.72
Less: treasury shares	110,832,115.66	266,978,223.13
Other comprehensive income	188,302,446.71	11,952,369.18
Special reserves		
Surplus reserves	158,973,015.65	158,973,015.65
General risk reserve		
Retained earnings	3,157,722,575.92	2,996,159,435.79
Total equity attributable to owners of the parent company	10,906,014,479.99	8,904,033,708.21
Minority equity	169,311,007.84	151,789,856.28
Total owners' equity	11,075,325,487.83	9,055,823,564.49
Total liabilities and owner's equity	27,834,612,190.42	25,170,447,069.27

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

2. *Balance Sheet of the Parent Company*

Item	Balance as at 31 December 2020	Balance as at 31 December 2019
Current assets:		
Cash and bank balances	160,837,375.46	14,530,533.76
Financial assets held for trading		
Derivative financial assets		
Notes receivable		
Accounts receivable	1,346,083.62	25,080,179.24
Receivables for financing		
Prepayments	7,672,638.70	6,302,500.00
Other receivables	823,213,264.87	924,138,245.28
Including: interest receivable	0.00	0.00
Dividends receivable	106,769,081.20	106,769,081.20
Inventories		
Contract assets		
Assets held for sale		
Non-current assets maturing within one year		
Other current assets	4,727,657.67	5,594,642.91
Total current assets	997,797,020.32	975,646,101.19
Non-current assets:		
Creditor's right investment		
Other creditor's right investments		
Long-term receivables		
Long-term equity investment	9,984,113,059.64	9,982,495,929.46
Other equity instrument investment		
Other non-current financial assets		
Investment properties		
Fixed assets		364.11
Construction in progress		
Productive biological assets		
Oil and gas assets		
Use right assets		
Intangible assets		
Development expenses		
Goodwill		
Long-term deferred expenses		
Deferred tax assets	49,233,038.75	42,629,201.56
Other non-current assets		
Total non-current assets	10,033,346,098.39	10,025,125,495.13
Total assets	11,031,143,118.71	11,000,771,596.32

Item	Balance as at 31 December 2020	Balance as at 31 December 2019
Current liabilities:		
Short-term borrowings		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable		
Advances from customers		4,390,114.75
Contract liabilities		
Employee benefits payable	1,973,602.37	1,943,415.62
Taxes payable	22,950.00	139,541.56
Other payables	103,111,279.40	236,730,551.64
Including: interest payable	25,100,000.00	25,100,000.00
Dividends payable	2,033,891.80	2,033,891.80
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	105,107,831.77	243,203,623.57
Non-current liabilities:		
Long-term borrowings		
Bonds payable	995,799,629.08	2,466,306,112.12
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term Employee benefits payable		
Provisions		
Deferred income		
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	995,799,629.08	2,466,306,112.12
Total liabilities	1,100,907,460.85	2,709,509,735.69
Owner's equity:		
Share capital	1,280,544,489.00	1,136,650,819.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	8,647,145,126.17	7,283,117,349.52
Less: treasury shares	51,832,115.66	207,978,223.13
Other comprehensive income		
Special reserves		
Surplus reserves	65,859,838.93	65,859,838.93
Retained earnings	-11,481,680.58	13,612,076.31
Total owners' equity	9,930,235,657.86	8,291,261,860.63
Total liabilities and owner's equity	11,031,143,118.71	11,000,771,596.32

3. Consolidated Income Statement

Item	Amount for the current period	Amount for the prior period
I. Total operating revenue	6,724,233,230.56	4,958,898,582.32
Including: operating revenue	6,724,233,230.56	4,958,898,582.32
Interest income		
Premiums earned		
Income from handling charges and commissions		
II. Total operating cost	6,545,764,254.85	4,843,487,141.57
Including: operating cost	5,027,919,449.91	3,345,453,675.45
Interest expenditure		
Handling charge and commission expenses		
Surrender value		
Net amount of compensation payout		
Withdrawal of insurance liability reserve		
Policy dividend payment		
Reinsurance costs		
Taxes and surcharges	43,473,614.96	38,066,203.19
Selling expenses	266,109,389.97	333,879,101.88
Administrative expenses	397,827,110.01	397,939,163.24
R&D expenses	498,513,896.82	437,287,886.84
Financial expenses	311,920,793.18	290,861,110.97
Including: interest expense	352,621,952.04	373,273,451.39
Interest income	-58,979,679.81	-95,325,866.05
Plus: other income	393,314,184.80	509,506,767.99
Investment income ("-" for losses)	60,968,520.72	-24,366,386.13
Including: income from investment in associates and joint ventures	-6,120,725.12	-24,366,386.13
Income from de-recognition of financial assets measured at amortized cost		
Foreign exchange gains ("-" for losses)		
Income from net exposure hedging ("-" for losses)		
Gains from the changes in fair value ("-" for losses)	414,840.18	
Credit impairment losses ("-" for losses)	-335,910,826.67	-220,338,187.08
Impairment losses of assets ("-" for losses)	-134,840,176.17	-323,374,303.93
Asset disposal income ("-" for losses)	5,189,719.48	2,014,019.12
III. Operating profits ("-" for losses)	167,605,238.05	58,853,350.72
Plus: non-operating income	9,726,695.89	5,633,329.26
Less: non-operating expense	10,891,007.81	12,592,338.56
IV. Total profits ("-" for total losses)	166,440,926.13	51,894,341.42
Less: income tax expense	19,536,994.87	3,561,596.55
V. Net profit ("-" for net losses)	146,903,931.26	48,332,744.87
(I) Classified by operating sustainability		
1. Net profit from continued operation ("-" for net losses)	146,903,931.26	48,332,744.87
2. Net profit from discontinued operation ("-" for net losses)		
(II) Classified by ownership		
1. Net profit attributable to the owner of the parent company	149,673,020.43	51,253,825.33
2. Minority interest income	-2,769,089.17	-2,921,080.46

Item	Amount for the current period	Amount for the prior period
VI. Other comprehensive income, net of tax	176,350,077.53	5,257,068.49
Other comprehensive income, net of tax attributable to owners of the parent company	176,350,077.53	5,257,068.49
(I) Other comprehensive income that cannot be reclassified into profit or loss	182,028,672.13	
1. Changes in re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be transferred to profits or losses under the equity method		
3. Changes in fair value of other equity instruments investment	182,028,672.13	
4. Changes in the fair value of the company's own credit risk		
5. Others		
(II) Other comprehensive income that will be reclassified into profit or loss	-5,678,594.60	5,257,068.49
1. Other comprehensive income that can be transferred to profits or losses under the equity method		
2. Changes in the fair value of investment in other creditor's rights		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of investment in other creditor's rights		
5. Cash flow hedging reserves		
6. Translation differences of financial statements denominated in foreign currency	-5,678,594.60	5,257,068.49
7. Others		
Other comprehensive income, net of tax attributable to minority shareholders		
VII. Total comprehensive income	323,254,008.79	53,589,813.36
Total comprehensive income attributable to owners of the parent company	326,023,097.96	56,510,893.82
Total comprehensive income attributable to minority shareholders	-2,769,089.17	-2,921,080.46
VIII. Earnings per share:		
(I) Basic earnings per share	0.13	0.05
(II) Diluted earnings per share	0.13	0.05

In case of business combination under the common control during the current period, net profit of the combinee recognized before the combination was RMB0.00, and net profit of the combinee recognized in the prior period was RMB0.00.

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

4. Income Statement of the Parent Company

Item	Amount for the current period	Amount for the prior period
I. Operating revenue	2,860,063.43	6,282,628.03
Less: operating cost	2,860,063.44	6,282,628.06
Taxes and surcharges	176,777.72	1,822,307.27
Selling expenses		
Administrative expenses	39,168,468.46	25,695,448.82
R&D expenses		
Financial expenses	269,588.89	71,508,652.77
Including: interest expense	357,283.10	71,708,347.33
Interest income	100,672.54	-470,982.66
Plus: other income		450,789.12
Investment income ("-" for losses)	1,617,130.18	189,036,736.88
Including: income from investment in associates and joint ventures	1,617,130.18	-20,963,263.12
Income from de-recognition of financial assets measured at amortized cost ("-" for losses)		
Income from net exposure hedging ("-" for losses)		
Gains from the changes in fair value ("-" for losses)		
Credit impairment losses ("-" for losses)	7,860,510.47	2,228,874.20
Impairment losses of assets ("-" for losses)		
Asset disposal income ("-" for losses)	-364.11	
II. Operating profits ("-" for losses)	-30,137,558.54	92,689,991.31
Plus: non-operating income	330,291.42	
Less: non-operating expense	65,677.88	
III. Total profits ("-" for total losses)	-29,872,945.00	92,689,991.31
Less: income tax expense	-4,779,188.11	-24,235,934.48
IV. Net profit ("-" for net losses)	-25,093,756.89	116,925,925.79
(I) Net profit from continued operation ("-" for net losses)	-25,093,756.89	116,925,925.79
(II) Net profit from discontinued operation ("-" for net losses)		
V. Net amount of other comprehensive income after tax		
(I) Other comprehensive income that cannot be reclassified into profit or loss		
1. Changes in re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be transferred to profits or losses under the equity method		
3. Changes in fair value of other equity instruments investment		
4. Changes in the fair value of the company's own credit risk		
5. Others		

Item	Amount for the current period	Amount for the prior period
(II) Other comprehensive income that will be reclassified into profit or loss		
1. Other comprehensive income that can be transferred to profits or losses under the equity method		
2. Changes in the fair value of investment in other creditor's rights		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of investment in other creditor's rights		
5. Cash flow hedging reserves		
6. Translation differences of financial statements denominated in foreign currency		
7. Others		
VI. Total comprehensive income	-25,093,756.89	116,925,925.79
VII. Earnings per share:		
(I) Basic earnings per share	-0.02	0.10
(II) Diluted earnings per share	-0.02	0.10

5. *Consolidated Statement of Cash Flows*

Item	Amount for the current period	Amount for the prior period
I. Cash flows from operating activities:		
Cash received from sales of goods and provision of services	3,929,513,221.22	5,048,906,805.43
Net increase in deposits from customers and due from banks and other financial institutions		
Net increase in borrowings from central bank		
Net increase in loans from other financial institutions		
Cash received from insurance premium under original insurance contract		
Net cash received from reinsurance business		
Net increase in deposits and investments from policyholders		
Cash received from interests, handling charges and commissions		
Net increase in loans from banks and other financial institutions		
Net capital increase in repurchase business		
Net cash received from vicariously traded securities		
Receipts of tax refunds	147,930,485.11	
Cash received from other operating activities	361,294,039.26	384,264,578.55
Sub-total of cash inflows from operating activities	4,438,737,745.59	5,433,171,383.98
Cash paid for goods purchased and services received	2,587,185,603.60	4,554,547,871.26
Net increase in loans and advances to customers		
Net increase in deposits in central bank and other banks and financial institutions		
Cash paid for original insurance contract claims		
Net increase in loans to banks and other financial institutions		
Cash paid for interests, handling charges and commissions		
Cash paid for policy dividends		
Cash paid to and on behalf of employees	708,895,896.36	806,460,033.31
Payment of various types of taxes	190,502,941.09	245,309,620.18
Other cash payments relating to operating activities	267,199,473.12	510,048,057.48
Sub-total of cash outflows from operating activities	3,753,783,914.17	6,116,365,582.23
Net cash flows from operating activities	684,953,831.42	-683,194,198.25

Item	Amount for the current period	Amount for the prior period
II. Cash flows from investing activities		
Cash receipts from disposal and recovery of investments	769,054,883.47	9,654,714.90
Cash receipts from investment incomes	22,608,050.98	2,045,285.10
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	3,144,735.29	13,225,462.52
Net cash received from disposal of subsidiaries and other business units		
Other cash payments relating to investing activities	80,833,449.84	96,022,266.05
Sub-total of cash inflows from investing activities	875,641,119.58	120,947,728.57
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	2,094,084,294.64	1,970,361,764.13
Cash payments to acquire investments	1,022,459,855.03	173,000,000.00
Net increase in pledge loans		
Net cash payments for acquisitions of subsidiaries and other business entities	1,995,573.72	
Other cash payments relating to investing activities		40,000,000.00
Sub-total of cash outflows from investing activities	3,118,539,723.39	2,183,361,764.13
Net cash flows from investing activities	-2,242,898,603.81	-2,062,414,035.56
III. Cash flows from financing activities:		
Cash receipts from capital contributions	21,000,000.00	159,999,997.76
Including: cash receipts from capital contributions from minority owners of subsidiaries	21,000,000.00	159,999,997.76
Cash received from borrowings	6,357,322,684.03	5,897,336,918.73
Other cash receipts relating to financing activities	484,090,702.44	80,123,513.00
Sub-total of cash inflows from financing activities	6,862,413,386.47	6,137,460,429.49
Cash repayments of borrowings	4,823,354,059.44	2,237,100,570.16
Cash payments for distribution of dividends or profits or settlement of interest expenses	332,246,551.36	491,137,368.80
Including: dividends and profits paid to minority shareholders by subsidiaries		
Other cash payments relating to financing activities	372,984,500.87	329,353,563.86
Sub-total of cash outflows from financing activities	5,528,585,111.67	3,057,591,502.82
Net cash flows from financing activities	1,333,828,274.80	3,079,868,926.67
IV. Effect of foreign exchange rate changes on Cash and Cash Equivalents	-16,790,912.61	-3,568,601.91
V. Net increase in cash and cash equivalents	-240,907,410.20	330,692,090.95
Plus: Opening balance of Cash and Cash Equivalents	2,677,963,153.23	2,347,271,062.28
VI. Closing Balance of Cash and Cash Equivalents	2,437,055,743.03	2,677,963,153.23

6. Statement of Cash Flows of the Parent Company

Item	Amount for the current period	Amount for the prior period
I. Cash flows from operating activities:		
Cash receipts from the sale of goods and the rendering of services	27,238,145.17	104,556,061.74
Receipts of tax refunds		
Other cash receipts relating to operating activities	268,810,670.01	10,557,338.88
Sub-total of cash inflows from operating activities	296,048,815.18	115,113,400.62
Cash payments for goods purchased and services received	4,189,535.54	14,740,581.93
Cash payments to and on behalf of employees	20,460,401.14	12,962,402.25
Payment of various types of taxes	186,538.42	1,779,562.38
Other cash payments relating to operating activities	169,482,589.78	1,847,951,525.42
Sub-total of cash outflows from operating activities	194,319,064.88	1,877,434,071.98
Net cash flows from operating activities	101,729,750.30	-1,762,320,671.36
II. Cash flows from investing activities		
Proceeds from disposal of investments		
Proceeds from returns on investments		153,230,918.80
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received from disposal of subsidiaries and other business units		
Other cash receipts relating to investing activities	100,672.54	549,597.69
Sub-total of cash inflows from investing activities	100,672.54	153,780,516.49
Payment for acquisition of fixed assets, intangible assets and other long-term assets		
Payment for acquisition of investments		98,000,000.00
Net cash paid for the acquisition of subsidiaries and other business entities		
Cash paid for other investing activities		
Sub-total of cash outflows from investing activities		98,000,000.00
Net cash flows from investing activities	100,672.54	55,780,516.49
III. Cash flows from financing activities:		
Proceeds from investors		1,825,000,000.00
Proceeds from loans		
Other cash receipts relating to financing activities	180,200,682.25	80,123,513.00
Sub-total of cash inflows from financing activities	180,200,682.25	1,905,123,513.00
Cash repayments of borrowings	6,956,223.04	
Payment for dividends or interest		181,360,117.30
Other cash payments relating to financing activities	128,768,040.35	29,688,457.19
Sub-total of cash outflows from financing activities	135,724,263.39	211,048,574.49
Net cash flows from financing activities	44,476,418.86	1,694,074,938.51
IV. Effect of foreign exchange rate changes on Cash and Cash Equivalents		
V. Net increase in cash and cash equivalents	146,306,841.70	-12,465,216.36
Add: Opening balance of Cash and Cash Equivalents	14,530,533.76	26,995,750.12
VI. Closing Balance of Cash and Cash Equivalents	160,837,375.46	14,530,533.76

7. *Consolidated Statement of Changes in Owner's Equity*

Amount in the current period

Item	2020														
	Equity attributable to owners of the parent company														
		Other equity instruments													
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Others	Sub-total	Minority equity	Total owners' equity
I. Closing balance of the preceding 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
Plus: adjustments for changes in accounting policies															
Adjustments for correction of accounting errors in prior periods															
Business combination under common control															
Others															
II. Opening 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
III. Increases/decreases in the current period ("-" for decreases)	143,893,670.00				1,364,027,776.65	-156,146,107.47	176,350,077.53				161,563,140.13		2,001,980,771.78	17,521,151.56	2,019,501,923.34
(I) Total comprehensive income							188,240,197.23				149,673,020.43		337,913,217.66	-2,769,089.17	335,144,128.49
(II) Capital contributed or reduced by owners	143,893,670.00				1,364,027,776.65	-156,146,107.47							1,664,067,554.12	20,290,240.73	1,684,357,794.85
1. Common stock contributed by owners	151,191,756.00				1,359,844,824.85								1,511,036,580.85	21,000,000.00	1,532,036,580.85
2. Capital invested by holders of other equity instruments															
3. Amounts of share-based payments recognized in owners' equity	-7,298,086.00				-96,709,413.14	-104,007,499.14									
4. Others					100,892,364.94	-52,138,608.33							153,030,973.27	-709,759.27	152,321,214.00
(III) Profit distribution															
1. Withdrawal of surplus reserves															
2. Withdrawal of general risk reserves															
3. Profit distributed to owners (or shareholders)															
4. Others															

	2020														
	Equity attributable to owners of the parent company														
		Other equity instruments													
Item	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Others	Sub-total	Minority equity	Total owners' equity
(IV) Internal carry-forward of owner's equity							-11,890,119.70				11,890,119.70				
1. Conversion of capital reserves into paid-in capital (or share capital)															
2. Conversion of capital reserves into paid-in capital (or share capital)															
3. Surplus reserves offsetting losses															
4. Carry-forward of changes in the defined benefit plan for retained earnings															
5. Carry-forward of other comprehensive income for retained earnings															
6. Others							-11,890,119.70				11,890,119.70				
(V) Special reserves															
1. Amount withdrawn in the current period															
2. Amount used in the current period															
(VI) Others															
IV. Closing balance in the current period	1,280,544,489.00				6,231,304,068.37	110,832,115.66	188,302,446.71		158,973,015.65		3,157,722,575.92		10,906,014,479.99	169,311,007.84	11,075,325,487.83

Amount in the prior period

	2019														
	Equity attributable to owners of the parent company														
		Other equity instrument													
Item	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Others	Sub-total	Minority equity	Total owners' equity
I. Closing balance of last 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
Plus: adjustments for changes in accounting policies															
Adjustments for correction of accounting errors in prior periods															
Business combination under common control															
Others							126,021,871.05						126,021,871.05		126,021,871.05
II. Opening balance of this year	1,136,650,819.00				4,570,704,007.83	403,957,368.92	132,717,171.74		158,973,015.65		3,056,995,536.36		8,652,083,181.66	23,919,600.67	8,676,002,782.33
III. Increases/decreases in the current period ("-" for decreases)					296,572,283.89	-136,979,145.79	-120,764,802.56				-60,836,100.57		251,950,526.55	127,870,255.61	379,820,782.16
(I) Total comprehensive income							-120,764,802.56				51,253,825.33		-69,510,977.23	-2,921,080.46	-72,432,057.69
(II) Capital contributed or reduced by owners					296,572,283.89	-136,979,145.79							433,551,429.68	130,791,336.07	564,342,765.75
1. Common stock contributed by owners					267,363,622.20	-136,979,145.79							404,342,767.99	159,999,997.76	564,342,765.75
2. Capital invested by holders of other equity instruments															
3. Amounts of share-based payments recognized in owners' 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. Withdrawal of surplus reserves															
2. Withdrawal of general risk reserves															
3. Profit distributed to owners (or shareholders)											-112,089,925.90		-112,089,925.90		-112,089,925.90
4. Others															

	2019														
	Equity attributable to owners of the parent company														
		Other equity instrument													
Item	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Others	Sub-total	Minority equity	Total owners' equity
(IV) Internal carry-forward of owner's equity															
1. Conversion of capital reserves into paid-in capital (or share capital)															
2. Conversion of capital reserves into paid-in capital (or share capital)															
3. Surplus reserves offsetting losses															
4. Carry-forward of changes in the defined benefit plan for retained earnings															
5. Carry-forward of other comprehensive income for retained earnings															
6. Others															
(V) Special reserves															
1. Amount withdrawn in the current period															
2. Amount used in the current period															
(VI) Others															
IV. Closing balance in the current period	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

8. *Statement of Changes in Owner's Equity of the Parent Company*

Amount in the current period

	2020											
		Other equity instrument										
Item	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Others	Total owners' equity
I. Closing balance of last 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
Plus: adjustments for changes in accounting policies												
Adjustments for correction of accounting errors in prior periods												
Others												
II. Opening balance of this 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
III. Increases/decreases in the current period ("-" for decreases)	143,893,670.00				1,364,027,776.65	-156,146,107.47				-25,093,756.89		1,638,973,797.23
(I) Total comprehensive income										-25,093,756.89		-25,093,756.89
(II) Capital contributed or reduced by owners	143,893,670.00				1,364,027,776.65	-156,146,107.47						1,664,067,554.12
1. Common stock contributed by owners	151,191,756.00				1,359,844,824.85							1,511,036,580.85
2. Capital invested by holders of other equity instruments												
3. Amounts of share-based payments recognized in owners' equity	-7,298,086.00				-96,709,413.14	-104,007,499.14						
4. Others					100,892,364.94	-52,138,608.33						153,030,973.27
(III) Profit distribution												
1. Withdrawal of surplus reserves												
2. Profit distributed to owners (or shareholders)												
3. Others												
(IV) Internal carry-forward of owner's equity												
1. Conversion of capital reserves into paid-in capital (or share capital)												
2. Conversion of capital reserves into paid-in capital (or share capital)												
3. Surplus reserves offsetting losses												
4. Carry-forward of changes in the defined benefit plan for retained earnings												
5. Carry-forward of other comprehensive income for retained earnings												
6. Others												
(V) Special reserves												
1. Amount withdrawn in the current period												
2. Amount used in the current period												
(VI) Others												
IV. Closing balance in the current period	1,280,544,489.00				8,647,145,126.17	51,832,115.66			65,859,838.93	-11,481,680.58		9,930,235,657.86

Amount in the prior period

	2019											
		Other equity instrument										
Item	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Others	Total owners' equity
I. Closing balance of last 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
Plus: adjustments for changes in accounting policies												
Adjustments for correction of accounting errors in prior periods												
Others												
II. Opening balance of this 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. Increases/decreases in the current period ("-" for decreases)					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) Capital contributed or reduced by owners					267,363,622.20	-136,979,145.79						404,342,767.99
1. Common stock contributed by owners					267,363,622.20	-136,979,145.79						404,342,767.99
2. Capital invested by holders of other equity instruments												
3. Amounts of share-based payments recognized in owners' equity												
4. Others												
(III) Profit distribution										-112,089,925.90		-112,089,925.90
1. Withdrawal of surplus reserves												
2. Profit distributed to owners (or shareholders)										-112,089,925.90		-112,089,925.90
3. Others												
(IV) Internal carry-forward of owner's equity												
1. Conversion of capital reserves into paid-in capital (or share capital)												
2. Conversion of capital reserves into paid-in capital (or share capital)												
3. Surplus reserves offsetting losses												
4. Carry-forward of changes in the defined benefit plan for retained earnings												
5. Carry-forward of other comprehensive income for retained earnings												
6. Others												
(V) Special reserves												
1. Amount withdrawn in the current period												
2. Amount used in the current period												
(VI) Others												
IV. Closing balance in the current period	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

Gotion High-tech Co., Ltd.
Notes to Financial Statements of 2020

I. Basic Information about the Company

I. 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). After several change, the registered capital and share capital of the Company is changed to RMB1,136,650,819 million.

In accordance with the *Proposal on the Company's "Restricted Stock Incentive Plan (Draft)" and its Summary* deliberated and approved at the 5th extraordinary shareholders' meeting of the Company in 2015, the resolutions of the 22th and the 23th meetings of the 7th Board of Directors and the amended Articles of Association of the Company, the Company repurchased and cancelled the 234,000 restricted shares that have been granted to Shen Qiangsheng, Hang Jun and Zhang Min but not yet unlocked. At the same time, due to the failure to meet the performance assessment requirements at the company level in 2018, it was agreed to repurchase and cancel 7,064,086 restricted shares that have been granted but not yet unlocked by all restricted stock incentive recipients. Meanwhile, the Company reduced the registered capital by RMB72,980,860,000 million (and reduced the capital reserve by RMB96,709,413.14 million), and completed the procedures for SAMR registration of change on April 10, 2020. After the change, the registered capital and share capital of the Company was RMB1,129,352,733.

According to relevant laws and regulations, as well as the provisions of the *Prospectus for Public Issuance of Convertible Corporate Bonds of Gotion Hi-Tech Co., Ltd*, among the 1,8500,000 convertible corporate bonds (each with a face value of RMB100 with the bond code "128086", "Gotion Convertible Bonds") issued by the Company on December 17, 2019, from June 23, 2020 to August 28, 2020, the total number of convertible corporate bonds that have been converted into shares is 18,430,632 and the total number of convertible corporate bonds that have not been converted into shares is 69,368. According to the 6th meeting of the 8th Board of Directors and the amended Articles of Association of the Company, the "Gotion Convertible Bonds" issued by the Company has triggered the conditional redemption clause agreed, so the Company exercised the right to conditionally redeem all the "Gotion Convertible Bonds" that has not been converted into shares as registered in the Shenzhen Branch of the China Securities Depository and Clearing Co., Ltd after the closing of the market on the redemption registration date, at the price of the face value. After the redemption, the registered capital and share capital of the Company increased by RMB151,191,756 (from RMB1,129,352,733 to RMB1,280,544,489) (capital reserve increased by RMB1,359,848,482.85), and the procedures for industrial and commercial registration of change were completed on March 11, 2021. The registered capital and share capital after the change were RMB1,280,544,489.

Registered address of the Company: No. 566 Huayuan Avenue, Baohe District, Hefei City, Anhui Province. 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).

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

S/N	Name of subsidiary	Abbreviation	Shareholding ratio	
			Direct	Indirect
1	Hefei Gotion High-tech Power Energy Co., Ltd	Hefei Gotion	100%	—
2	Jiangsu Dongyuan Electrical Group Co., Ltd	Dongyuan Electrical	99.82%	0.18%
3	Nantong Taifu Electric Appliance Manufacturing Co., Ltd	Taifu Company	—	100%
4	Suzhou Dongyuan Tianli Electric Appliance Co., Ltd	Suzhou Tianli	—	100%
5	Nantong Asitong Electric Appliance Manufacturing Co., Ltd	Asitong Company	—	68.66%
6	Nantong Dongyuan Electric Power Intelligent Equipment Co., Ltd	Intelligent Company	—	100%
7	Nantong Gotion New Energy Technology Co., Ltd	New Energy Technology	—	100%
8	Nantong Gotion New Energy Technology Co., Ltd	Gotion New Energy	—	100%
9	Hefei Guorui New Energy Automobile Technology Co., Ltd	Guorui New Energy	—	65%
10	Shanghai Xuanyi New Energy Development Co., Ltd	Shanghai Xuanyi	—	100%
11	Gotion High-tech (USA) Co., Ltd	USA Gotion	—	100%
12	Nanjing Gotion Battery Co., Ltd	Nanjing Gotion	—	100%
13	Hefei Gotion Battery Material Co., Ltd	Lujiang Gotion	—	95.23%
14	Shanghai Gotion New Energy Co., Ltd	Shanghai Gotion	—	100%
15	Qingdao Gotion Battery Co., Ltd	Qingdao Gotion	—	100%
16	Tangshan Gotion Battery Co., Ltd	Tangshan Gotion	—	100%
17	Gotion Kangsheng (Luzhou) Battery Co., Ltd	Luzhou Gotion	—	—
18	Gotion New Energy (Lujiang) Co., Ltd	Lujiang New Energy	—	100%
19	Gotion High-tech Japan Co., Ltd	Gotion Japan	—	100%
20	Hefei Gotion Precision Coating Material Co., Ltd	Gotion Coating	—	100%

S/N	Name of subsidiary	Abbreviation	Shareholding ratio	
			Direct	Indirect
21	Hefei Xuanyi Investment Management Co., Ltd	Xuanyi Investment	—	100%
22	Shanghai Gotion New Energy (Hefei) Energy Storage Technology Co., Ltd	Gotion Energy Storage	—	100%
23	Nanjing Gotion New Energy Co., Ltd	Nanjing New Energy	—	100%
24	Hefei Gotion Battery Co., Ltd	EDZ Gotion	—	100%
25	Gotion High-tech (Hong Kong) Co., Ltd	Hong Kong Gotion	100%	—
26	Singapore Gotion Co., Ltd	Singapore Gotion	—	100%
27	Nanjing Gotion Battery Research Institute Co., Ltd	Nanjing Research Institute	100%	
28	Sichuan Gotion Shunda New Energy Technology Co., Ltd	Sichuan Gotion	—	100%
29	Hefei Jiachi Technology Co., Ltd	Hefei Jiachi	—	100%
30	Shanghai Gotion Wuyang Shipping Technology Co., Ltd	Wuyang Shipping	51%	
31	Liuzhou Gotion Battery Co., Ltd	Liuzhou Gotion	66.67%	

See Note IX "Equity in other entities" for details of the Company's subsidiaries.

(2) Change of consolidation scope during the Reporting Period

S/N	Name of subsidiary	Abbreviation	Reporting period	Reason for being included in the consolidation scope
1	Shanghai Gotion Wuyang Shipping Technology Co., Ltd	Wuyang Shipping	January~December, 2020	Acquisition
2	Liuzhou Gotion Battery Co., Ltd	Liuzhou Gotion	January~December, 2020	New establishment under joint venture

See Note VIII "Changes in the consolidation scope" for details of the subsidiaries newly added into the consolidation scope 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—Basic Standards*, other specific accounting standards and relevant regulations on the basis of actual transactions and events.

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

Remark to the detailed accounting policies and accounting estimates:

The following major accounting policies and accounting estimates of the Company are made in accordance with the *Accounting Standards for Business Enterprises*. Accounting business not mentioned shall be subject to relevant accounting policies in the 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 12 months.

4. Functional currency

The functional currency of the Company is RMB.

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

(I) Method for accounting treatment of business combinations under common control

For the business combination under common control, the Company shall adopt the pooling of interest method for accounting treatment.

Assets and liabilities obtained by the Company through business combination under common control shall be measured at the book value as stated in the combine's accounting record on the combination date. The share of the book value of the merged party's owner's equity in the consolidated financial statements is taken as the initial investment cost of long-term equity investments in individual financial statements. The capital reserve (stock premium or capital premium) is adjusted according to the difference between the book value of net asset acquired through combination and the book value of consideration paid for the combination (or total par value of shares issued). If the capital reserve (stock premium or capital premium) is insufficient to offset, the retained earnings shall be adjusted.

(II) Method for accounting treatment of business combinations not under common control

For the business combination not under common control, the Company shall adopt the purchase method for accounting treatment.

1. All the net identifiable assets, liabilities or contingent liabilities obtained by the Company through business combination not under common control shall be measured at fair value. Assets paid, liabilities incurred or assumed and the equity securities issued as consideration for combination are generally measured at fair value on the acquisition date, and differences between their fair values and book values shall be included in the current profit and loss.

2. The combination cost shall be determined in the following ways:

(1) Business combination of a transaction implementation, the combination cost shall be the sum of the fair value of the assets given, the liabilities incurred or assumed and the equity securities issued by the Company in exchange for the control on the acquisition date, and contingent considerations meeting the recognition conditions. The combination cost is the initial investment costs of long-term equity investments in individual financial statements.

(2) Business combination through multiple transactions step by step to realized, the combination cost shall be the sum of the fair value measurement on the acquisition of the equity investment that holding before the acquisition date and cost of all the new investment on the acquisition date. Long-term equity investment cost in individual financial statements shall be the sum of the book value of the equity investment that holding before the acquisition date and cost of all the new investment on the acquisition date. A package deal is excluded.

3. The Company shall allocate the combination cost between the acquired identifiable assets and liabilities on the combination date.

(1) All assets of the acquiree obtained by the Company through business combination (not limited to those that have been recognized by the acquiree), other than intangible assets, shall be separately recognized and measured at fair value when the future economic benefits arising thereafter are expected to flow into the Company and the fair value can be reliably measured.

(2) For intangible assets acquired by the Company from the acquiree in business combination, if their fair value can be reliably measured, such assets shall be separately measured at fair value.

(3) All liabilities of the acquiree obtained by the Company through business combination, other than contingent liabilities, shall be separately recognized and measured at fair value when fulfillment of relevant obligations are expected to bring future economic benefits to the Company and the fair value can be reliably measured.

(4) Contingent liabilities of the acquiree obtained by the Company through business combination shall be separately recognized as liabilities and measured at fair value when their fair values can be reliably measured.

(5) When the Company allocates the cost of business combination and recognizes the identifiable assets and liabilities acquired through combination, it shall not include any goodwill and deferred income taxes that have been recognized by the acquiree before the business combination.

4. Treatment of the difference between the combination cost and the share of the fair value of the identifiable net assets acquired from the acquiree in the business combination

(1) The Company shall recognize the difference of the combination cost in excess of the fair value of the net identifiable assets acquired from the acquiree as goodwill.

(2) The Company shall treat the difference of the combination cost less than the fair value of the net identifiable assets acquired from the acquiree in the following ways.

① First, the measurement of the fair value of the identifiable assets, liabilities and contingent liabilities acquired and the combination cost shall be re-examined;

② After re-examination, if the combination cost is still less than the share of fair value of the identifiable net assets obtained in the combination from the acquiree, the difference shall be included in the current profits and losses.

(III) Treatment of relevant expenses incurred by the Company for business combination

1. The directly related expenses (including intermediary service charges such as audit fee, legal service fee, appraisal and consultancy fee paid for business combination, and other relevant general and administrative expenses) incurred by the Company for business combination shall be included in the current profits and losses when they occur.

2. The commission, handling charge and other transaction expenses paid by the Company for issuing debt securities for the business combination shall be included in the initial measurement amount of the debt securities.

(1) If the securities are issued at a discount or face value, the amount of discount shall be added to the expenses;

(2) If the securities are issued at a premium, the amount of the premium shall be reduced from the expenses.

3. The commission, handling charges and other transaction expenses paid by the Company for equity securities issued as the consideration for the business combination shall be included in the initial measurement amount of the equity securities.

(1) If the equity securities are issued at a premium, the amount of the premium shall be deducted from the capital reserve (stock premium);

(2) If the equity securities are issued at face value or discount, the amount of the discount shall be used to offset the retained earnings.

6. Methods for preparing the consolidated financial statements

(I) Unified accounting policies and accounting period

All the subsidiaries within the consolidation scope of consolidated financial statements shall adopt the same accounting policies and accounting periods as those of the Company. If the accounting policies or accounting periods of a subsidiary are different from those of the Company, the financial statements of the subsidiary, upon preparation of consolidated financial statements, shall be adjusted according to the accounting policies and accounting periods of the Company.

(II) Methods for preparing the consolidated financial statements

The consolidated financial statements are based on the financial statements of the Company and its subsidiaries, and are prepared by the parent company according to other relevant information after the adjustment to long-term equity investments in subsidiaries under the equity method and the elimination of effects of the internal transactions between the Company and its subsidiaries and between the subsidiaries on the consolidated financial statement.

(III) Reflection of excess loss of subsidiary in the consolidated financial statements

In the consolidated financial statements, where the current losses undertaken by the parent company are in excess of its share of owners' equity in the subsidiary at the beginning of the period, the balance shall reduce the owners' equity (retained earnings) of the parent company; where the current losses undertaken by a subsidiary's non-controlling shareholders excess those non-controlling shareholders' share of owners' equity in the subsidiary at the beginning of the period, the balance shall reduce the non-controlling interests.

(IV) Accounting treatment in case of acquisition or disposal of subsidiaries during the Reporting Period

1. Accounting treatment in case of acquisition of subsidiaries during the Reporting Period

(1) <u>Treatment of acquiring subsidiaries from business combination under common control during the reporting period</u>

During the reporting period, if the Company acquires subsidiaries from the business combination under common control, the opening balance in the consolidated balance sheet shall be adjusted. The income, expenses and profits of the newly acquired subsidiaries from the beginning to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries from the beginning to the end of the reporting period shall be included in the consolidated statement of cash flows.

(2) <u>Treatment of acquiring subsidiaries from business combination not under common control during the reporting period</u>

During the reporting period, if the Company acquires subsidiaries from the business combination not under common control, the opening balance in the consolidated balance sheet shall not be adjusted. The income, expenses and profits of the newly acquired subsidiaries from the acquisition date to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries from the acquisition date to the end of the reporting period shall be included in the consolidated statement of cash flows.

2. Treatment of disposing subsidiaries during the reporting period

During the reporting period, if the Company disposes subsidiaries, the opening balance in the consolidated balance sheet shall not be adjusted. The income, expenses and profits of the newly disposed sub diaries from the beginning to the disposal date shall be included in the consolidated income statement. The cash flows from the beginning to the disposal date shall be included in the consolidated statement of cash flows.

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

(1) Classification of joint venture arrangements

A joint arrangement is classified as either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the joint ventures only have the rights to the net assets under this arrangement.

A joint arrangement that is not structured through a separate vehicle shall be classified as a joint operation. A separate vehicle refers to a separately identifiable financial structure, including separate legal entities or entities without a legal personality but recognized by statute.

A joint arrangement that is structured through a separate vehicle is usually classified as a joint venture. However, when a joint arrangement provides clear evidence that it meets any of the following requirements and complies with applicable laws and regulations as a joint operation:

a) The legal form of the joint arrangement indicates that the parties that have joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement.

b) The terms of the joint arrangement specify that the parties that have joint control have the rights to the assets, and the obligations for the liabilities, relating to the arrangement.

c) Other facts and circumstances indicate that the parties that have joint control have rights to the assets, and the obligations for the liabilities, relating to the arrangement—for example, the parties that have joint control have rights to substantially all of the output of the arrangement, and the arrangement depends on the parties that have joint control on a continuous basis for settling the liabilities of the arrangement.

(2) Accounting treatment of a joint operation

A joint operator shall recognize the following items in relation to its interest in a joint operation, and account for them in accordance with relevant accounting standards:

a) Its solely-held assets, and its share of any assets held jointly;

b) Its solely-assumed liabilities, and its share of any liabilities incurred jointly;

c) Its revenue from the sale of its share of the output arising from the joint operation;

d) Its share of the revenue from sale of the output by the joint operation; and

e) Its solely-incurred expenses and its share of any expenses incurred jointly.

8. Criteria for recognizing cash and cash equivalents

Cash includes the Company's cash on hand, unrestricted bank deposits and other monetary funds.

The Company shall recognize the short-term (maturing within three months from acquisition) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value as cash equivalents.

9. Foreign currency transactions and translation of foreign currency statements

(I) Method for accounting foreign currency transactions

1. Initial recognition of foreign currency transactions

For foreign currency transactions, the Company shall translate the foreign currency amount into the amount in functional currency according to the spot exchange rate (middle price) published by the People's Bank of China on the transaction date. Among them, for foreign currency exchange or transactions involving foreign currency exchange, the Company shall translate them according to the exchange rate actually adopted on the transaction date.

2. Adjustment or settlement on balance sheet date or settlement date

On the balance sheet date or settlement date, the Company shall treat foreign currency monetary items and foreign currency non-monetary items in the following ways:

(1) Principles for accounting treatment of foreign currency monetary items

For foreign currency monetary items, on the balance sheet date or the settlement date, the Company shall translate them based on the spot exchange rate (middle price) on the balance sheet date or the settlement date. The difference caused by exchange rate fluctuation shall be used to adjust the amount of the foreign currency monetary items in functional currency and treated as the exchange difference. Among them, the exchange differences arising from foreign currency loans related to the acquisition, construction or production of assets eligible for capitalization shall be included in the cost of assets eligible for capitalization. Other exchange differences shall be included in the current financial expenses.

(2) Principles for accounting treatment of foreign currency non-monetary items

① For foreign currency non-monetary items measured at historical cost, the Company shall still translates them according to the spot exchange rate (middle price) on the date of transaction, without changing their amounts in functional currency and generating exchange differences.

② For an inventory measured at cost or net realizable value (whichever is lower), if its net realizable value is determined in foreign currency, the Company shall first translate the net realizable value into the amount in functional currency according to the ending exchange rate, and then compares it with the inventory cost reflected in functional currency when determining the ending value of the inventory.

③ For a non-monetary item measured at fair value, if its fair value at the end of the period is reflected in foreign currency, the Company shall translate the foreign currency amount into the amount in functional currency at the spot exchange rates on the day when the fair value is determined, and then compare foreign currency amount with the amount in functional currency, and include the difference in the "current profit and loss" as profit or loss from change in fair value.

(II) Method for accounting treatment of foreign currency statement translation

1. The Company shall translate the financial statements of overseas businesses according to the following methods:

(1) Assets and liabilities items in the balance sheet shall be translated at the spot exchange rate on the balance sheet date; owner's equity items other than "Retained earnings" shall be translated at the spot exchange rate when they occur.

(2) The income and expenses in the income statement shall be translated at the spot exchange rate (or other similar exchange rates similar to the spot exchange rate on the transaction date determined in accordance with the systematic and reasonable method) on the dates when the transactions occur.

Foreign currency translation differences arising from translations conducted in compliance with the aforesaid principles shall be presented in "other comprehensive income" under the "owners' equity" in the balance sheet.

2. The Company shall translate the financial statements of overseas businesses in the hyperinflation economy according to the following methods:

(1) The Company shall restate the items in the balance sheet by using the general price index, restate the items in the income statement by using the general price index changes, and then translate them according to the spot exchange rate on the balance sheet date.

(2) When an overseas business is no longer in the hyperinflation economy, the Company shall cease the re-statement, and translate the financial statements restated at the price on the cessation date.

3. Where the Company disposes of an overseas business, it shall transfer the exchange difference related to the business disposed of, which is presented under the items of the "other comprehensive income" in the consolidated balance sheet, to current profit and loss. If the overseas business is partly disposed of, the exchange difference shall be calculated in proportion to the percentage of disposal and transferred to current profit and loss.

10. Financial instruments

A financial instrument refers to a contract from which financial assets of a party and financial liabilities or equity instruments of other parties arise.

(I) Classification of financial instruments

1. Classification of financial assets

The Company shall classify financial assets into the following three categories based on the business model of managing financial assets and the contractual cash flow characteristics of financial assets: (1) financial assets measured at amortized cost; (2) financial assets measured at fair value through other comprehensive income (including financial assets designated to be measured at fair value through other comprehensive income); (3) financial assets measured at fair value through current profit or loss.

2. Classification of financial liabilities

The Company shall classify financial liabilities into the following two categories: (1) financial liabilities measured at fair value through current profits and losses (including financial liabilities held for trading and financial liabilities designated as measured at fair value through current profits and losses) (2) financial liabilities measured at amortized cost.

(II) Basis for recognizing and method for measuring financial instruments

1. Basis for recognizing financial instruments

When the Company becomes a party to a financial instrument, it shall recognize a financial asset or financial liability.

2. Method for measuring financial instruments

(1) Financial assets

Financial assets shall be measured at fair value when initial recognition is made. For financial assets measured at fair value through 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 accounts receivable and notes receivable arising from the sale of products or the rendering of services do not contain major financing elements or the financing elements in the contracts of no more than one year are not considered, the amount of consideration that is expected to be entitled to be collected shall be taken as the initial recognition amount.

① Financial asset measured at amortized cost

After initial recognition, such financial assets shall be subsequently measured at amortized cost by using the effective interest method. Gains or losses arising from the financial assets that are measured at amortized cost and that are not part of any hedging relationship shall be recorded into the current period profit and loss when such financial assets are derecognized, reclassified, amortized with the effective interest method or impaired.

② Financial assets measured at fair value through other comprehensive income

After initial recognition, such financial assets will be subsequently measured at fair value. Except that impairment losses or gains, exchange losses or gains, and interest calculated by effective interest method shall be included in current profits and losses, other gains or losses shall be included in other comprehensive income. When de-recognized, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income and included in current profit or loss.

If the Company designates part of the non-tradable equity instrument investments as financial assets measured at fair value through other comprehensive income, the relevant dividend income of such financial assets shall be included in the current profits and losses, and the changes in fair value shall be included in other comprehensive income. When the financial asset is de-recognized, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income to retained earnings and not included in current profits and losses.

③ Financial assets measured at fair value through profit or loss

Except for the financial assets measured at amortized cost and the financial assets measured at fair value through other comprehensive income mentioned above, the Company shall classify all the rest financial assets as financial assets measured at fair value through current profit or loss. In addition, in the initial recognition, in order to eliminate or significantly reduce the accounting mismatch, the Company shall designate some financial assets as financial assets measured at fair value through current profit or loss. For such financial assets, the Company adopts fair value for subsequent measurement, with changes in fair value included in the current profit or loss.

(2) Financial liabilities

Financial liabilities shall be classified into financial liabilities measured at fair value through the current profit or loss and the other financial liabilities at initial recognition. For financial liabilities measured at fair value through the current profit or loss, relevant transaction costs shall be directly included in the current profit or loss; the transaction costs related to other financial liabilities shall be included in the initial recognition amount.

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

Financial liabilities held for trading (including derivative instruments that are financial liabilities) shall be subsequently measured at fair value. Except for hedge accounting, all changes in fair value shall be included in the current profit or loss. 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 de-recognized, 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. Other changes in fair value shall be included in the current profit or loss. If the handling of impact of changes in the credit risk of such financial liabilities in the said way will cause or expand the accounting mismatch in the profit and loss, the Company shall include all the profit or loss of the financial liabilities (including the impact amount caused by changes in the credit risk of the Company) into the current profit or loss.

② Financial liabilities measured at amortized cost

Other financial liabilities, except for the financial liabilities and financial guarantee contracts formed by the transfer of financial assets that do not meet the conditions for de-recognition or continued involvement in the transferred financial assets, shall be classified as financial liabilities measured at the amortized cost, and subsequently measured at the amortized cost, with the profit or loss arising from the de-recognition or amortization included in the current profit or loss.

(III) Basis for recognizing and method for measuring the financial assets transferred

Where the Company has transferred nearly all the risks and rewards associated with the ownership of financial assets, the financial assets shall be de-recognized; where the Company retains nearly all the risks and rewards associated with the ownership of financial assets, the financial assets transferred shall be continuously recognized. Where the Company neither transfers nor retains almost all the risks and rewards associated with the ownership of financial assets, it shall be dealt with in the following ways: (1) where the Company retains no control over the financial assets, the financial assets shall be de-recognized, and the rights and obligations generated or retained in such transfer shall be separately recognized as assets or liabilities; (2) where the Company retains its control over the financial assets, the relevant financial assets shall be recognized according to the extent of its continuous involvement in the transferred financial assets and the relevant liabilities shall be recognized accordingly.

Where the entire transfer of a financial asset meets the de-recognition conditions, the difference of the following two amounts shall be included in current profit and loss: (1) the book value of the financial asset transferred on the date of de-recognition; (2) the sum of the consideration for the financial asset transferred and the amount of the de-recognized part corresponding to the accumulated amount of the changes in fair value originally and directly recorded into other comprehensive income (financial assets involving transfer are the debt instrument investments measured at fair value through other comprehensive income). Where a financial asset is partially transferred and the transferred part meets the de-recognition conditions, the entire book value of the financial asset before the transfer shall be allocated between the derecognized part and the continuously recognized part based on the relative fair value on the transfer date.

(IV) De-recognition of financial liabilities

When the current obligation of a financial liability (or part thereof) has been relieved, the Company shall de-recognize the financial liability (or part thereof), and the difference between its book value and the consideration paid (including the non-cash assets transferred out or the liabilities assumed) shall be included in the current profit or loss.

(V) Offset of financial assets and financial liabilities

Financial assets and financial liabilities shall be separately presented in the balance sheet without mutual offset. However, the net amount after mutual offset shall be presented in the balance sheet if all of the following conditions are satisfied:

1. The Company has legal rights to offset the recognized amounts, and such legal right is currently enforceable;

2. The Company plans do settlement with net amounts, or to cash the financial assets and settle the financial liability simultaneously.

For a financial asset transferred that does not meet the conditions for de-recognition, the transferor shall not offset the financial asset transferred with relevant liabilities.

(VI) Equity instruments

Equity instruments refer to contracts that can prove the ownership of remaining equity of the Company's assets after the deduction of all liabilities. The Company issues (refinance), repurchases, sells or cancels equity instruments as a handling of changes in equity. The Company shall not recognize the changes in the fair value of equity instruments. Expenses related to equity transaction shall be deducted from the value of equity. The Company shall treat the distribution to holders of equity instruments as profit distribution, and the stock dividends issued shall not affect the total shareholders' equity.

The special financial instruments issued by an entity controlled by the Company, which meet the definition of financial liabilities, and meet the conditions specified in the standards for being classified as equity instruments, shall be classified as financial liabilities in the corresponding part of minority equity in the consolidated financial statements of the Company.

(VII) Method for determining fair values of financial instruments

The fair value of a financial instrument, for which there is an active market, shall be determined on the basis of quoted price in the active market. The fair value of a financial instrument, for which there is no active market, shall be determined by using valuation techniques. At the time of valuation, the Company shall adopt the techniques that are applicable in the current situation and supported by enough available data and other information, select the input values that are consistent with the features of assets or liabilities as considered by market participants in relevant asset or liability transactions, and give priority to use relevant observable inputs as soon as possible. Unobservable inputs shall be used only under the circumstance when it is impossible or unobservable inputs to obtain relevant observable inputs.

At the time of initial recognition, if the fair value of a financial asset or financial liability is determined by the quoted price of the same asset or liability in the active market or by any other method other than the valuation technique that only uses observable market data, the Company shall defer the difference between the fair value and the transaction price. After initial recognition, the Company shall recognize the deferred difference as the gain or loss in the corresponding accounting period according to the change degree of a certain factor in the corresponding accounting period.

(VIII) Impairment of financial assets

For financial assets measured at amortized cost, debt investments measured at fair value through other comprehensive income, etc., the Company shall recognize the loss provisions based on the expected credit loss.

1. Method for determining the provision for impairment

On the basis of reasonable and reliable information such as past events, current situation and forecast of future economic situation, the Company shall, with the risk of default as the weight, calculate the probability weighted amount of the present value of the difference between the cash flow receivable in the contracts and the cash flow expected to be received, and recognize the expected credit loss.

(1) General treatment method

On each balance sheet date, the Company shall measure the expected credit losses of financial instruments at different stages separately. If the credit risk of a financial instrument does not increase significantly after initial recognition, it is in the first stage, and the Company shall measure the loss provisions according to the expected credit loss in the next 12 months. If the credit risk of a financial instrument has increased significantly but no credit impairment has occurred since the initial recognition, it is in the second stage and the Company shall measure the loss provisions according to the expected credit loss of the instrument in the whole duration. If the credit impairment of the financial instrument has occurred since the initial recognition, it is in the third stage, and the Company shall measure the loss provisions according to the expected credit loss of the instrument in the whole duration. For a financial instrument with lower credit risk on the balance sheet date (such as fixed deposits in commercial banks with high credit rating and financial instruments with external credit rating above "investment grade"), the Company shall assume that its credit risk has not increased significantly since the initial recognition, and measure the provision for loss according to the expected credit losses in the next 12 months.

(2) Simplified treatment method

For accounts receivable, contract assets and notes receivable related to income, if they do not contain major financing elements or the financing elements in the contracts of no more than one year are not considered, the Company shall measure the loss provision according to the expected credit loss of the whole duration.

2. Criteria for judging whether credit risk has increased significantly since initial recognition

If the default probability of a financial asset in the expected duration determined on the balance sheet date is significantly higher than that in the expected duration determined on the initial recognition, it indicates that the credit risk of the financial asset increases significantly.

No matter how the Company evaluates whether the credit risk of a financial asset increases significantly, if the contract payment is overdue for more than 30 days (inclusive), it can be presumed that the credit risk of the financial asset increases significantly, unless the Company can obtain reasonable and based information at a reasonable cost to prove that the credit risk does not increase significantly even if it is overdue for more than 30 days.

Except for special circumstances, the Company shall use the change of default risk in the next 12 months as a reasonable estimate of the change of default risk in the whole duration to determine whether the credit risk has increased significantly since the initial recognition.

3. Method and basis for determining portfolios for evaluating credit risk

The Company shall evaluate the credit risk of notes receivable, accounts receivable, contract assets and other receivables with the following characteristics separately, such as those in dispute over the opposite party or are involved in relevant litigation or arbitration, those where there is obvious indication showing that the debtor probably cannot fulfil the repayment obligation.

When it is impossible to evaluate the expected credit loss of a single financial asset at a reasonable cost, the Company shall classify the account receivable into several portfolios according to the characteristics of credit risk, and calculates the expected credit loss on the basis of the portfolios. The basis for determining the portfolios is as follows:

Name of portfolio	Provision method
Portfolio of bank acceptance bill Portfolio of commercial acceptance bill	The acceptors of bank acceptance bills are all commercial banks, which have high credit and has low probability to not pay the bills due, so the provisions for expected credit loss is not made. For commercial acceptance bills, the Company shall calculate expected credit losses by the exposure at default and the expected credit loss rate for the entire duration by reference to the historical credit loss experience and in combination with the current situation and the forecast of future economic conditions.
Account receivables portfolio 1 (Credit risk portfolio such as accounts receivable) Account receivables portfolio 2 (Risk free portfolio of receivables from related parties within the consolidation scope). .	For the accounts receivable classified into the portfolio 1, the Company shall calculate expected credit losses by preparing a comparison table of the aging of accounts receivable and the expected credit loss rate for the entire duration by reference to the historical credit loss experience and in combination with the current situation and the forecast of future economic conditions. For accounts receivable classified into the portfolio 2, no provision for bad debts shall be made.
Other receivables portfolio 1 (Portfolios of credit risks such as deposit receivable, margin, advances, current account, etc.) Other receivables portfolio 2 (Risk free portfolio of receivables from related parties within the consolidation scope). .	For the other receivables classified into the portfolio 1, the Company calculates expected credit losses by the exposure at default and the expected credit loss rate within the next 12 months or for the entire duration by reference to the historical credit loss experience and in combination with the current situation and the forecast of future economic conditions. For other receivables classified into the portfolio 2, no provision for bad debts shall be made.

The Company shall include the loss provision withdrawn or reversed into the current profit or loss. For the debt instruments that are measured at fair value through other comprehensive income, the Company shall adjust other comprehensive income while recording the impairment loss or gain into the current profit or loss.

11. Inventories

(I) Classification of inventories

Inventories of the Company are classified into raw materials, revolving materials (including packaging materials and low-value consumables), products in process, goods in stock (finished products), goods dispatched, etc.

(II) Method for measuring inventories dispatched

Inventories dispatched shall be accounted by the method of weighted average.

(III) Basis for determining net realizable value of inventories and method for making provision for inventory depreciation

1. Basis for determining net realizable values of inventories

(1) For any inventory directly used for sale, such as goods in stock (finished goods) and materials for sale, its net realizable value shall be determined by the amount of the estimated selling price of the inventory minus the estimated sales expenses and relevant taxes and fees during the normal production and operation process.

(2) For material inventories required to be processed, their net realizable values are recognized at the estimated selling prices of finished goods minus estimated costs until completion, estimated selling expenses and relevant taxes and surcharges in the normal production and operation process.

(3) For inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the Company, the net realizable value of the excess portion of inventories shall be based on general selling prices.

(4) For materials held for the purpose of production, where the net realizable value of finished goods made of these materials is greater than the cost thereof, these materials shall be still measured at the cost; where the net realizable value of finished goods is less than the cost thereof which is indicated by the decrease of material price, these materials shall be measured at the net realizable value.

2. Method for making provision for inventory depreciation

(1) The Company shall make provision for inventory depreciation according to the cost of a single inventory or its net realizable value, whichever is lower.

(2) For inventories with large quantity and low unit price, the Company shall make provision for inventory depreciation according to inventory categories.

(3) For the inventories related to the series of products manufactured and sold in the same area, and of which the final use or purpose is identical or similar thereto, and if it is difficult to measure them by separating them from other items, the provision for inventory depreciation shall be made on a combination basis.

(IV) Inventory system

The Company shall adopt perpetual inventory system, and conduct regular physical inventory.

(V) Method for amortizing revolving materials

1. Methods for amortizing low-value consumables

The Company shall amortize the low-value consumables at the writing-off method.

2. Method for amortizing packaging materials

The Company shall amortize the packing materials at the writing-off method.

12. Contract assets

Contract assets refer to the right of the Company to receive consideration for the goods it has transferred to its customers, and such right depends on factors other than the passage of time. The contract assets of the Company mainly include completed and unsettled assets and quality assurance fund. The contract assets and liabilities under the same contract shall be presented in net amount, and the contract assets and liabilities under different contracts shall not be used to mutually offset.

For the method for determination and accounting treatment of expected credit loss of contract assets, please refer to Note XI (8) "Impairment of financial assets" for details.

13. Contract cost

Contract cost is classified into contract performance cost and contract acquisition cost.

If the cost incurred by the Company in performing the contract meet the following conditions, the contract performance cost shall be recognized as an asset:

1. The cost is directly related to a current or expected contract.

2. The cost increases the resources that the Company will use to fulfill its performance obligations in the future.

3. The cost is expected to be recovered.

If the Company expects to recover the incremental costs incurred to obtain the contract, the contract acquisition cost shall be recognized as an asset.

Assets related to contract cost shall be amortized on the same basis as the income from goods or services related to the assets. However, if the amortization period of contract acquisition cost is less than one year, the Company shall include it in the current profit or loss when it occurs.

If the book value of assets related to contract cost is higher than both of the following two differences, the Company shall make provision for impairment for the exceeding part and recognize it as losses from asset impairment:

1. the remaining consideration that the Company is expected to obtain by transferring the goods related to the asset;

2. estimated costs to be incurred for the transfer of the relevant goods.

If the above provision for impairment of an asset is subsequently reversed, the book value of the asset after reversal shall not exceed the book value of the asset on the reversal date without provision for impairment.

14. Assets held for sale

(I) Assets held for sale

1. Scope of non-current assets or disposal groups held for sale

When the Company recovers its book value mainly through selling but not continuously using a non-current asset or disposal group, such non-current asset or disposal group shall be classified into the category of assets held for sale.

A disposal group refers to a group of assets that are disposed of as a whole through sale or other means in a transaction, and liabilities that are transferred and directly related to those assets in the transaction.

2. Conditions for determining non-current assets or disposal groups held for sale

The Company shall classify the non-current assets or disposal groups meeting all the following conditions into the held-for-sale category:

(1) According to the general practice for selling such kind of asset or disposed asset portfolio in the similar transaction, the asset or portfolio can be immediately sold in the prevailing circumstance;

(2) The sale of the asset or portfolio is very likely to happen, which means that the Company has made a resolution for one selling plan and had acquired decided purchase commitment, and it is estimated that the sale will be completed within one year. Where the sale can be done only upon the approval of relevant authorities or regulatory authorities of the Company as required by relevant provisions, the approval has been obtained.

3. Accounting treatment and presentation of non-current assets and disposal groups held for sale

Before the Company initially classifies the non-current assets or disposal groups into the category of assets held for sale, the book value of various assets and liabilities in non-current assets or disposal groups shall be measured in accordance with the relevant accounting standards.

When a non-current asset or disposal group held for sale is re-measured at the initial measurement or balance sheet date, if the book value thereof is higher than the net amount of the fair value less the sale cost, the book value shall be written down to the net amount of the fair value less the sale cost, and the write-down amount shall be recognized as the loss from asset impairment and included in the current profit or loss; meanwhile, the provision for impairment of assets held for sale shall be made. For the amount of losses from asset impairment recognized by the disposal groups held for sale, the book value of goodwill in disposal groups shall be firstly offset, and then according to the proportion of various non-current assets in disposal groups, the book value thereof shall be offset pro rata. Non-current assets held for sale shall not be subject to depreciation or amortization.

The non-current assets held for sale or the assets in the disposal group held for sale and the liabilities in the disposal group held for sale shall not offset each other, and shall be presented as current assets and current liabilities respectively.

Where the Company loses the control over a subsidiary due to the sale of its investment in the subsidiary or other reasons, whether the Company retains part of equity investments after the sale, when the investment in the subsidiary to be sold satisfies the conditions for classifying as the assets held for sale, the investment in the subsidiary will be wholly divided into the category of the assets held for sale in individual financial statements of the parent company, and all assets and liabilities of the subsidiary will be classified into the category of assets and liabilities held for sale in the consolidated financial statements.

(II) Discontinued operation

Discontinued operations refer to the component meeting any of the following conditions that can be separately distinguished and that has been disposed or classified as held for sale by the Company:

1. the component represents a separate major line of business or geographical area of operations;

2. the component is a part of the plan on intended disposal of an independent major business or a sole major business area; or

3. the component is a subsidiary acquired only for re-sale.

15. Long-term equity investments

(I) Determination of initial costs of long-term equity investments

1. For the long-term equity investments formed by business combination, their initial investment costs shall be determined following the accounting treatment method of business combination under the common control and that not under the common control under Note III.5

2. For long-term equity investments acquired through methods other than business combination, their investment costs shall be determined in accordance with the following ways:

(1) For long-term equity investments acquired from payment in cash, their initial investment cost shall be the actually paid purchase cost. Initial investment cost shall include expenses, taxes and other necessary expenses that are directly related to the acquisition of long-term equity investments.

(2) For long-term equity investments acquired from issuance of equity securities (equity instruments), their initial investment cost shall be the fair value of the issued equity securities (equity instruments). If there is conclusive evidence that the fair value of a long-term equity investment obtained is more reliable than that of the equity security (equity instrument) issued, the initial investment cost shall be determined based on the fair value of the long-term equity investment invested by the investor. The expenses directly related to the issuance of equity securities (equity instruments),

including handling charges and commissions, shall be offset by the issuance premium. If the premium is insufficient to offset, the surplus reserve and Retained earnings shall be offset in turn. The long-term equity investments obtained through the issuance of debt securities (debt instruments) shall be treated as if that through the issuance of equity securities (equity instruments).

(3) For a long-term equity investment obtained through debt restructuring, the Company shall take the fair value of the shares which the debt is converted into as its initial investment cost.

(4) For a long-term equity investment obtained through exchange of non-monetary assets, if the exchange of non-monetary assets has commercial substance, and the fair values of assets traded out and traded in can be measured reliably, the Company shall determine the initial investment cost of the long-term equity investment based on the fair values of the assets traded out, unless there is any conclusive evidence that the fair values of the assets traded in are more reliable. If the exchange of non-monetary assets does not meet the above criteria, the Company shall recognize the book value of the assets traded out and relevant taxes and surcharges payable as the initial investment cost of the long-term equity investment traded in.

The expenses, taxes and other necessary expenses directly related to the acquisition of a long-term equity investment incurred by the Company shall be included in the initial investment cost of the long-term equity investment.

No matter how the Company obtains a long-term equity investment, the cash dividends or profits declared but not distributed included in the actual payment or consideration shall be accounted separately as dividends receivable and shall not constitute the cost of the long-term equity investment.

(II) Method for subsequent measurement, and recognition of profit or loss, of long-term equity investments

1. Long-term equity investment accounted for under the cost method

(1) The Company shall measure long-term equity investments that can exercise control over the investee, that is, the investments in the subsidiaries, with the cost method.

(2) For a long-term equity investment calculated under the cost method, except for the cash dividends or profits declared but not yet paid included in the price or consideration actually paid at the time of acquisition of the investment, the Company shall recognize investment income according to the dividends or profits declared by the investee regardless of whether it is the net profit realized by the investee before and after the investment.

2. Long-term equity investments calculated under the equity method

(1) Equity method shall be adopted for the accounting of the joint ventures and associates that the Company has joint control over or significant influence on the investees.

(2) For a long-term equity investment measured under the equity method, if its initial investment cost is higher than the Company's attributable share of the fair value of the investee's identifiable net assets, no adjustment shall be made to the initial costs of the long-term equity investment; if the initial investment cost is lower than the Company's attributable share of the fair value of the investee's identifiable net assets, the difference shall be recognized in current profit and loss and at the same time the adjustment will be made to the initial investment cost of the long-term equity investment.

(3) After a long-equity investment is acquired, the Company shall, according to the shares of net profit and loss and other comprehensive income realized by the investee which the Company shall enjoy or bear, recognize the profit and loss on the investment and other comprehensive income and adjust the book value of the long-term equity investment. When recognizing the share of net profit or loss of the investee that the Company shall enjoy, based on fair value of identifiable net assets of the investee while acquiring the investment, the Company should confirm such share after adjusting the investee's net book profit. However, if the Company is unable to reasonably determine the fair value of the investee's identifiable assets at the time of obtaining the investment, or the difference between the fair value of the investee's identifiable assets at the time of investment and its book value is small, or the relevant information of the investee cannot be obtained due to other reasons, the Company shall directly calculate and recognize the investment profit and loss on the basis of the net book profit and loss of the investee. The Company shall, in the light of the cash dividends or profits that the investee declares to distribute, calculate the part it should share and reduce the book value of the long-term equity investment correspondingly. For other changes in owner's equity of the investee excluding net losses or profits, other comprehensive income or profit distribution, the Company shall adjust the book value of the long-term equity investment and include it in owner's equity.

When the Company recognizes the investment income generated from the investment in joint ventures and associates, the gain and loss of internal transactions that are not realized arising among the Company, the associates, and joint ventures shall be offset at the part attributable to the Company and the investment income shall be recognized on that basis. Where the losses from internal transactions between the Company and the investee fall into the scope of assets impairment loss, the full amount of such losses shall be recognized. The Company shall also offset the unrealized internal transaction profits and losses between the subsidiaries included in the consolidation scope and their associates and joint ventures according to the above principles, and recognize the investment profits and losses on this basis.

When the Company recognizes the losses of the investee that it should share, treatment shall be done in following sequence: firstly, the book value of the long-term equity investment shall be reduced; secondly, where the book value is insufficient to cover the losses, the investment losses shall be recognized to the extent of book value of other long-term equity which form net investment in the investee in substance and the book value of long term receivables shall be reduced; finally, after all the above treatments, if the Company is still responsible for any additional liabilities in accordance with the provisions stipulated in the investment contracts or agreements, Provisions shall be recognized and included into the current investment loss according to the obligations estimated to undertake. If the investee achieves profit in subsequent periods, the Company shall, after deducting any unrecognized investment losses, reduce book value of Provisions recognized, restore book values of other long-term equity which form net investment in the investee in substance, and of long-term equity investment according to the reversed sequence described above, and recognize investment income at the same time.

(III) Basis for determining there is a common control or significant influence over the investee

1. Basis for determining there is a common control over the investee

Joint control refers to the control shared over an arrangement in accordance with the relevant stipulations, and the decision-making of related activities of the arrangement should not be made before the party sharing the control agrees to the same. The related activities of an arrangement usually include the sale and purchase of goods or services, the management of financial assets, the purchase and disposal of assets, research and development activities and financing activities. Joint venture refers to those joint venture arrangements under which the Company is just entitled to the net assets. Those joint venture arrangements under which the parties thereto are entitled to relevant assets and be responsible for relevant liabilities are joint operation rather than joint venture.

2. Basis for determining the significant influence over the investee

Significant influence refers to the power to participate in making decisions on the financial and operating policies of the investee, but not the power to control, or jointly control, the formulation of such policies with other parties. Where the Company can exercise significant influence over the investee, the investee is an associate of the Company.

16. Fixed assets

(1) Recognition criteria

Fixed assets shall be recognized only when all of the following criteria are satisfied: ① It is probable that the economic benefits related to the fixed assets will flow into the Company; and ② the costs of the fixed assets can be measured reliably. If the subsequent expenditures relevant to a fixed asset meet the recognition criteria of fixed assets, they shall be included in the cost of fixed asset; otherwise, they shall be included in the profit and loss of the current period.

(2) Depreciation method

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

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

1. Basis for recognition of fixed assets acquired under finance lease

On the commencement date of the lease term, the Company shall recognize leased fixed assets that meet the finance lease standards as fixed assets acquired under finance lease.

2. Method for valuation of fixed assets acquired under finance lease

On the commencement date of the lease, the Company shall regard the lower of the fair value of the leased assets and the present value of the minimum lease payments on the commencement date of the lease and the initial direct costs incurred as the entry value of the assets acquired under finance lease, and regard the minimum lease payments as the entry value of the long-term payable, and shall regard the difference between the lower of the fair value of the leased assets and the present value of the minimum lease payments on the commencement date of the lease and the minimum lease payments as the unrecognized financing costs. The unrecognized financing costs shall be amortized to each period during the lease term by using the effective interest method.

3. Method for depreciation of fixed assets acquired under finance lease

The provision for depreciation of leased assets shall be made subject to the depreciation policies consistent with self-owned fixed assets. Where it can be reasonably certain that the Company will obtain ownership of the leased asset at the expiry of the lease term, the leased assets shall be depreciated over the remaining useful life; where it cannot be reasonably certain that ownership of the leased asset at the end of the lease term, the leased assets shall be depreciated at the lease term or the remaining useful life of the leased assets, whichever is shorter.

17. Construction in progress

(I) Classification of construction in progress

Construction in progress is measured on an individual basis.

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

The total expenditures incurred before construction in progress reaching the working condition for their intended use shall be taken as the entry value of the fixed assets. Self-operated projects are measured in accordance with costs of direct materials, direct labor and direct mechanical construction, etc.; the contracted projects are measured in accordance with the project price payable, etc. The borrowing costs that meet the capitalization conditions incurred before the project funded by borrowed money reaches the working conditions for its intended use shall be capitalized and included in the cost of construction in progress.

The fixed assets built by the Company, which have reached the working conditions for its intended use but for which the final accounts of completed project have not been made, shall be transferred to fixed assets according to the estimated value of the project budget, construction costs or actual costs from the date when the fixed assets reach the working conditions for its intended use; 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

(I) Scope of borrowing costs

The Company's borrowing costs include the interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange balance on foreign currency borrowings.

(II) Principle for recognizing borrowing costs

The borrowing costs incurred to the Company and directly attributable to the acquisition and construction or production of assets eligible for capitalization shall be capitalized and included in relevant asset costs; other borrowing costs shall be recognized as costs according to the amount incurred and be included in the current profit and loss.

Assets eligible for capitalization include the fixed assets, investment property, inventories and other assets which may reach their intended use or sale status only after long-time acquisition and construction or production activities.

(III) Determination of the period of capitalization of borrowing costs

1. Determination of the time when borrowing costs begin to be capitalized

The borrowing costs shall begin to be capitalized when the asset expenditures have occurred, borrowing costs have incurred, and the acquisition, construction or production activities necessary for the assets to reach the expected usable or saleable state have begun. The asset expenditures include those incurred by cash payment, the transfer of non-cash assets or the undertaking of interest-bearing debts for acquiring and constructing or producing assets eligible for capitalization.

2. Determination of the time when borrowing costs suspended to be capitalized

If the acquisition, construction or production of an asset eligible for capitalization is abnormally interrupted and the interruption exceeds 3 consecutive months, the capitalization of borrowing costs shall be suspended. The Company shall recognize the borrowing costs incurred during the interruption period as current profit and loss, and the borrowing costs resume to be capitalized until the acquisition, construction or production activities of the asset restart. If the interruption is the necessary procedure for the acquired, constructed or produced assets eligible for capitalization to reach the intended usable or saleable state, the capitalization of borrowing costs shall be resumed.

3. Determination of the time when borrowing costs cease to be capitalized

Capitalization of borrowing costs should be ceased when the acquired and constructed or produced assets eligible for capitalization have reached their intended usable or saleable state. The borrowing costs incurred after the assets eligible for capitalization reached the intended usable or saleable state, when incurred, shall be recognized as current profit and loss based on the amount incurred.

If each part of the acquired, constructed or produced asset eligible for capitalization is completed separately, each completed part may be used or sold externally during the continued construction of other parts, and the acquisition and construction or production activities which are necessary for such part to reach intended usable or saleable state have been substantially completed, the capitalization of the borrowing costs related to such part of the asset shall be ceased; if each part of the acquired, constructed or produced asset is completed separately, but each completed part may be used or sold externally only after the entire construction is completed, the capitalization of the borrowing costs shall be ceased after the entire asset is completed.

(III) Determination of the capitalized amount of borrowing costs

1. Determination of the capitalized amount of interest on borrowings

Within the capitalization period, the capitalized amount of interest (including the amortization of discounts or premiums) in each accounting period shall be determined in accordance with the following provisions:

(1) 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 as a temporary investment.

(2) Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the Company shall calculate and determine the capitalized amount of interests on the general borrowing 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.

(3) As for borrowings with discount or premium, the to-be-amortized discount or premium in each accounting period shall be recognized by effective interest rate method, and the interest for each period shall be adjusted.

(4) During the period of capitalization, the capitalized amount in each accounting period shall not exceed the amount of interest actually incurred on the relevant borrowings in the current period.

2. Determination of the capitalized amount of auxiliary borrowing costs

(1) For the ancillary borrowing costs incurred to a special borrowing, those incurred before an asset eligible for capitalization under acquisition reaches to the intended usable or saleable state shall be capitalized at the incurred amount when they are incurred, and shall be included in the costs of the asset eligible for capitalization; those incurred after an asset eligible for capitalization under acquisition reaches to the intended usable or saleable state, it shall be included in the current profit and loss.

(2) Auxiliary costs incurred during general borrowings shall be recognized as expenses based on the amount incurred when they are incurred, and shall be included in the current profit and loss.

3. Determination of the capitalized amount of exchange differences

During the capitalization period, the exchange difference between the principal and interest of the foreign currency special borrowing shall be capitalized and included in the cost of the assets eligible for capitalization.

19. Intangible assets

(1) Valuation method, useful life and impairment test

(I) Initial measurement of intangible assets

1. Initial measurement of purchased intangible assets

The cost of a purchased intangible asset includes the purchase price, relevant taxes and other necessary expenditures which may be directly attributable to brining the intangible asset to the conditions for the intended purpose. If the purchase price an intangible asset is delayed beyond the normal credit conditions and it is of the financing nature, the cost of the intangible asset shall be determined on the basis of the present value of the purchase price. The difference between the actual price and the present value of the purchase price shall be included in the current profit and loss within the credit period, except for those that should be capitalized.

2. Initial measurement of the self-developed intangible assets

The cost of self-developed intangible assets shall be determined according to the total expenditure incurred from the time the capitalization conditions are met to before the intended use is reached, and the expenditures that have been expensed in the previous period shall not be adjusted.

For intangible assets developed by the Company, the expenditures in the research phase shall be included in the current profit and loss when incurred; the expenditures in the development phase that do not meet the capitalization conditions shall be included in the current profit and loss when incurred and those that meet the capitalization conditions shall be recognized as an intangible asset. Where there is no way to distinguish the research expenditures from the development expenditures, the research and development expenditures incurred shall all be included in the current profit and loss.

(II) Subsequent measurement of intangible assets

When the Company acquires an intangible asset, it shall analyze and judge its useful life. The Company divides the acquired intangible assets into intangible assets with finite useful lives and intangible assets with infinite useful lives.

1. <u>Subsequent measurement of intangible assets with finite useful lives</u>

The Company adopts the straight-line method to amortize the intangible asset with finite useful life within its useful life from the time it reaches its intended use, and no residual value will be reserved. The amortization amount of intangible assets is usually included in the current profit and loss; if the economic benefits contained in an intangible asset are realized through the products or other assets produced, the amortization amount shall be included in the cost of the related assets.

The categories, estimated useful lives, estimated net residual value rate and annual amortization rate of intangible assets are listed as follows:

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

On the balance sheet date, the useful life and amortization method of intangible assets with finite useful lives shall be reviewed.

2. <u>Subsequent measurement of intangible assets with infinite useful lives</u>

The Company does not amortize the intangible assets with infinite useful lives during the holding period.

(III) Estimation of the useful lives of intangible assets

1. For an intangible asset derived from contractual rights or other statutory rights, its useful life shall not exceed the period of the contractual rights or other statutory rights; if the contractual rights or other statutory rights are extended due to contract renewal when they expire and there is evidence to show that the Company does not need to pay a large amount of cost to renew the contract, the renewal period shall be included in the useful life.

2. If the contract or law does not stipulate the useful life, the Company shall consider all aspects of the Company's situation and determine the period during which the intangible asset can bring economic benefits to the Company through methods such as hiring relevant experts for demonstration or comparison with the situation in the same industry and referring to the Company's historical experience.

3. If it is still unable to reasonably determine the period during which the intangible asset can bring economic benefits to the Company through the above method, the intangible asset shall be regarded as an intangible asset with an indefinite useful life.

(IV) Specific standards for dividing the research phase and development phase of the Company's internal R&D projects

According to the actual situation of research and development, the Company divides R&D projects into research phase and development phase.

1. <u>Research phase</u>

The research phase refers to the phase of original planned investigations and research activities in order to acquire and understand new scientific or technical knowledge.

2. <u>Development phase</u>

The development phase refers to the phase in which research results or other knowledge are applied to a certain plan or design to produce new or substantially improved materials, devices, products and other activities before commercial production or use.

Expenditures in the research phase of internal R&D projects shall be included in the current profit and loss when they occur.

(V) Expenditure in the development phase meets the specific criteria for capitalization

Expenditures in the development phase of internal R&D projects shall be recognized as intangible assets when the following conditions are met simultaneously:

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

2. It is intended to finish and use or sell the intangible asset;

3. 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;

4. 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; and

5. The expenditure attributable to the development phase of the intangible asset can be reliably measured.

(VI) Treatment of land use rights

1. The land use rights obtained by the Company are usually recognized as intangible assets, but if the purpose of the land use rights is changed for earning rent or capital appreciation, they shall be converted into investment properties.

2. If the Company develops and constructs factories and other buildings on its own, and the related land use rights shall be treated separately from the buildings.

3. The price paid for the purchased land and buildings shall be allocated between the buildings and the land use rights; if it is difficult to allocate them reasonably, all of it shall be regarded as fixed assets.

(2) Accounting policies for internal R&D expenditures

Expenditures in the development phase can be recognized as intangible assets only when the following conditions are met simultaneously:

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

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

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; and

E. The expenditure attributable to the development phase of the intangible asset can be reliably measured.

20. Long-term asset impairment

If any indication shows that the long-term equity investments, investment properties measured under the cost method, fixed assets, construction in progress, intangible assets with finite useful lives and other long-term assets may be impaired on the balance sheet date, an impairment test shall be conducted. If the results of the impairment test indicate that the recoverable amount of the assets is lower than the book value thereof, the difference between the recoverable amount and the book value shall be taken as the basis for making a provision for impairment and shall be included in the impairment loss. The recoverable amount is the higher of the net amount of the fair value of the asset less disposal expenses or the present value of its estimated future cash flows. The provision for asset impairment shall be calculated and recognized based on the individual assets. If it is difficult to estimate the recoverable amount of the individual asset, the Company shall estimate the recoverable amount of the asset group that the asset belongs to. The asset group refers to a minimum asset group which can generate cash inflows independently.

The Company shall conduct an impairment test at least at the end of each year for goodwill and intangible assets with infinite useful lives, regardless of whether there are signs of impairment.

When the Company conducts an asset impairment test, the book value of goodwill arising from business combinations shall be amortized to relevant asset groups with a reasonable method since the date of acquisition; or amortized to relevant combination of asset groups if it is difficult to be amortized to relevant asset groups. The book value of goodwill shall be amortized to relevant asset groups or combinations of asset groups according to the proportion of the fair value of such asset groups or combinations of asset groups in the total fair value of relevant asset groups or combinations of asset groups. Where the fair value is difficult to be reliably measured, it shall be amortized according to proportion of the book value of each asset group or combination of asset group in the total book value of relevant asset groups or combinations of asset groups. When making an impairment test on the relevant asset groups or combination of asset groups containing goodwill, if any indication shows that the asset groups or combinations of asset groups related to the goodwill may be impaired, the Company shall first conduct an impairment test on the asset groups or combinations of asset groups not containing goodwill, calculate the recoverable amount and compare it with the relevant book value to recognize the corresponding impairment loss. Then, the Company shall conduct an impairment test on the asset groups or combinations of asset groups containing goodwill, and compare the book value of these asset groups or combinations of asset groups (including the book value of the goodwill apportioned thereto) with the recoverable amount. Where the recoverable amount of the relevant asset groups or combinations of asset groups is lower than the book value thereof, the Company shall recognize the impairment loss of the goodwill.

The impairment loss of goodwill shall be included in the current profit and loss when incurred and will not be reversed in the subsequent accounting periods.

21. Long-term deferred expenses

(I) Scope of long-term deferred expenses

Long-term deferred expenses are various expenses already incurred, which shall be amortized over current and subsequent accounting periods with the amortization period more than one year (exclusive), including the expenditures caused by the improvement of fixed assets acquired under finance lease, etc.

(II) Initial measurement of long-term deferred expenses

Long-term deferred expenses are initially measured in accordance with the actual expenditures incurred.

(III) Amortization of long-term deferred expenses

Long-term deferred expenses are amortized by stages based on the benefit period by using the straight-line method.

22. Contract liabilities

Contract liabilities refer to the Company's obligations to transfer goods to customers for the consideration received or receivable from customers. If, before the Company transfers the goods to the customer, the customer has already paid the contract consideration or the Company has obtained the unconditional right of collecting the purchase price, the Company shall record the received or receivable amount as the contract liabilities at the time when the customer makes the payment actually or when the payment is due, which is earlier. The contractual assets and contract liabilities under the same contract shall be recorded in net amount, and contractual assets and contract liabilities under different contracts shall not be offset.

23. Employee compensation

(1) Accounting treatment of short-term compensation

Employee compensation includes short-term compensation, post-employment benefits, dismissal welfare and other long-term employee benefits.

(I) Short-term compensation

The term "short-term compensation" refers to employee compensation that is required to be fully paid within 12 months upon the expiry of annual reporting period, during which the services are provided by the employee, excluding the compensation for termination of labor relation with employees.

Short-term compensation specifically includes employee wages, bonuses, allowances and subsidies, cost of employee benefits, cost of social insurance such as medical insurance, work-related injury insurance and maternity insurance, housing fund payments, labor union operating costs and employee education costs, short-term compensated absences, short-term profit-sharing plans, non-monetary benefits and other short-term compensation.

During the accounting period of an employee's providing services, the Company shall recognize the actual short-term compensation as liabilities and shall include it in the current gains and losses or relevant asset costs.

(2) Accounting treatment of post-employment benefits

The defined contribution plan that the Company participates in is the basic old-age insurance premiums, unemployment insurance premiums, and corporate annuity premiums paid for employees in accordance with relevant regulations. The amount that shall be deposited by the Company on the balance sheet date in exchange for the service provided by the employees during the accounting period shall be recognized as employee compensation liabilities and shall be included in the current profit and loss or the cost of related assets.

(3) Accounting treatment of dismissal welfare

The term "dismissal welfare" refers to indemnity provided by enterprises for employees for the purpose of terminating labor relation with the employees before the expiry of the labor contract or encouraging employees to accept downsizing voluntarily. 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, and

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

(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.

24. Provisions

(I) Principle for recognizing Provisions

When the obligations related to contingent events such as external guarantees, pending litigation or arbitration, product quality assurance, loss-making contracts, restructuring, etc., meet the following three conditions simultaneously, they shall be recognized as Provisions:

The said obligation is a present obligation of the Company;

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

The amount of the obligation can be measured reliably.

(II) Method for measuring Provisions

The amount of Provisions is measured in accordance with the best estimate of the expenditure required for the contingent event.

1. Where there is a continuous range of required expenditures and the probability of occurrence of various results in this range is the same, the best estimate shall be determined according to the median value in this range.

2. Under other circumstances, the best estimate shall be dealt with in the following cases:

(1) If a contingent event involves a single item, it shall be determined according to the amount that is most likely incurred.

(2) If a contingent event involves multiple items, it shall be determined according to the various possible results and related probabilities

25. Share-based payment

Share-based payment may be divided into equity-settled share-based payment and cash-settled share-based payment.

(I) Accounting treatment on the grant date

Except for the share-based payment for which the rights may be immediately exercised, the Company will not perform any accounting treatment on the grant date, regardless of whether the equity-settled share-based payment or the cash-settled share-based payment.

(II) Accounting treatment on each balance sheet date during the waiting period

On each balance sheet date during the waiting period, the Company will include the services obtained from by employees or other parties in the costs and expenses, and recognize owner's equity or liabilities at the same time.

For share-based payments with market conditions, as long as the employee meets all other non-market conditions, the services that have been obtained shall be recognized. If the performance conditions are non-market conditions, and after the waiting period is determined, if the follow-up information indicates that it is necessary to adjust the estimate of the information about the exercisable right, the previous estimate shall be revised.

For equity-settled share-based payment involving employees, it shall be included in costs and capital reserves (other capital reserves) according to the fair value of the equity instruments on the grant date, and the subsequent changes in fair value will not be recognized; for cash-settled share-based payment involving employees, it shall be re-measured according to the fair value of the equity instruments on each balance sheet date to determine the costs and expenses and Employee benefits payable.

On each balance sheet date during the waiting 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.

Based on the fair value of the above equity instruments and the number of equity instruments that are expected to be exercisable, calculate the cumulative amount of costs and expenses that should be recognized as of the current period, and subtract the cumulative amount that has been recognized in the previous period, the remaining amount shall be taken as the amount of costs and expenses that should be recognized in the current period.

(III) Accounting treatment after the exercisable date

1. For equity-settled share-based payments, no adjustments will be made to the recognized costs and expenses and the total owners' equity after the exercisable date. The Company will recognize the share capital and share capital premium based on the exercise on the exercise day, and carry forward at the same time the capital reserve (other capital reserve) recognized during the waiting period.

2. For cash-settled share-based payments, the Company will no longer recognize the costs and expenses after the exercisable date, and the changes in the fair value of liabilities (Employee benefits payable) will be included in the current profit and loss (profit and loss from changes in fair value).

(IV) Accounting treatment of share repurchase for employee option incentives

Where the Company rewards its employees in the form of share repurchase, when repurchasing shares, the Company will treat the total expenditure of share repurchase as treasury shares and will perform at the same time the registration formalities for future reference. On each balance sheet date during the waiting period, the employee services obtained will be included in the cost and expenses based on the fair value of the equity instrument on the grant date, and the capital reserve (other capital reserve) will be increased simultaneously. When receiving the corresponding price of the shares purchased by an employee by exercising his right, the Company will write off the cost of the inventory shares delivered to the employee and the accumulated amount of the capital reserve (other capital reserve) during the waiting period, and will at the same time increase the capital reserve (share premium) by the difference thereof.

26. Revenue

Accounting policies used in recognizing and measuring revenue

(I) Principles for recognizing and methods for measuring revenue

1. Recognition of revenue

The Company shall recognize the revenue after the Company fulfilled its performance obligations in the contract, that is, when the customer obtains control over the relevant products. On the starting date of the contract, the Company will evaluate the contract, identify each individual performance obligation contained in the contract, and determine whether each individual performance obligation is performed within a certain period of time or at a certain point of time, and then recognize income separately after performed each individual performance obligation.

2. Measurement of revenue

If the contract contains two or more performance obligations, the Company will allocate the transaction price to each individual performance obligation in accordance with the relative proportion of the stand-alone selling price of the goods or services promised by each individual performance obligation on the commencement date of the contract, and will measure the income in accordance with the transaction price allocated to each individual performance obligation. When determining the transaction price, the Company will consider the factors including the impact of variable consideration, significant financing components in the contract, non-cash consideration, and consideration payable to customers, and will assume that the goods will be transferred to the customer in accordance with the existing contract, and the contract will not be cancelled, renewed or changed.

(II) Specific policies on the recognition of revenue

1. Sales of goods

A. Domestic sales: Since the control over the sales of goods will be transferred to the customer when the Company sends out the goods to the customer for acceptance, the sales income shall be recognized after the goods sent out by the Company and accepted by the customer.

B. Overseas sales: The Company shall recognize the sales revenue after the goods have been sent out, the export declaration procedures have been completed and the customs declaration documents have been obtained.

2. Technical services

After completing the corresponding service in accordance with the terms of the technical service contract, and it has been confirmed by the customer, the Company will recognize the income after receiving the price or obtaining the evidence for the collection of the price.

Differences in accounting policies for recognition of revenue caused by the adoption of different business models for similar businesses.

27. Contract liabilities

Assets related to contract costs include contract acquisition costs and contract performance costs.

The cost of contract fulfillment incurred by the company to perform the contract shall be recognized as an asset if the following conditions are met:

(1) The cost is directly related to a current or anticipated contract.

(2) The cost increases the company's resources for future performance obligations.

(3) The cost is expected to be recovered.

The incremental cost incurred by the company in obtaining the contract is expected to be recovered shall be recognized as an asset as the cost of obtaining the contract.

The Company amortizes the asset related to the contract cost on the same basis as the recognition of the revenue of the goods or services related to the asset, and includes it in the profit or cost for the current period. If the book value of the assets related to the contract cost is higher than the difference between the following two items, the Company will make an impairment provision for the excess part and confirm it as the impairment loss of the assets:

(1) The transfer of the goods or services related to the asset less the estimated cost;

(2) Estimated impending costs for the transfer of the related goods or services.

If the impairment provision of the above asset is subsequently reversed, the book value of the asset after reversal shall not exceed the carrying amount the asset would have reached on the date of reversal had the provision for impairment been not made.

28. Government subsidies

(I) Types of government subsidies

Government subsidies refers to monetary or non-monetary assets received by the Company from the government free of charge, including the government subsidies related to assets and government subsidies related to income.

The government subsidies related to assets refer to the government subsidies obtained by the Company to acquire and construct the long-term assets or form the same by other means.

Government subsidies related to income refer to the government subsidies other than those related to assets.

(II) Principles and timing for recognizing government subsidies

Principles for recognizing government subsidies:

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

2. The Company can receive the government subsidies.

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

(III) Measurement of government subsidies

1. If the government subsidies are monetary assets, the Company shall measure the same according to the amount received or receivable.

2. 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 (the nominal amount is RMB1).

(IV) Accounting treatment of government subsidies

1. The government subsidies related to assets may be used to written down the book value of related assets or recognized as deferred income when they are obtained. Those recognized as deferred income 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.

2. The government subsidies related to income shall be handled accordingly as follows:

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

   (2) 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 or be used to offset the related costs at the time of acquisition.

3. For government subsidies containing those related to asset 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.

4. The government subsidies related to the Company's daily operations shall be included in other income or be used to offset the related costs in accordance with the nature of the economic business. The government subsidies irrelevant to the daily activities of the enterprise shall be included in the non-operating income and expenditure. If the finance department directly allocates interest subsidies to the Company, the Company will use the corresponding interest subsidies to offset the relevant borrowing costs.

5. Where the recognized government subsidies need to be returned, they shall be handled as follows:

   (1) 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.

   (2) For those involving relevant deferred income, the book amount of the relevant deferred income shall be offset, and the excess shall be included in the current profit and loss.

   (3) In other circumstances, it shall be directly included in the current profit and loss.

29. Deferred tax assets/Deferred tax liabilities

The Company uses the balance sheet liability method to calculate income tax.

(I) Recognition of Deferred tax assets or Deferred tax liabilities

1. The Company shall determine the tax base of assets and liabilities when acquiring them. On the balance sheet date, the Company shall analyze and compare the book value of assets and liabilities and their tax base. If there is a temporary difference between the book value of assets and liabilities and their tax base, when the relevant temporary difference occurs in the current period and the conditions for recognition are satisfied, the Company shall recognize Deferred tax liabilities or Deferred tax assets for the taxable temporary differences or deductible temporary differences respectively.

2. Recognition basis for Deferred tax assets

(1) Deferred tax assets shall be recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. When determining the taxable income that is likely to be obtained in the future period, it includes the taxable income realized by normal production and business activities in the future period, and the taxable income increased due to the reversal of the taxable temporary difference during the reversal of the deductible temporary difference.

(2) For the deductible losses and tax deductions that can be carried forward in the subsequent years, the Deferred tax assets shall be recognized by the Company accordingly to the extent of taxable income that is likely to offset the deductible losses and tax deductions.

(3) 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.

3. Basis for recognizing Deferred tax liabilities

The Company shall recognize the taxable temporary difference that is due but not paid of the current period and the previous periods as Deferred tax liabilities, but it does not include the temporary differences formed by the goodwill, non-business merger transactions that neither affect accounting profits nor taxable income.

(II) Measurement of Deferred tax assets or Deferred tax liabilities

1. On the balance sheet date, for Deferred tax assets and Deferred tax liabilities, the Company shall, in accordance with the tax law, measure them at the applicable tax rate during the period when the assets are expected to be recovered or the liabilities are expected to be paid off.

2. When the applicable tax rate changes, the Company shall re-measure the recognized Deferred tax assets and Deferred tax liabilities, and include their impact in the income tax expense for the current period of the tax rate change, except for the Deferred tax assets and Deferred tax liabilities arising from transactions or events directly recognized in the owner's equity.

3. When the measuring the Deferred tax assets and Deferred tax liabilities, the Company will adopt the tax rate and tax base consistent with the expected method of recovering assets or paying off liabilities.

4. The Company will not discount the Deferred tax assets and Deferred tax liabilities.

30. Lease

(1) Accounting treatment of operating lease

As a lessee, the Company shall include the rents from operating leases in the relevant asset costs or current profit and loss on a straight-line basis during each period of the lease term, include the initial direct costs incurred in the current profit and loss, and include the contingent rents in the current profit and loss when they actually occur.

As a lessor, the Company shall include the assets used for operating leases in the relevant items in the balance sheet according to the nature of the assets, recognize the rents from operating leases as current profit and loss during each period of the lease period by using the straight-line method for operating leases, include the initial direct costs in the current profit and loss, adopt the depreciation policy of similar assets to make provision for depreciation for fixed assets in operating lease assets, use a systematic and reasonable method for amortization for other operating lease assets, and include the contingent rentals in the current profit and loss when they actually occur.

(2) Accounting treatment of finance lease

As a lessee, the Company shall take the lower of the fair value of the leased asset on the commencement date of the lease and the present value of the minimum lease payment as the entry value of the leased asset and take the minimum lease payment as the entry value of the long-term payable, and take the difference thereof as the unrecognized financing expense, include the initial direct expenses such as handling fees, attorney fees, travel expenses, stamp duty, etc. that occurred during the lease negotiation and during the signing of the lease contract and that can be attributed to the lease item in the value of the leased asset, amortize the unrecognized the financing costs during each period of the lease term, and use the effective interest rate method to calculate and recognize the current financing costs, and include the contingent rents in the current profit and loss when they actually occur.

As a lessor, the Company shall, on the commencement date of the lease term, take the sum of the minimum lease receipt on the commencement date of the lease term and the initial direct cost as the entry value of the finance lease receivable, and record the unguaranteed residual value at the same time, recognize the difference between the sum of the minimum lease receipt, the initial direct cost and the unguaranteed residual value and the sum of their present values as the unrealized financing income, distribute the unrealized financing income during each period of the lease term, use the actual interest rate method to calculate and recognize the current financing income, and include the contingent rent in the current profit and loss when it actually occurs.

31. Other significant accounting policies and accounting estimates

(I) Repurchase of shares

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).

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.

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.

(II) 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.

32. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

√ Applicable □ Not applicable

Content of and reason for changes in accounting policies	Procedures for examination and approval	Remarks
Reason for change: The Ministry of Finance issued the revised Accounting Standards for Business Enterprises No. 14—Revenue (Cai Kuai [2017] No. 22) (the "New Revenue Standards") on July 5, 2017, which requires that the enterprises listed both at home and abroad and the enterprises listed abroad and using IFRS or Accounting Standards for Business Enterprises to prepare their financial statements shall implement the standards from January 1, 2018, and other enterprises listed at home shall implement the standards as of January 1, 2020. The revised contents of the Accounting Standards for Business Enterprises No. 14—Revenue mainly include: incorporating the current income and construction contract into the unified revenue recognition model; taking the transfer of control right instead of the transfer of risk and reward as the basis for determining the time-point of revenue recognition; providing clearer guidance for the accounting treatment of contracts with multiple transaction arrangements; and providing specific provisions on income recognition and measurement of certain specific transactions (or events).	It was approved by the 3rd meeting of the eighth board of directors and the 3rd meeting of the eighth board of supervisors.	Please refer to the Announcement on Changes in Accounting Policies (Announcement No.: 2020-034) disclosed by the Company on April 30, 2020 for details.

(2) Changes in significant accounting estimates

□ Applicable √ Not applicable

(3) Adjustments for relevant items of the financial statements when the New Revenue Standards and the New Lease Standards were firstly implemented in 2020.

Applicable

Is it necessary to adjust the items in the balance sheet as at the beginning of the year?

√ Yes □ No

Consolidated Balance Sheet

Item	December 31, 2019	January 1, 2020	Adjustment amount
Non-current assets:			
Cash and bank balances	3,614,749,694.18	3,614,749,694.18	0.00
Balances with clearing companies			
Loans to banks and other financial institutions			
Financial assets held for trading			
Derivative financial assets			
Notes receivable	496,056,906.39	496,056,906.39	0.00
Accounts receivable	5,606,635,207.40	5,606,635,207.40	0.00
Receivables for financing	45,619,845.21	45,619,845.21	0.00
Prepayments	226,429,524.21	226,429,524.21	0.00
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	159,636,477.68	159,636,477.68	0.00
Including: interest receivable	0.00		
Dividends receivable	0.00		
Financial assets purchased under resale agreements			
Inventories	3,958,831,886.47	3,958,831,886.47	0.00
Contract assets			
Assets held for sale			
Non-current assets maturing within one year	41,348,362.47	41,348,362.47	0.00
Other current assets	611,689,470.73	611,689,470.73	0.00
Total current assets	14,760,997,374.74	14,760,997,374.74	0.00
Non-current assets			
Disbursement of loans and advances			
Creditor's right investment			
Other creditor's right investments			
Long-term receivables	101,950,403.84	101,950,403.84	0.00
Long-term equity investment	622,445,562.39	622,445,562.39	0.00
Other equity instrument investment	771,847,639.03	771,847,639.03	0.00
Other non-current financial assets			
Investment properties			
Fixed assets	5,548,856,678.30	5,548,856,678.30	0.00
Construction in progress	1,282,915,820.70	1,282,915,820.70	0.00
Productive biological assets			
Oil and gas assets			
Use right assets			
Intangible assets	827,153,501.91	827,153,501.91	0.00
Development expenditure	111,164,899.76	111,164,899.76	0.00
Goodwill	80,427,604.58	80,427,604.58	0.00
Long-term deferred expenses	14,530,148.59	14,530,148.59	0.00
Deferred tax assets	384,570,666.46	384,570,666.46	0.00

Item	December 31, 2019	January 1, 2020	Adjustment amount
Other non-current assets	663,586,768.97	663,586,768.97	0.00
Total non-current assets	10,409,449,694.53	10,409,449,694.53	0.00
Total assets	25,170,447,069.27	25,170,447,069.27	0.00
Current liabilities:			
Short-term borrowings	3,861,567,358.50	3,861,567,358.50	0.00
Borrowings from central bank			
Loans from banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	2,118,583,190.92	2,118,583,190.92	0.00
Accounts payable	4,340,804,981.11	4,340,804,981.11	0.00
Advances from customers	105,633,076.08		-105,633,076.08
Contract liabilities		105,633,076.08	105,633,076.08
Financial assets sold under repurchase agreements			
Absorption of deposits and interbank deposit			
Receiving from vicariously traded securities			
Receiving from vicariously sold securities			
Employee benefits payable	89,994,331.91	89,994,331.91	0.00
Taxes payable	152,309,142.10	152,309,142.10	0.00
Other payables	292,952,465.46	292,952,465.46	0.00
Including: interest payable	40,769,759.31	40,769,759.31	0.00
Dividends payable	2,033,891.80	2,033,891.80	0.00
Handling charge and commission payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	430,854,777.64	430,854,777.64	
Other current liabilities	4,464,531.65	4,464,531.65	0.00
Total current liabilities	11,397,163,855.37	11,397,163,855.37	0.00
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings	722,846,571.44	722,846,571.44	0.00
Bonds payable	2,466,306,112.12	2,466,306,112.12	0.00
Including: preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables	869,815,054.56	869,815,054.56	0.00
Long-term Employee benefits payable			
Provisions	308,300,366.53	308,300,366.53	0.00
Deferred income	311,201,194.90	311,201,194.90	0.00
Deferred tax liabilities	38,990,349.86	38,990,349.86	
Other non-current liabilities			
Total non-current liabilities	4,717,459,649.41	4,717,459,649.41	0.00
Total liabilities	16,114,623,504.78	16,114,623,504.78	0.00

Item	December 31, 2019	January 1, 2020	Adjustment amount
Owner's equity:			
Share capital	1,136,650,819.00	1,136,650,819.00	0.00
Other equity instruments			
Including: preferred shares			
Perpetual bonds			
Capital reserves	4,867,276,291.72	4,867,276,291.72	0.00
Less: treasury shares	266,978,223.13	266,978,223.13	0.00
Other comprehensive income	11,952,369.18	11,952,369.18	0.00
Special reserves			
Surplus reserves	158,973,015.65	158,973,015.65	0.00
General risk reserves			
Retained earnings	2,996,159,435.79	2,996,159,435.79	0.00
Total equity attributable to owners of the parent company	8,904,033,708.21	8,904,033,708.21	0.00
Minority equity	151,789,856.28	151,789,856.28	0.00
Total owners' equity	9,055,823,564.49	9,055,823,564.49	0.00
Total liabilities and owner's equity	25,170,447,069.27	25,170,447,069.27	0.00

Details of adjustment

Balance Sheet of the Parent Company

Item	December 31, 2019	January 1, 2020	Adjustment amount
Current assets:			
Cash and bank balances	14,530,533.76	14,530,533.76	0.00
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	25,080,179.24	25,080,179.24	0.00
Financing funds receivables			
Prepayments	6,302,500.00	6,302,500.00	0.00
Other receivables	924,138,245.28	924,138,245.28	0.00
Including: interest receivable	0.00	0.00	0.00
Dividends receivable	106,769,081.20	106,769,081.20	0.00
Inventories			
Contract assets			
Assets held for sale			
Non-current assets maturing within one year			
Other current assets	5,594,642.91	5,594,642.91	0.00
Total current assets	975,646,101.19	975,646,101.19	0.00
Non-current assets			
Creditor's right investment			
Other creditor's right investments			
Long-term receivables			
Long-term equity investment	9,982,495,929.46	9,982,495,929.46	0.00
Other equity instrument investment			
Other non-current financial assets			

Item	December 31, 2019	January 1, 2020	Adjustment amount
Investment properties			
Fixed assets	364.11	364.11	0.00
Construction in progress			
Productive biological assets			
Oil and gas assets			
Use right assets			
Intangible assets			
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred tax assets	42,629,201.56	42,629,201.56	0.00
Other non-current assets			
Total non-current assets	10,025,125,495.13	10,025,125,495.13	0.00
Total assets	11,000,771,596.32	11,000,771,596.32	0.00
Current liabilities:			
Short-term borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable			
Advances from customers	4,390,114.75		-4,390,114.75
Contract liabilities		4,390,114.75	4,390,114.75
Employee benefits payable	1,943,415.62	1,943,415.62	0.00
Taxes payable	139,541.56	139,541.56	0.00
Other payables	236,730,551.64	236,730,551.64	0.00
Including: interest payable	25,100,000.00	25,100,000.00	0.00
Dividends payable	2,033,891.80	2,033,891.80	0.00
Liabilities held for sale			
Non-current liabilities maturing within one year			
Other current liabilities			
Total current liabilities	243,203,623.57	243,203,623.57	0.00
Non-current liabilities:			
Long-term borrowings			
Bonds payable	2,466,306,112.12	2,466,306,112.12	0.00
Including: preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term Employee benefits payable			
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities	2,466,306,112.12	2,466,306,112.12	0.00
Total liabilities	2,709,509,735.69	2,709,509,735.69	0.00
Owner's equity:			
Share capital	1,136,650,819.00	1,136,650,819.00	0.00
Other equity instruments			
Including: preferred shares			
Perpetual bonds			
Capital reserves	7,283,117,349.52	7,283,117,349.52	0.00

Item	December 31, 2019	January 1, 2020	Adjustment amount
Less: treasury shares	207,978,223.13	207,978,223.13	0.00
Other comprehensive income			
Special reserves			
Surplus reserves	65,859,838.93	65,859,838.93	0.00
Retained earnings	13,612,076.31	13,612,076.31	0.00
Total owners' equity	8,291,261,860.63	8,291,261,860.63	0.00
Total liabilities and owner's equity	11,000,771,596.32	11,000,771,596.32	0.00

Details of adjustment

(4) Description of comparative data of previous periods after retroactive adjustment when the New Revenue Standards and the New Lease Standards were firstly implemented in 2020.

√ Applicable □ Not applicable

IV. Taxation

1. Main tax types and tax rates

Tax type	Tax basis	Tax rate
VAT	Amount of input tax deductible from output tax	13%, 6%
Urban maintenance and construction tax	Amount subject to turnover tax	7%, 5%
Enterprise income tax	Taxable income	15%, 25% or appropriate national or regional tax rate
Educational surcharges	Amount subject to turnover tax	3%
Local educational surcharges	Amount subject to turnover tax	2%
Real estate tax	Residual value of the property or rental income	1.2% or 12%

Information about taxpayers applying different enterprise income tax rates:

Name of taxpayer	Income tax rate
The Company	25%
Dongyuan Electrical	15%
Suzhou Tianli	25%
Taifu Company	15%
Asitong Company	15%
Intelligent Company	25%
New Energy Technology	15%
Hefei Gotion	15%
Nanjing Gotion	15%
Nanjing New Energy	25%
Gotion New Energy	25%
Guorui New Energy	25%
Shanghai Xuanyi	25%

Name of taxpayer	Income tax rate
USA Gotion	Special operating tax
Lujiang Gotion	15%
Shanghai Gotion	25%
Hefei Energy Storage	25%
Qingdao Gotion	15%
Tangshan Gotion	15%
Luzhou Gotion	25%
Lujiang New Energy	25%
Gotion Coating	25%
Xuanyi Investment	25%
EDZ Gotion	15%
Nanjing Research Institute	25%
Sichuan Gotion	—
Hefei Jiachi	25%
Hong Kong Gotion	—
Japan Gotion	Subject to local laws
Singapore Gotion	Subject to local laws

2. *Tax preference*

(1) On December 6, 2019, Jiangsu Dongyuan Electrical Group Co., Ltd., 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, Jiangsu Dongyuan Electrical Group Co., Ltd 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 30, 2018, Nantong Taifu Electric Appliance Manufacturing Co., Ltd, 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, Nantong Taifu Electric Appliance Manufacturing Co., Ltd 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 October 24, 2018, Nantong Asitong Electric Appliance Manufacturing Co., Ltd, 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, Nantong Asitong Electric Appliance Manufacturing Co., Ltd 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 December 3, 2018, Nantong Gotion New Energy Co., Ltd, 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, Nantong Gotion New Energy Co., Ltd 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 October 30, 2020, Hefei Gotion High-tech Power Energy Co., Ltd, a subsidiary of the Company, passed the reexamination of high-tech enterprise and obtained a *Certificate of High-tech Enterprise* numbered GR202034002742, valid for three years. Since January 1, 2020, Hefei Gotion High-tech Power Energy Co., Ltd 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 November 22, 2019, Nanjing Gotion Battery Co., Ltd, 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 Battery Co., Ltd 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 October 30, 2020, Hefei Gotion Battery Material Co., Ltd, a subsidiary of the Company, was recognized as a high-tech enterprise and obtained a *Certificate of High-tech Enterprise* numbered GR202034003724, valid for three years. Since January 1, 2020, Hefei Gotion Battery Material Co., Ltd 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 December 1, 2020, Qingdao Gotion Battery Co., Ltd, a subsidiary of the Company, was recognized as a high-tech enterprise and obtained a *Certificate of High-tech Enterprise* numbered GR202037101533, valid for three years. Since January 1, 2020, Qingdao Gotion Battery Co., Ltd 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 September 10, 2019, Tangshan Gotion Battery Co., Ltd, 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 Battery Co., Ltd 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 August 17, 2020, Hefei Gotion Battery Co., Ltd, a subsidiary of the Company, was recognized as a high-tech enterprise and obtained a *Certificate of High-tech Enterprise* numbered GR202034000742, valid for three years. Since January 1, 2020, Hefei Gotion Battery Co., Ltd 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*.

V. Notes to the Items in the Consolidated Financial Statements (all currency unit is RMB, except other statements)

1. Cash and bank balances

Item	Closing balance	Opening balance
Cash in hand	214,929.76	192,424.17
Deposit in bank	2,448,890,813.27	2,677,770,729.06
Other cash and cash equivalents	894,421,520.76	936,786,540.95
Total	3,343,527,263.79	3,614,749,694.18
Including: total amount of overseas deposits	128,400,052.64	3,195,286.81

As at the end of 2020, there is RMB12,050,000.00 frozen by judicial organ among the RMB2,448,840,813.27 of deposit in bank; among the RMB894,421,520.76 of other cash and cash equivalents, RMB850,042,643.83 is the security fund deposited by the Company for issuing bank acceptance bills, RMB12,547,510.89 is the security fund for factoring business, the RMB9,554,866.04 is the security fund for letter of guarantee, RMB22,276,500.00 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. Held-for-trading financial assets

Item	Closing balance	Opening balance
Financial assets measured at fair value through current profit and loss	411,114,371.81	
Including:		
Structural deposits	410,414,840.18	
Treasury products	699,531.63	
Including:		
Total	411,114,371.81	

3. Notes receivable

(1) Notes receivable presented by categories

Item	Closing balance	Opening balance
Commercial acceptable notes	426,640,727.37	496,056,906.39
Total	426,640,727.37	496,056,906.39

Type	Closing balance					Opening balance				
	Book balance		Provision for bad debt			Book balance		Provision for bad debt		
	Amount	Proportion	Amount	Proportion of provision	Book value	Amount	Proportion	Amount	Proportion of provision	Book value
Notes receivable with provision for bad debt made on an individual basis						200,000,000.00	37.38%	10,000,000.00	5.00%	190,000,000.00
Including:										
Notes receivable with provision for bad debt made based on portfolio	481,111,405.96	100.00%	54,470,678.59	11.32%	426,640,727.37	335,098,049.58	62.62%	29,041,143.19	8.67%	306,056,906.39
Including:										
Portfolio 1: commercial acceptable bills	481,111,405.96	100.00%	54,470,678.59	11.32%	426,640,727.37	335,098,049.58	62.62%	29,041,143.19	8.67%	306,056,906.39
Total	481,111,405.96	100.00%	54,470,678.59	11.32%	426,640,727.37	535,098,049.58	100.00%	39,041,143.19	7.30%	496,056,906.39

Provision for bad debt made based on portfolio:

Name	Closing balance Book balance	Provision for bad debt	Proportion of provision
Portfolio 1: commercial acceptable bills	481,111,405.96	54,470,678.59	11.32%
Total	481,111,405.96	54,470,678.59	—

(2) Provision for bad debt made, recovered or reversed in the current period

Provision for bad debt made in the current period:

Type	Opening balance	Amount of change in the current period				Closing balance
		Provision made	Recovered or reversed	Written-off	Others	
Provision for bad debt of notes receivable	39,041,143.19	15,429,535.40				54,470,678.59
Total	39,041,143.19	15,429,535.40				54,470,678.59

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

Item	Pledged amount at the end of the period
Commercial acceptable notes	0.00
Total	0.00

(4) Notes receivable which have been endorsed or discounted by the Company but are not yet due at the balance sheet date at the end of the period

Item	Ending de-recognition amount	Ending non-de-recognition amount
Commercial acceptable notes		260,212,003.09
Total		260,212,003.09

(5) Notes transferred to accounts receivable by the Company due to the drawer's non-performance at the end of the period

Item	Amount transferred to accounts receivable at the end of the period
Commercial acceptable notes	130,000,000.00
Total	130,000,000.00

(6) There is no notes receivable actually written off in the current period.

4. *Accounts receivable*

(1) Disclosure of accounts receivable by categories

	Closing balance					Opening balance				
	Book balance		Provision for bad debt			Book balance		Provision for bad debt		
Type	Amount	Proportion	Amount	Proportion of provision	Book value	Amount	Proportion	Amount	Proportion of provision	Book value
Accounts receivable with provision for bad debt made on an individual basis	603,711,399.13	7.92%	212,336,397.38	35.17%	391,375,001.75	210,215,079.09	3.32%	115,412,374.29	54.90%	94,802,704.80
Including:										
Customer 1	140,170,654.57	1.84%	70,085,327.29	50.00%	70,085,327.28	140,170,654.57	2.22%	70,085,327.29	54.90%	70,085,327.28
Customer 2	40,959,880.59	0.54%	20,479,940.30	50.00%	20,479,940.29	40,959,880.59	0.65%	20,479,940.30	50.00%	20,479,940.29
Customer 3	8,474,874.46	0.11%	4,237,437.21	50.00%	4,237,437.25	16,786,369.47	0.27%	16,786,369.47	50.00%	0.00
Customer 4	175,454,501.64	2.30%	70,181,800.66	40.00%	105,272,700.98	8,474,874.46	0.13%	4,237,437.23	100.00%	4,237,437.23
Customer 5	252,074,625.45	3.30%		0.00%	252,074,625.45	3,823,300.00	0.06%	3,823,300.00	50.00%	0.00
Customer 6	33,624,976.00	0.44%		0.00%	33,624,976.00					
Others	24,955,913.86	0.33%	17,139,350.74	68.68%	7,816,563.12					
Accounts receivable with provision for bad debt made based on portfolio	7,019,404,508.69	92.08%	823,428,111.88	11.73%	6,195,976,396.81	6,117,727,554.28	96.68%	605,895,051.68	9.90%	5,511,832,502.60
Including:										
Portfolio 1	7,019,404,508.69	92.08%	823,428,111.88	11.73%	6,195,976,396.81	6,117,727,554.28	96.68%	605,895,051.68	9.90%	5,511,832,502.60
Accounts receivable with provision for bad debt made based on portfolio with credit risk characteristics										
Total	7,623,115,907.82	100.00%	1,035,764,509.26	13.59%	6,587,351,398.56	6,327,942,633.37	100.00%	721,307,425.97	11.40%	5,606,635,207.40

Provision for bad debt made on an individual basis:

Name	Closing balance			
	Book balance	Provision for bad debt	Proportion of provision	Reason for provision
Customer 1	140,170,654.57	70,085,327.29	50.00%	Expected to be partially irrecoverable
Customer 2	40,959,880.59	20,479,940.30	50.00%	Expected to be partially irrecoverable.
Customer 3	8,474,874.46	4,237,437.21	50.00%	Expected to be partially irrecoverable.
Customer 4	175,454,501.64	70,181,800.66	40.00%	Expected to be partially irrecoverable.
Customer 5	213,695,574.01	30,212,541.18	14.14%	Signed the debt-to-equity agreement; expected to be partially irrecoverable
Customer 6	12,961,489.66	7,776,893.80	60.00%	Expected to be partially irrecoverable.
Others.	11,994,424.20	9,362,456.94	68.68%	Expected to be partially irrecoverable.
Total.	603,711,399.13	212,336,397.38	—	—

Provision for bad debt made based on portfolio:

Name	Closing balance		
	Book balance	Provision for bad debt	Proportion of provision
Within 1 year	4,298,381,255.11	214,919,062.74	5.00%
1 to 2 years	1,542,575,500.75	154,257,550.09	10.00%
2 to 3 years	820,542,991.01	246,162,897.31	30.00%
3 to 4 years	294,530,586.33	147,265,293.17	50.00%
4 to 5 years	12,754,334.57	10,203,467.65	80.00%
More than 5 years.	50,619,840.92	50,619,840.92	100.00%
Total	7,019,404,508.69	823,428,111.88	—

Basis for determining the portfolio:

Provision for bad debt made based on portfolio:

Name	Closing balance		
	Book balance	Provision for bad debt	Proportion of provision
Portfolio 1	6,947,400,481.25	779,247,423.65	11.21%
Total	6,947,400,481.25	779,247,423.65	—
	Book balance	Provision for bad debt	Proportion of provision

Disclosure by aging

Aging	Book balance
Within 1 year (inclusive)	4,300,178,189.51
1 to 2 years	1,754,660,138.00
2 to 3 years	1,203,724,856.99
More than 3 years	364,552,723.32
3 to 4 years	294,530,586.33
4 to 5 years	12,809,134.57
More than 5 years	57,213,002.42
Total	7,623,115,907.82

(2) Provision for bad debt made, recovered or reversed in the current period

Provision for bad debt made in the current period:

		Amount of change in the current period				
Type	Opening balance	Provision made	Recovered or reversed	Written-off	Others	Closing balance
Provision for bad debt of accounts receivable	721,307,425.97	317,559,411.33		3,214,089.61	111,761.57	1,035,764,509.26
Total	721,307,425.97	317,559,411.33		3,214,089.61	111,761.57	1,035,764,509.26

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

Item	Amount written off
Accounts receivable actually written off	3,214,089.61

(4) Top 5 accounts receivable in terms of the Closing balance collected by debtors:

Unit	Closing balance of accounts receivable	Proportion in the total Closing balance of accounts receivable	Closing balance of provision for bad debt
Customer 1	873,193,836.50	11.45%	88,472,309.75
Customer 2	731,583,999.97	9.59%	62,409,366.31
Customer 3	467,356,289.27	6.13%	36,034,276.75
Customer 4	427,529,127.09	5.60%	140,531,492.85
Customer 5	373,500,000.00	4.90%	22,550,000.00
Total	2,873,163,252.83	37.67%	

(5) Accounts receivable de-recognized due to transfer of financial assets

Item	Way of transfer of financial assets	Amount of accounts receivable de-recognized	Gains or losses related to de-recognition
Accounts receivable	Transfer (of accounts receivable without recourse)	110,903,597.60	3,623,616.31

Hefei Gotion Hi-Tech Power Energy Co., Ltd, 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 financing for Hefei Gotion Hi-Tech Power Energy Co., Ltd on the condition of obtaining the corresponding right to collect accounts receivable without recourse.

(6) There Company has no amount of assets and liabilities formed by transfer of accounts receivable and continued involvement

5. Receivables for financing

Item	Closing balance	Opening balance
Bank acceptance bill	608,839,017.64	45,619,845.21
Total	608,839,017.64	45,619,845.21

(1) Receivables for financing of the Company that have been endorsed or discounted and are not yet due as of the balance sheet date at the end of the Reporting period

Item	Derecognized amount as of December 31st 2021	Amount not derecognized as of December 31st 2021
Bank acceptance bill	3,608,014,607.91	

(2) At the end of the reporting period, the Company's pledged receivables for financing

Item	Amount pledged
Bank acceptance bill	347,507,663.01

6. Prepayments

(1) Prepayments presented by aging

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	230,481,050.84	92.67%	173,315,082.04	76.54%
1 to 2 years	9,246,367.18	3.72%	44,872,039.45	19.82%
2 to 3 years	732,822.64	0.29%	1,068,282.39	0.47%
More than 3 years	8,242,402.72	3.32%	7,174,120.33	3.17%
Total	248,702,643.38	—	226,429,524.21	—

Remark about reasons for failure in timely settling the Prepayments with the aging over 1 year and major amount:

There is no Prepayments with the aging over 1 year and major amount.

(2) Top 5 Prepayments in terms of Closing balance collected by advance receiver

Unit	Closing balance	Proportion in the total Closing balance of Prepayments
		(%)
1st	58,812,339.10	23.65
2nd	31,906,035.52	12.83
3rd	19,089,226.40	7.68
4th	13,335,734.67	5.36
5th	7,785,000.00	3.13
Total	130,928,335.69	52.65

7. Other receivables

Item	Closing balance	Opening balance
Interest receivable	0.00	
Dividend receivable	0.00	
Other receivables	134,938,931.80	159,636,477.68
Total	134,938,931.80	159,636,477.68

(1) Other receivables

1) Classification of other receivables by nature of funds

Nature of funds	Ending book balance	Beginning book balance
Current account	66,433,693.44	94,256,184.33
Security deposit and cash pledge	24,547,618.01	66,774,825.96
Reserve fund and borrowing	8,939,998.27	6,209,694.60
Proceeds from the disposal of long-term assets	33,924,712.77	
Others	16,027,086.51	10,158,860.45
Less: provision for bad debt	-14,934,177.20	-17,763,087.66
Total	134,938,931.80	159,636,477.68

2) Provision for bad debt

	Phase I	Phase II	Phase III	
Provision for bad debt	Expected credit loss in the next 12 months	Expected credit loss over the entire duration (without credit impairment)	Expected credit loss over the entire duration (with credit impairment)	Total
Balance as at January 1, 2020	17,763,087.66			17,763,087.66
Balance as at January 1, 2020 in the current period	—	—	—	—
Reserve in the current period	2,831,979.09			2,831,979.09
Other change	3,068.63			
Balance as at December 31, 2020	14,934,177.20			14,934,177.20

Disclosure by aging

Aging	Book balance
Within 1 year (inclusive)	115,137,258.54
1 to 2 years	22,630,980.04
2 to 3 years	2,820,638.55
More than 3 years	9,284,231.87
3 to 4 years	6,380,695.34
4 to 5 years	129,297.57
More than 5 years	2,774,238.96
Total	149,873,109.00

3) Provision for bad debt made, recovered or reserved in the current period

Provision for bad debt made in the current period:

Type	Opening balance	Amount of change in the current period				Closing balance
		Provision made	Recovered or reversed	Written-off	Others	
Provision for bad debt of other receivables	17,763,087.66		2,831,979.09		3,068.63	14,934,177.20
Total	17,763,087.66		2,831,979.09		3,068.63	14,934,177.20

In which, major amount of provision for bad debt reversed or recovered in the current period:

Unit	Amount reserved or recovered	Recovery method

4) There is no other receivable actually written off in the current period.

5) Top 5 other receivables in terms of Closing balance collected by debtors

Unit	Nature of funds	Closing balance	Aging	Proportion in the total Closing balance of other receivables	Closing balance of provision for bad debt
Unit 1	Current account	58,900,000.00	Within 1 year	39.30%	2,945,000.00
Unit 2	Proceeds from the disposal of long-term asset	33,924,712.77	Within 1 year	22.64%	1,696,235.64
Unit 3	Others	7,900,000.00	Within 1 year	5.27%	395,000.00
Unit 4	Security deposit	7,523,200.00	1-2 years	5.02%	752,320.00
Unit 5	Cash pledge	5,596,650.00	3-4 years	3.73%	2,798,325.00
Total	—	113,844,562.77	—	75.96%	8,586,880.64

8. Inventories

(1) Classification of inventories

Item	Closing balance			Opening balance		
	Book balance	Provision for inventory depreciation or provision for impairment of contract performance cost	Book value	Book balance	Provision for inventory depreciation or provision for impairment of contract performance cost	Book value
Raw materials	270,459,882.10	9,679,981.08	260,779,901.02	274,636,279.22	9,784,344.69	264,851,934.53
Goods in process	356,086,271.83	11,225,089.15	344,861,182.68	252,408,024.92	6,524,281.65	245,883,743.27
Goods in stock	1,630,825,611.61	145,095,621.60	1,485,729,990.01	1,817,144,163.99	194,800,673.83	1,622,343,490.16
Revolving materials	1,157,869.61	0.00	1,157,869.61	1,006,275.14	0.00	1,006,275.14
Goods dispatched	1,367,450,817.59	239,652,973.29	1,127,797,844.30	1,998,351,543.57	173,605,100.20	1,824,746,443.37
Total	3,625,980,452.74	405,653,665.12	3,220,326,787.62	4,343,546,286.84	384,714,400.37	3,958,831,886.47

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

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance	Remark
		Provision made	Others	Reversal or write-off	Others		
Raw materials	9,784,344.69			104,363.61		9,679,981.08	
Goods in process	6,524,281.65	4,700,807.50				11,225,089.15	
Goods in stock	194,800,673.83	8,657,175.68		58,362,227.91		145,095,621.60	
Revolving materials							
Goods dispatched	173,605,100.20	121,482,192.99		55,434,319.90		239,652,973.29	
Total	384,714,400.37	134,840,176.17		113,900,911.42		405,653,665.12	—

9. Non-current assets maturing within one year

Item	Closing balance	Opening balance
Long-term receivables maturing within one year	84,217,473.68	41,348,362.47
Total	84,217,473.68	41,348,362.47

10. Other current assets

Item	Closing balance	Opening balance
Deductible input tax	552,232,732.67	605,840,534.12
Income tax prepaid	1,097,778.12	5,386,700.44
Deferred expenses	517,906.80	462,236.17
Income tax prepaid	553,848,417.59	611,689,470.73

11. *Other debt investment*

Item	Opening balance	Accrued interest	Changes in fair value in the current period	Closing balance	Cost	Accumulated changes in fair value	Accumulated provision for loss recognized in other comprehensive income	Remarks
Convertible bond of GRU ENERGY . .				4,567,430.00	4,567,430.00			
Total				4,567,430.00	4,567,430.00			—

There is no sign of impairment in other creditor's right investments at the end of the period, so no provision for impairment is made.

12. *Long-term receivables*

(1) Long-term receivables

Item	Closing balance			Opening balance			Range of discount rate
	Book balance	Provision for bad debt	Book value	Book balance	Provision for bad debt	Book value	
Sales of goods by installments. . .	75,235,435.34	3,761,771.77	71,473,663.57	107,503,285.31	5,552,881.47	101,950,403.84	
Total	75,235,435.34	3,761,771.77	71,473,663.57	107,503,285.31	5,552,881.47	101,950,403.84	—

Impairment of provision for bad debt

Provision for bad debt	Phase I	Phase II	Phase III	Total
	Expected credit loss in the next 12 months	Expected credit loss over the entire duration (without credit impairment)	Expected credit loss over the entire duration (with credit impairment)	
Balance as at January 1, 2020	5,552,881.47			5,552,881.47
Balance as at January 1, 2020 in the current period	—	—	—	—
Reverse in the current period	1,791,109.70			1,791,109.70
Balance as at December 31, 2020	3,761,771.77			3,761,771.77

13. *Long-term equity investment*

Investee	Opening balance (book value)	Increase/decrease in the current period								Closing balance (book value)	Closing balance of provision for impairment
		Additional investment	Reduced investment	Profit or loss on investment recognized under equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends or profits declared for distribution	Provision of the provision for impairment	Others		
I. Joint Venture											
II. Associates											
Hefei Xingyuan New Energy Materials Co., Ltd	28,575,552.17			-5,618,685.60						22,956,866.57	
MCC Ramu New Energy Technology Co., Ltd.	281,400,047.34			-4,732,789.78						276,667,257.56	
Hefei Tongguan Gotion Copper Material Co., Ltd.	51,593,805.14								-51,593,805.14		
Litong Energy Technology Co., Ltd.	2,191,607.01			-226,846.78						1,964,760.23	
Beijing Gotion Full-Service Optical Storage & Discharge Technology Co., Ltd.	9,829,818.85			-601,283.00						9,228,535.85	
Shanghai Electric Gotion New Energy Technology Co., Ltd.	197,736,333.30			1,617,130.18						199,353,463.48	
Beijing Full-Service Oil & Gas Technology Co., Ltd.	51,118,398.58			1,546,661.21						52,665,059.79	
Anhui Tongguan Copper Foil Co., Ltd.		103,267,893.40		1,895,088.65						105,162,982.05	
Subtotal	622,445,562.39	103,267,893.40		-6,120,725.12					-51,593,805.14	667,998,925.53	
Total	622,445,562.39	103,267,893.40		-6,120,725.12					-51,593,805.14	667,998,925.53	

Other remarks

14. Other equity instrument investments

Item	Closing balance	Opening balance
Listed equity instrument investment	441,676,430.89	400,217,122.53
Unlisted equity instrument investment	473,630,516.50	371,630,516.50
Total	915,306,947.39	771,847,639.03

15. Fixed assets

Item	Closing balance	Opening balance
Fixed assets	7,159,879,961.36	5,548,856,678.30
Total	7,159,879,961.36	5,548,856,678.30

(1) Details of fixed assets

Item	Houses and buildings	Machine equipment	Transportation equipment	Office equipment	Total
I. Original Book Value					
1. Opening balance	2,200,891,971.25	4,370,850,776.29	53,633,726.97	339,490,540.30	6,964,867,014.81
2. Increase in the current period	675,614,668.42	1,372,999,554.53	50,388,537.78	109,783,285.71	2,208,786,046.44
(1) Purchase	210,716,901.64		50,388,537.78	109,783,285.71	370,888,725.13
(2) Transfer from construction-in-progress	464,897,766.78	1,372,999,554.53			1,837,897,321.31
(3) Increase from the business combination					
3. Decrease in the current period		86,681,021.02	1,642,680.25	3,101,296.07	91,424,997.34
(1) Disposal or scrapping		86,681,021.02	1,642,680.25	3,101,296.07	91,424,997.34
4. Closing balance	2,876,506,639.67	5,657,169,309.80	102,379,584.50	446,172,529.94	9,082,228,063.91
II. Accumulated depreciation					
1. Opening balance	286,822,811.69	921,486,046.50	28,932,348.19	173,891,787.67	1,411,132,994.05
2. Increase in the current period	84,606,019.92	427,211,588.92	11,185,900.32	46,782,368.70	569,785,877.86
(1) Provision made	84,606,019.92	427,211,588.92	11,185,900.32	46,782,368.70	569,785,877.86
3. Decrease in the current period		60,186,676.86	894,351.29	2,367,083.67	63,448,111.82
(1) Disposal or scrapping		60,186,676.86	894,351.29	2,367,083.67	63,448,111.82
4. Closing balance	371,428,831.61	1,288,510,958.56	39,223,897.22	218,307,072.70	1,917,470,760.09
III. Provision for impairment					
1. Opening balance		4,877,342.46			4,877,342.46
2. Increase in the current period					
(1) Provision made					
3. Decrease in the current period					
(1) Disposal or scrapping					
4. Closing balance		4,877,342.46			4,877,342.46
IV. Book value					
1. Ending book value	2,505,077,808.06	4,363,781,008.78	63,155,687.28	227,865,457.24	7,159,879,961.36
2. Beginning book value	1,914,069,159.56	3,444,487,387.33	24,701,378.78	165,598,752.63	5,548,856,678.30

(2) There are no temporarily idle fixed assets as at the end of balance.

(3) Fixed assets acquired through financial lease

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value
Haitong UniTrust leasing project	258,802,986.40	108,653,559.51		150,149,426.89
Shanghai Electric leasing project	261,837,606.84	45,351,929.42		216,485,677.42
China General Nuclear Power Group (CGN) leasing project	118,299,144.91	44,009,225.79		74,289,919.12
Cinda leasing project	382,243,175.04	115,574,307.50		266,668,867.54
Total	1,021,182,913.19	313,589,022.22		707,593,890.97

(4) There are no fix assets rented out through operating lease as at the end of balance.

(5) Fixed assets with the certificate of title not obtained

Item	Book value	Reasons for the failure to obtain certificate of title
New plant of Hefei Gotion in Shanghai Pudong New Area	78,589,155.52	In progress
Hefei Gotion directly-subordinate 3rd plant	186,590,221.60	In progress
Qingdao phase I and phase II plants	220,481,719.58	In progress
Gotion battery workshop	197,200,180.65	In progress, with the certificate of title to be obtained in March, 2021
Nanjing Gotion phase II plant	136,482,439.41	In progress
Gotion Material nitrogen station	1,450,103.49	In progress
Lujiang Gotion phase II plant	422,328,645.29	In progress
Total	1,243,122,465.54	

16. Construction in progress

Item	Closing balance	Opening balance
Construction in progress	1,151,952,297.82	1,281,842,022.75
Project materials		1,073,797.95
Total	1,151,952,297.82	1,282,915,820.70

(1) Details of construction in progress

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Hefei directly-subordinate 1st plant construction project	18,687,925.35		18,687,925.35	4,041,637.27		4,041,637.27
Directly-subordinate 3rd plant reconstruction project	17,556,649.90		17,556,649.90	8,478,771.91		8,478,771.91
Hefei Gotion 600 million Ah (annual production) high-energy-density power lithium battery industrialization project	24,826,800.91		24,826,800.91	37,867,879.60		37,867,879.60
Shanghai R&D Center	299,319,249.69		299,319,249.69	26,689,911.06		26,689,911.06
10,000 t (annual production) high nickel ternary cathode materials and 5,000 t (annual production) silicon-based anode materials project	140,962,432.08		140,962,432.08	61,187,184.67		61,187,184.67
New plant project in the Economic Development Zone	12,252,083.72		12,252,083.72	3,998,918.56		3,998,918.56
BMS R&D and production (annual production of 500,000 sets) and Hefei Central	226,293,495.66		226,293,495.66	146,104,422.30		146,104,422.30
New plant project of Tangshan Gotion	16,561,369.20		16,561,369.20	1,592,919.92		1,592,919.92
Nanjing Gotion 300 million Ah (annual production) high-energy-density power lithium battery industrialization project	13,926,844.04		13,926,844.04	137,073,080.41		137,073,080.41
Nanjing Gotion New Energy Co., Ltd	328,028,298.34		328,028,298.34	799,798,722.43		799,798,722.43
Other projects	53,537,148.93		53,537,148.93	55,008,574.62		55,008,574.62
Total	1,151,952,297.82		1,151,952,297.82	1,281,842,022.75		1,281,842,022.75

(2) *Changes of major construction-in-progress in the current period*

Project name	Budget number	Opening balance	Increase in the current period	Amount transferred into fixed assets in the current period	Other amount decrease in the current period	Closing balance	Proportion of accumulated engineering investment in budget	Project progress	Accumulated amount of interest capitalization	Including: the amount of capitalization of interest in the current period	Interest capitalization rate in the current period	Sources of funds
Hefei directly-subordinate 1st plant construction project		4,041,637.27	14,784,917.24	138,629.16		18,687,925.35						Others
Directly-subordinate 3rd plant reconstruction project.		8,478,771.91	16,257,365.17	7,179,487.18		17,556,649.90						Others
Hefei Gotion 600 million Ah (annual production) high-energy-density power lithium battery industrialization project		37,867,879.60	62,532,480.76	75,573,559.45		24,826,800.91						Fund raised from public offering
Qingdao Gotion 300 million Ah (annual production) high-energy-density power lithium battery industrialization project			122,679,113.07	122,679,113.07								Fund raised from public offering
Shanghai R&D Center		26,689,911.06	272,629,338.63			299,319,249.69						Others
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	135,375,223.69	55,599,976.28		140,962,432.08						Fund raised from public offering
New plant project in the Economic Development Zone		3,998,918.56	12,321,760.06	4,068,594.90		12,252,083.72						Others
BMS R&D and production (annual production of 500,000 sets) and Hefei Central Research Institute R&D center project		146,104,422.30	80,189,073.36			226,293,495.66						Fund raised from public offering
New plant project of Tangshan Gotion		1,592,919.92	61,253,470.11	46,285,020.83		16,561,369.20						Fund raised from public offering
Nanjing Gotion 300 million Ah (annual production) high-energy-density power lithium battery industrialization project		137,073,080.41	22,899,673.99	146,045,910.36		13,926,844.04						Fund raised from public offering
Nanjing Gotion New Energy Co., Ltd.		799,798,722.43	199,150,820.64	670,921,244.73		328,028,298.34			31,439,458.56	31,439,458.56	15.79%	Others
Other projects		55,008,574.62	707,934,359.66	709,405,785.35		53,537,148.93			17,634,990.15	14,409,383.89	2.39%	Others
Total		1,281,842,022.75	1,708,007,596.38	1,837,897,321.31		1,151,952,297.82	—	—	49,074,448.71	45,848,842.45		—

(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) Project materials

Item	Closing balance: Book balance	Closing balance: Provision for impairment	Closing balance: Book value	Opening balance: Book balance	Opening balance: Provision for impairment	Opening balance: Book value
Project materials. . . .				1,073,797.95		1,073,797.95
Total.				1,073,797.95		1,073,797.95

Other remarks:

17. Intangible assets

(1) Details of intangible assets

Item	Land use rights	Patent right	Non-patented technology	Software and others	Total
I. Original Book Value					
1. Opening balance.	691,197,218.26		185,552,649.76	34,729,458.43	911,479,326.45
2. Increase in the current period . .	324,573,736.67		158,496,226.52	896,412.68	483,966,375.87
(1) Purchase	324,573,736.67			896,412.68	325,470,149.35
(2) Internal R&D			158,496,226.52		158,496,226.52
(3) Increase from business combination					
3. Decrease in the current period. .					
(1) Disposal					
4. Closing balance	1,015,770,954.93		344,048,876.28	35,625,871.11	1,395,445,702.32
II. Accumulated Amortization					
1. Opening balance.	61,135,674.78		14,955,442.70	8,234,707.06	84,325,824.54
2. Increase in the current period . .	16,518,559.72		24,417,977.31	6,046,884.38	46,983,421.41
(1) Provision.	16,518,559.72		24,417,977.31	6,046,884.38	46,983,421.41
3. Decrease in the current period. .					
(1) Disposal					
4. Closing balance	77,654,234.50		39,373,420.01	14,281,591.44	131,309,245.95
III. Provision for impairment					
1. Opening balance.					
2. Increase in the current period . .					
(1) Provision.					
3. Decrease in the current period. .					
(1) Disposal					
4. Closing balance					
IV. Book value					
1. Ending book value	938,116,720.43		304,675,456.27	21,344,279.67	1,264,136,456.37
2. Beginning book value	630,061,543.48		170,597,207.06	26,494,751.37	827,153,501.91

The proportion of the intangible assets generated via internal R&D of the Company in the intangible assets balance at the end of the current period is 11.36%.

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

Item	Book value	Reasons for the failure to obtain the certificate of title
Land use rights	136,234,104.44	Already obtained the certificate of title in March, 2021

18. *Development expenditure*

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Internal R&D expenditure	Others	Recognized as the intangible assets	Transferred to the current profits and losses	
23Ah lithium iron phosphate cell development	28,746,634.19	11,480,090.74		40,226,724.93		
52Ah lithium iron phosphate cell development	30,067,564.37	15,298,627.04		45,366,191.41		
170wh/kg lithium iron phosphate cell development	26,792,461.73	31,034,822.90		57,827,284.63		
180wh/kg lithium iron phosphate cell development	20,478,381.49	38,924,784.08				59,403,165.57
14.5Ah lithium iron phosphate cell development	5,079,857.98	37,977,073.66				43,056,931.65
50Ah single-crystal low-cost cell development project		17,576,071.33				17,576,071.33
100Ah lithium iron phosphate cell development		15,381,601.94				15,381,601.94
712 single-crystal ternary material development and application development project		14,398,046.38				14,398,046.38
Development of 20Ah power cell for 48V system		25,859,791.78			25,859,791.78	
Low-cost lithium iron phosphate material development and industrialization project		27,628,313.09			27,628,313.09	
Development of low-cost lithium iron cell		34,371,278.57			34,371,278.57	
Development of high-safety coating diaphragm technology		30,052,118.65			30,052,118.65	
Iron lithium soft pack 590 module project		23,166,746.87			23,166,746.87	
Standardization project of HXGW-12 outdoor high-voltage-compartment type switching station		1,910,210.99		1,538,155.51	372,055.48	
KYN-40.5 indoor AC metal armored removable switchgear strong insulation project		4,727,024.32		4,265,120.18	461,904.14	
SFDR-12 gas-insulated loop-network switch cabinet standardization project		3,320,975.63		2,690,849.79	630,125.84	

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Internal R&D expenditure	Others	Recognized as the intangible assets	Transferred to the current profits and losses	
Primary and secondary integration development of SFDR-12 gas-insulated loop-network switch cabinet		2,518,219.06		2,324,699.31	193,519.75	
ZBW-12/0.4 box-type substation standardization project		1,640,467.81		1,296,954.13	343,513.68	
Development of ZFC-40.5/3150-40 fully-insulated and sealed metal switchgear		3,100,433.44		2,960,246.63	140,186.81	
Summary of R&D projects of Silicon Valley Research Institute		45,822,790.17			45,822,790.17	
Other projects		309,471,551.99			309,471,551.99	
Total	111,164,899.76	695,661,040.44		158,496,226.52	498,513,896.82	149,815,816.87

Other remarks

19. Goodwill

(1) Original book value of goodwill

Name of investee or matters forming goodwill	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
		Formed by business combination	Disposal	
Goodwill formed by counter purchase	80,427,604.58			80,427,604.58
Goodwill formed by business combination not under common control		938,729.04		938,729.04
Total	80,427,604.58	938,729.04		81,366,333.62

(2) Provision for impairment of goodwill

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. Details are as follows:

The goodwill of Jiangsu Dongyuan Electrical Group Co, Ltd 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 Jiangsu Dongyuan Electrical Group Co, Ltd and its subsidiaries as a portfolio of asset group, and conduct goodwill impairment test on such basis.

The goodwill of Shanghai Gotion Wuyang Shipping Technology Co., Ltd. was formed by the business combination not under common control in January 2020. The company conducts production and operation independently, which met the criterion for recognition of asset group, and the asset group can benefit from the synergy effect of business combination. Therefore, the Company finally decided to identify Shanghai Gotion Wuyang Shipping Technology Co, Ltd as a portfolio of asset group, and conduct goodwill impairment test on such basis.

Explain the process of goodwill impairment test, key parameters (such as the growth rate in the forecast period, the growth rate in the stable period, the profit rate, the discount rate and the forecast period adopted when estimating the present value of future cash flow) and the recognition method of goodwill impairment loss:

On the balance sheet date, the Company conducted an impairment test on the goodwill formed by the business combination not under common control as mentioned above. In the calculation, 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.

According to the test, the goodwill formed as mentioned above has not been impaired at the end of this period.

20. Long-term deferred expenses

Item	Opening balance	Increase in the current period	Amortization in the current period	Other decreases	Closing balance
Overhaul expense for plants	11,303,562.01		3,716,064.54		7,587,497.47
Decoration for leased fixed assets	253,285.88		15,428.52		237,857.36
Financial lease formation	2,973,300.70		2,973,300.70		
Landscape engineering		4,685,289.38	468,528.94		4,216,760.44
Total	14,530,148.59	4,685,289.38	7,173,322.70		12,042,115.27

Other remarks

21. Deferred tax assets/Deferred tax liabilities

(1) Deferred tax assets before offset

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for asset impairment	1,486,929,350.13	224,592,535.13	1,161,080,678.59	171,623,074.87
Unrealized profits of internal transactions	110,739,932.88	16,610,989.89	131,598,271.45	19,739,740.72
Deductible loss	771,181,395.07	139,588,764.30	482,016,884.48	101,963,282.31
Provisions	281,617,439.77	48,262,983.33	304,041,021.10	48,711,357.29
Deferred income	235,637,648.52	37,152,647.28	274,950,145.36	41,753,296.74
Unrecognized income with taxes paid			3,119,658.12	779,914.53
Total	2,886,105,766.37	466,207,919.93	2,356,806,659.10	384,570,666.46

(2) Deferred tax liabilities before offset

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Asset valuation appreciation arising from business combination not under common control	41,348,689.01	6,253,109.25	45,032,017.20	6,754,802.58
Installment differences	53,807,156.59	8,071,073.49	81,050,684.51	12,157,602.68
Fixed assets differences	150,431,369.25	24,673,313.48	133,852,964.02	20,077,944.60
Changes in fair value of financial assets held for sale	283,333.33	42,500.00		
Total	245,870,548.18	39,039,996.22	259,935,665.73	38,990,349.86

(3) Deferred tax assets/liabilities presented by net amount after offset

Item	Offset amount of Deferred tax assets and liabilities at the end of the period	Closing balance of Deferred tax assets or liabilities after offset	Beginning offset amount of Deferred tax assets and liabilities	Opening balance of Deferred tax assets or liabilities after offset
Deferred tax assets	39,039,996.22	466,207,919.93	38,990,349.86	384,570,666.46
Deferred tax liabilities	39,039,996.22	39,039,996.22	38,990,349.86	38,990,349.86

(4) Details of unrecognized Deferred tax assets

Item	Closing balance	Opening balance
Deductible temporary differences	53,898,774.41	74,902,919.21
Deductible loss	383,160,292.26	305,393,691.67
Total	437,059,066.67	380,296,610.88

(5) Deductible loss of unrecognized Deferred tax assets to be due in the following years

Year	Ending amount	Beginning amount	Remarks
2020		3,548,297.21	
2021	333,787.08	3,050,065.88	
2022	6,840,559.05	6,840,559.05	
2023	48,632,438.05	48,632,438.05	
2024	59,740,013.80	59,740,013.80	
2025	42,000,070.82		
Total	157,546,868.80	121,811,373.99	—

22. *Other non-current assets*

	Closing balance			Opening balance		
Item	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Unguaranteed residual value	7,712,070.72		7,712,070.72	11,151,765.88		11,151,765.88
Advance for project equipment	262,645,218.73		262,645,218.73	528,947,474.61		528,947,474.61
Advance for project investment fund				123,487,528.48		123,487,528.48
Advance for land purchase						
Total	270,357,289.45		270,357,289.45	663,586,768.97		663,586,768.97

23. *Short-term borrowings*

(1) Classification of short-term borrowings

Item	Closing balance	Opening balance
Pledged borrowing		345,000,000.00
Mortgaged borrowing	368,000,000.00	190,000,000.00
Guaranteed borrowing	2,703,886,000.00	2,875,850,000.00
Credit borrowing	180,000,000.00	450,717,358.50
Total	3,251,886,000.00	3,861,567,358.50

Remark about the classification of short-term borrowings:

(2) There are no short-term borrowings overdue but unpaid at the end of the current period.

24. Notes payable

Type	Closing balance	Opening balance
Commercial acceptance bill	631,110,577.40	667,468,202.22
Bank acceptance bill	2,400,881,901.04	1,451,114,988.70
Total	3,031,992,478.44	2,118,583,190.92

The total amount of notes payable that become due but unpaid yet at the end of current period is RMB0.00.

25. Accounts payable

(1) Details of accounts payable

Item	Closing balance	Opening balance
Material cost and others payable	2,705,263,912.96	3,177,216,592.66
Project equipment funds payable	1,311,492,466.26	1,163,588,388.45
Total	4,016,756,379.22	4,340,804,981.11

26. Contract liabilities

Item	Closing balance	Opening balance
Goods price received in advance	115,519,624.84	86,641,250.79
Lease fee received in advance	7,840,497.01	7,840,497.01
Total	123,360,121.85	94,481,747.80

27. Employee benefits payable

(1) Details of Employee benefits payable

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Short-term employee compensation	89,712,180.92	799,978,234.45	783,365,412.83	106,325,002.54
II. Post-employment benefits—defined contribution plan	282,150.99	24,033,091.34	17,253,346.89	7,061,895.44
III. Dismissal welfare		195,103.80	195,103.80	
Total	89,994,331.91	824,206,429.59	800,813,863.52	113,386,897.98

(2) Details of short-term Employee benefits payable

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Salary, bonus, allowance and subsidy	87,894,592.26	708,741,675.60	693,623,520.89	103,012,746.97
2. Employee welfare expenses	178,865.84	48,825,976.93	49,004,842.77	0.00
3. Social insurance premiums	77,099.78	24,063,195.82	21,276,617.24	2,863,678.36
Including: medical insurance premium	68,798.00	22,875,982.93	20,217,468.21	2,727,312.72
Work-related injury insurance	4,130.89	653,631.05	521,396.30	136,365.64
Maternity insurance fee	4,170.89	533,581.84	537,752.73	0.00
4. Housing provident funds	1,289,670.86	15,727,131.16	16,687,171.42	329,630.60
5. Trade union funds and employee education funds	271,952.18	2,620,254.94	2,773,260.51	118,946.61
Total	89,712,180.92	799,978,234.45	783,365,412.83	106,325,002.54

(3) Details of defined contribution plans

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic endowment insurance	277,388.52	23,293,258.79	16,721,823.18	6,848,824.13
2. Unemployment insurance premiums	4,762.47	739,832.55	531,523.71	213,071.31
Total	282,150.99	24,033,091.34	17,253,346.89	7,061,895.44

28. Taxes payable

Item	Closing balance	Opening balance
VAT	99,074,236.25	15,585,172.72
Enterprise income tax	105,509,559.17	120,749,546.79
Urban maintenance and construction tax	531,464.79	1,991,959.95
Educational surcharges	447,724.47	1,691,565.88
Real estate taxes	7,536,251.09	5,687,263.60
Urban land use tax	3,305,383.29	2,896,879.15
Business tax	1,890,746.06	1,890,746.06
Others	2,133,427.36	1,816,007.95
Total	220,428,792.48	152,309,142.10

29. Other payables

Item	Closing balance	Opening balance
Interests payable	43,348,953.78	40,769,759.31
Dividends payable	2,033,891.80	2,033,891.80
Other accounts payable	193,638,662.65	250,148,814.35
Total	239,021,508.23	292,952,465.46

(1) Interests payable

Item	Closing balance	Opening balance
Interest payable for long-term borrowings with interest paid in installments and principal paid on maturity	6,658,635.69	8,156,244.72
Interest payable on corporate bonds	25,100,000.00	25,100,000.00
Interest payable on short-term borrowings	7,966,701.78	3,666,727.33
Others	3,623,616.31	3,846,787.26
Total	43,348,953.78	40,769,759.31

(2) Dividend payable

Item	Closing balance	Opening balance
Dividend of ordinary shares	2,033,891.80	2,033,891.80
Total	2,033,891.80	2,033,891.80

(3) Other payables

1) Other payables presented by nature of funds

Item	Closing balance	Opening balance
Borrowings from non-financial institutions	10,000,000.00	10,000,000.00
Obligation for repurchase of restricted shares	70,966,336.66	164,842,476.92
Security deposit	34,555,816.79	38,850,911.57
Accrued expenses	55,379,653.60	17,326,636.15
Current accounts	16,284,711.20	12,422,060.31
Others	6,452,144.40	6,706,729.40
Total	193,638,662.65	250,148,814.35

2) Other major payables with aging over 1 year

Item	Closing balance	Reason for non-repayment or non-reverse

There is no other major payables with aging over 1 year.

30. Non-current liabilities maturing within one year

Item	Closing balance	Opening balance
Long-term borrowings maturing within one year	519,200,289.92	232,142,857.14
Long-term payables maturing within one year	360,196,959.32	198,711,920.50
Total	879,397,249.24	430,854,777.64

31. Other current liabilities

Item	Closing balance	Opening balance
Unrealized profits of internal sales corresponding to the inventory committed to repurchase	4,464,531.65	4,464,531.65
Output tax to be carried forward	13,053,079.17	
Total	17,517,610.82	4,464,531.65

[Note] In November 2012, Hefei Gotion Hi-Tech Power Energy Co., Ltd, 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.

32. Long-term borrowings

(1) Classification of long-term borrowings

Item	Closing balance	Opening balance
Pledged borrowing	51,428,571.43	180,000,000.00
Mortgaged borrowing	1,089,000,000.00	401,656,000.00
Guaranteed borrowing	1,733,625,321.67	373,333,428.58
Factoring borrowings	231,803,880.50	
Less: long-term borrowings maturing within one year	-519,200,289.92	-232,142,857.14
Total	2,586,657,483.68	722,846,571.44

33. Bonds payable

(1) Bonds payable

Item	Closing balance	Opening balance
18 Gotion Green Bond 01	497,996,060.06	497,337,656.97
18 Gotion Green Bond 02	497,803,569.02	497,073,514.88
Convertible corporate bonds	0.00	1,471,894,940.27
Total	995,799,629.08	2,466,306,112.12

(2) Increase/decrease of bonds payable: (excluding preferred shares, perpetual bond and other financial instruments classified as financial liabilities)

Bond	Nominal value	Issuance date	Maturity period	Issuance amount	Opening balance	Amount issued in the current period	Interest accrued by face value	Amortization of premiums or discounts	Amount repaid off in the current period	Bond conversion to shares	Closing balance
18 Gotion Green Bond 01	500,000,000.00	2018/4/12	5 years	500,000,000.00	497,337,656.97		33,158,403.09	658,403.09			497,996,060.06
18 Gotion Green Bond 02	500,000,000.00	2018/11/14	5 years	500,000,000.00	497,073,514.88		38,230,054.14	730,054.14			497,803,569.02
Convertible corporate bonds	1,850,000,000.00	2019/12/17	6 years	1,850,000,000.00	1,471,894,940.27		4,670,706.86	41,476,709.17	5,627,641.18	1,512,414,715.12	0.00
Total	—	—	—	2,850,000,000.00	2,466,306,112.12		76,059,164.09	42,865,166.40	5,627,641.18	1,512,414,715.12	995,799,629.08

(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.

From June 23, 2020 to August 28, 2020, there are remaining 69,368 convertible bonds, and all of the rest has been converted into shares.

On August 5, 2020, the Proposal on Early Redemption of "Gotion Convertible Bonds was deliberated and passed at the sixth meeting of the eighth board of directors of the Company. By September 4, 2020, the Company has redeemed the 69,368 convertible bonds not converted into shares.

34. Long-term payables

Item	Closing balance	Opening balance
Long-term payables	697,551,884.79	869,815,054.56
Total	697,551,884.79	869,815,054.56

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

Item	Closing balance	Opening balance
Equity repurchase funds payable	589,800,000.00	589,800,000.00
Financial lease funds payable	467,948,844.11	478,726,975.06
Less: long-term payables maturing within one year	360,196,959.32	198,711,920.50
Total	697,551,884.79	869,815,054.56

35. Provisions

Item	Closing balance	Opening balance	Reason for formation
Product quality assurance	281,617,439.77	307,625,186.53	Estimated quality warranty money
Others		675,180.00	Leasing product insurance
Total	281,617,439.77	308,300,366.53	—

36. *Deferred income*

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reason for formation
Government subsidies. . .	286,820,445.36	6,392,500.00	39,984,496.38	253,228,448.98	Related to assets
Unrealized loss and profit on the after sales leaseback	24,380,749.54		12,735,967.73	11,644,781.81	Related to financial leasing
Total	311,201,194.90	6,392,500.00	52,720,464.11	264,873,230.79	—

Projects involving government subsidies:

Liabilities project	Opening balance	Amount of new subsidies in the current period	Amount included in non-operating income in the current period	Amount included in other incomes in the current period	Amount used for writing down cost and expense in the current period	Other changes	Closing balance	Related to assets/ income
Subsidy for fixed assets	6,678,051.38	857,900.00		1,336,446.00			6,199,505.38	Related to assets
Industry revitalization and technological transformation project	7,652,940.95			3,264,313.32			4,388,627.63	Related to assets
Special fund for technical research on key technologies of lithium-ion battery and key system	296,092.42			59,867.52			236,224.90	Related to assets
Guidance fund project for 2014 provincial strategic emerging industry development in Hefei	7,770,000.11			1,480,000.00			6,290,000.11	Related to assets
Subsidy of Economic & Trade Development Bureau of Xinzhan District for strengthening the core competence of manufacturing industry in 2016 . .	69,671,353.31			9,940,170.92			59,731,182.39	Related to assets

Liabilities project	Opening balance	Amount of new subsidies in the current period	Amount included in non-operating income in the current period	Amount included in other incomes in the current period	Amount used for writing down cost and expense in the current period	Other changes	Closing balance	Related to assets/ income
Key special subsidy for "New Energy Automobile" by the High Technology Research and Development Center, MOST . .	53,470,350.89					7,949,800.00	45,520,550.89	Related to assets
Subsidy for 2016 national intelligent standard application projects by Hefei Economic and Information Technology Commission	26,969,852.08			3,852,835.96			23,117,016.12	Related to assets
Key special lithium ion with high safety and high specific energy for national new energy automobile in 2017	8,806,910.80	199,000.00					9,005,910.80	Related to assets
Support for annual output of 600 million by construction fund of "Three Priorities and One Innovation" of Anhui Province in 2017	17,261,510.00			2,465,930.00			14,795,580.00	Related to assets
Promotion for development of lithium-ion power battery production line by the Economic & Trade Development Bureau of Xinzhan District	3,500,000.00			500,000.00			3,000,000.00	Related to assets

Liabilities project	Opening balance	Amount of new subsidies in the current period	Amount included in non-operating income in the current period	Amount included in other incomes in the current period	Amount used for writing down cost and expense in the current period	Other changes	Closing balance	Related to assets/ income
Promotion for automation of industrialized and standardized ternary cell by the Economic & Trade Development Bureau of Xinzhan District.	7,000,000.00			1,000,000.00			6,000,000.00	Related to assets
Subsidy for industry development of Hefei in the second half of 2018	3,500,000.00			500,000.00			3,000,000.00	Related to assets
Key and special "Solid Waste Reclamation" of the national key research and development program of China.	394,600.00	1,557,500.00					1,952,100.00	Related to assets
New projects supported by "Three Priorities and One Innovation" in Anhui Province in 2019		1,368,100.00		232,609.35			1,135,490.65	Related to assets
Subsidy for fixed-asset investment received from the management committee.	10,608,070.17			519,578.94			10,088,491.23	Related to assets
Subsidy received from the financial system of Anhui Science and Technology Department	1,666,666.67			666,666.67			1,000,000.00	Related to assets
Fixed-assets support subsidy	9,583,333.33			1,000,000.00			8,583,333.33	Related to assets
Subsidies from the Economic and Information Technology Commission in the first half of 2018. .	4,163,415.00			471,330.00			3,692,085.00	Related to assets

Liabilities project	Opening balance	Amount of new subsidies in the current period	Amount included in non-operating income in the current period	Amount included in other incomes in the current period	Amount used for writing down cost and expense in the current period	Other changes	Closing balance	Related to assets/ income
Construction of "Three Priorities and One Innovation" projects	5,253,254.17			589,150.00			4,664,104.17	Related to assets
Return of infrastructure supporting fees	3,250,577.02			183,131.10			3,067,445.92	Related to assets
Inclusive rewards and subsidies to support industrial enterprises' investment in technology and equipment	2,400,000.00			300,000.00			2,100,000.00	Related to assets
Fixed assets support subsidy received from the management committee	11,600,000.00			1,200,000.00			10,400,000.00	Related to assets
Special funds for intelligent switchgear	6,812,620.28			779,333.30			6,033,286.98	Related to assets
Technological transformation project for equipment	1,165,546.78			133,333.30			1,032,213.48	Related to assets
Subsidies for new energy vehicles promotion	3,840,000.00			1,560,000.00			2,280,000.00	Related to assets
Financial incentive fund	8,245,300.00						8,245,300.00	Related to assets
Return of infrastructure supporting fees	5,260,000.00	2,410,000.00					7,670,000.00	Related to assets
Total	286,820,445.36	6,392,500.00		32,034,696.38		7,949,800.00	253,228,448.98	

37. Share capital

	Opening balance	Increase or decrease (+, -) Share newly issued	Shares donated	Shares transferred from capital reserves	Others	Subtotal	Closing balance
Total number of shares. . .	1,136,650,819.00				143,893,670.00	143,893,670.00	1,280,544,489.00

Remark:

(1) In accordance with the Proposal on the Company's "Restricted Stock Incentive Plan (Draft)" and its Summary, the resolutions of the 22th and the 23th meetings of the seventh board of directors and the amended Articles of Association of the Company, the Company repurchased and cancelled the 234,000 restricted shares that have been granted to Shen Qiangsheng, Hang Jun and Zhang Min but not yet unlocked. At the same time, due to the failure to meet the performance assessment requirements at the company level in 2018, it was agreed to repurchase and cancel 7,064,086 restricted shares that have been granted but not yet unlocked by all restricted stock incentive recipients. Meanwhile, the Company reduced the registered capital by RMB72,980,860,000 and reduced capital reserve by RMB96,709,413.14, and completed the procedures for SAMR registration of change on April 10, 2020. After the change, the registered capital and share capital of the Company was RMB1,129,352,733.

(2) From June 23, 2020 to August 28, 2020, among the 18.5 million convertible corporate bonds (each with a face value of RMB100, referred to as "Gotion Convertible Bond", bond code "128086"), 18,430,632 convertible bonds have been converted into shares in accordance with relevant laws and regulations and the *Prospectus of Gotion Hi-Tech Co., Ltd. for Public Issuance of Convertible Corporate Bonds*, and the remaining 69,368 are not converted. According to the 6th meeting of the eighth board of directors of the Company and the amended articles of association of Company, the "Gotion Convertible Bonds" issued by the Company has triggered the conditional redemption clause agreed in the Prospectus, so the Company exercised the right to conditionally redeem all the "Gotion Convertible Bonds" that has not been converted into shares as registered in the Shenzhen Branch of the China Securities Depository and Clearing Co., Ltd after the closing of the market on the redemption registration date, at the price of the face value plus the interest accrued in the current period. After the redemption, the registered capital and share capital of the Company increased by RMB151,191,756 (from RMB1,129,352,733 to RMB1,280,544,489) and the capital reserve increased by RMB1,359,844,824.85), and the procedures for industrial and commercial registration of change were completed on March 11, 2021. The registered capital and share capital after the change were RMB1,280,544,489.

38. Capital reserves

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium (share premium) . . .	4,838,067,630.03	1,460,737,189.79	96,709,413.14	6,202,095,406.68
Other capital reserves	29,208,661.69			29,208,661.69
Total	4,867,276,291.72	1,460,737,189.79	96,709,413.14	6,231,304,068.37

Other remarks (including remark about the increase/decrease in the current period and the reason therefor):

Remark about the "increase in the current period":

(1) See Remark (2) of Note 53 "Share capital".

(2) It is mainly the proceeds from the sale of the first batch of unlocked restricted shares that failed to meet the requirements of the second phase ESOP. After deducting the difference of the share repurchase amount payable to employees as agreed, a total of RMB144,028,110.14 was included in the capital reserve.

Remark about the "decrease in the current period":

See Remark (1) of Note 53 "Share capital".

39. *Treasury shares*

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Restricted shares incentive plan	207,978,223.13		156,146,107.47	51,832,115.66
Equity of the parent company held by subsidiaries	59,000,000.00			59,000,000.00
Total	266,978,223.13		156,146,107.47	110,832,115.66

40. Other comprehensive income

Item	Opening balance	Amount incurred in the current period						Closing balance
		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	Less: amount recorded in other comprehensive incomes in the prior period and converted into retained earnings in the current period	Less: income tax expense	Attributable to parent company after tax	Attributable to minority stockholders after tax	
I. Other comprehensive incomes that cannot be reclassified into profits and losses later	2,768,988.69	193,918,791.83		11,890,119.70		182,028,672.13		184,797,660.82
Changes in fair values of the other equity instrument investments	2,768,988.69	193,918,791.83		11,890,119.70		182,028,672.13		184,797,660.82
II. Other comprehensive income that will be reclassified to profits and losses later	9,183,380.49	-5,678,594.60				-5,678,594.60		3,504,785.89
Translation difference of foreign currency financial statements	9,183,380.49	-5,678,594.60				-5,678,594.60		3,504,785.89
Total other comprehensive income	11,952,369.18	188,240,197.23		11,890,119.70		176,350,077.53		188,302,446.71

41. Surplus reserves

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserves	158,973,015.65			158,973,015.65
Total	158,973,015.65			158,973,015.65

42. Retained earnings

Item	Amount in the current period	Amount in the previous period
Retained earnings at the end of the previous period before adjustment	2,996,159,435.79	3,056,995,536.36
Retained earnings at the beginning of this period after adjustment	2,996,159,435.79	3,056,995,536.36
Plus: net profit attributable to the owner of the parent company in the current period	149,673,020.43	51,253,825.33
Ordinary share dividends payable		112,089,925.90
Amount transferred by disposal of other equity instrument investments	11,890,119.70	
Retained earnings at the end of the period	3,157,722,575.92	2,996,159,435.79

43. Operating revenue and operating cost

	Amount incurred in the current period		Amount incurred in the previous period	
Item	Income	Cost	Income	Cost
Primary business	6,620,680,786.67	5,013,405,396.06	4,820,838,662.00	3,296,324,137.44
Other businesses	103,552,443.89	14,514,053.85	138,059,920.32	49,129,538.01
Total	6,724,233,230.56	5,027,919,449.91	4,958,898,582.32	3,345,453,675.45

Item	Year 2020	Year 2019	Remark
Operating income	6,724,233,230.56	4,958,898,582.32	None
Deductions from operating income	103,552,443.89	138,059,920.32	Unrelated to the income from primary business
Including:			
1. Income from technical service	80,460,437.73		
2. Others	23,092,006.16		Leasing, material sales, etc.
Subtotal of operating income unrelated to primary business	103,552,443.89	138,059,920.32	None
Subtotal of income without commercial substance	0.00	0.00	None
Amount after deductions	6,620,680,786.67	4,820,838,662.00	None

44. Taxes and surcharges

Item	Amount incurred in the current period	Amount incurred in the previous period
Urban maintenance and construction tax	1,406,076.35	1,593,199.27
Educational surcharges	1,140,305.55	1,653,988.74
Real estate tax	20,823,134.47	15,994,682.74
Land usage tax	8,483,618.70	8,216,253.76
Stamp tax	6,138,566.00	5,457,150.01
Others	5,481,913.89	5,150,928.67
Total	43,473,614.96	38,066,203.19

45. Selling expenses

Item	Amount incurred in the current period	Amount incurred in the previous period
Quality assurance and after-sales service expenses	183,137,195.95	183,891,076.97
Employee compensation	49,136,329.89	53,408,091.44
Logistics transportation charge		52,522,430.33
Travel expense	14,521,413.44	17,183,537.16
Reception and business publicity expenses	3,248,773.79	5,878,801.35
Bidding and tendering cost	2,683,300.80	3,957,553.12
Water and electricity and office expenses	2,018,995.28	4,920,930.99
Depreciation and amortization	3,517,161.64	5,262,191.32
Others	7,846,219.18	6,854,489.20
Total	266,109,389.97	333,879,101.88

46. Administrative expenses

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee compensation	207,724,425.09	204,405,449.16
Water and electricity and office expenses	44,283,124.23	48,816,601.97
Depreciation and amortization	68,892,422.20	62,613,282.11
Intermediary service fee	23,406,473.70	33,697,891.11
Business entertainment and promotion expenses	11,836,145.47	10,734,517.29
Sporadic projects and housing renovation	13,524,551.78	15,132,721.93
Travel expense	6,353,620.64	10,046,470.29
Others	21,806,346.90	12,492,229.38
Total	397,827,110.01	397,939,163.24

47. R&D expenses

Item	Amount incurred in the current period	Amount incurred in the previous period
R&D materials expenses	118,852,479.92	133,541,798.65
Employee compensation	209,516,331.47	188,434,043.77
Water and electricity and office expenses	24,593,863.72	20,330,323.49
Depreciation and amortization	66,212,542.24	47,649,365.01

Item	Amount incurred in the current period	Amount incurred in the previous period
Cooperative development and patent expenses	44,572,548.59	31,433,631.83
Test fee	9,481,487.27	5,931,554.25
Travel expense	3,743,315.41	6,869,691.93
Others	21,541,328.20	3,097,477.91
Total	498,513,896.82	437,287,886.84

48. Financial expense

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest expense	352,621,952.04	373,273,451.39
Less: interest income	58,979,679.81	95,325,866.05
Exchange gains	11,112,318.01	6,036,347.11
Service charge	7,166,202.94	6,877,178.52
Total	311,920,793.18	290,861,110.97

49. Other incomes

Sources generating other incomes	Amount incurred in the current period	Amount incurred in the previous period
I. Government subsidies included in other income		
Governmental subsidies	393,270,804.63	509,506,767.99
Others	43,380.17	
Total	393,314,184.80	509,506,767.99

50. Investment income

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income accounted by equity method	-6,120,725.12	-24,366,386.13
Investment income from disposal of long-term equity investments	44,481,194.86	
Investment income obtained from disposal of assets held for trading	4,827,762.22	
Others: 24M debt-to-equity investment (if they are not converted, the interest will be returned at the loan interest rate)	17,780,288.76	
Total	60,968,520.72	-24,366,386.13

51. Gains from changes in fair value

Sources for gains from change in fair value	Amount incurred in the current period	Amount incurred in the previous period
Financial assets held for trading	414,840.18	
Total	414,840.18	

Other remarks:

52. *Credit impairment loss*

Item	Amount incurred in the current period	Amount incurred in the previous period
Loss on bad debt of other receivables	2,831,979.09	-8,096,369.12
Loss on bad debts of long-term receivables	-5,753,859.03	1,534,061.80
Loss on bad debt of notes receivable	-15,429,535.40	-39,041,143.19
Loss on bad debts of accounts receivable	-317,559,411.33	-174,734,736.57
Loss on contract asset impairment		
Total	-335,910,826.67	-220,338,187.08

53. *Asset impairment loss*

Item	Amount incurred in the current period	Amount incurred in the previous period
II. Inventory depreciation loss and contract performance cost impairment loss	-134,840,176.17	-323,374,303.93
Total	-134,840,176.17	-323,374,303.93

54. *Gains from disposal of assets*

Sources of gains from disposal of assets	Amount incurred in the current period	Amount incurred in the previous period
Gains or losses from disposal of fixed assets, construction in progress, productive biological assets and intangible assets not classified as held for sale:	5,189,719.48	2,014,019.12
Including: fixed assets	5,189,719.48	2,014,019.12

55. *Non-operating income*

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in the current non-recurring gains and losses
Government subsidies	50,200.00	223,200.00	50,200.00
Operating penalty and net income from investigating the liability for breach	4,690,532.66	5,226,780.01	4,690,532.66
Write-off of current accounts and others	4,985,963.23	183,349.25	4,985,963.23
Total	9,726,695.89	5,633,329.26	9,726,695.89

56. *Non-operating expenses*

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in the current non-recurring gains and losses
External donations	8,200,727.88	1,943,768.70	8,200,727.88
Compensation paid	1,989,302.95	9,949,548.27	1,989,302.95
Others	700,976.98	699,021.59	700,976.98
Total	10,891,007.81	12,592,338.56	10,891,007.81

57. *Income tax expense*

(1) Statement of income tax expense

Item	Amount incurred in the current period	Amount incurred in the previous period
Current income tax expense	100,652,927.63	112,030,482.43
Deferred income tax expense	-81,115,932.76	-108,468,885.88
Total	19,536,994.87	3,561,596.55

(2) Adjustment process of accounting profit and income tax expense

Item	Amount incurred in the current period
Total profit	166,440,926.13
Income tax expense calculated according to statutory/applicable tax rate	41,610,231.53
Influence of application of different tax rates by subsidiaries	-5,880,018.58
Influence of non-deductible costs, expenses and losses	3,934,769.14
Influence of deductible temporary differences or deductible losses of unrecognized Deferred tax assets in the current period	25,336,982.84
Influence of additional deduction of R&D expenditures	-45,464,970.06
Income tax expense	19,536,994.87

58. *Notes to items in the Statement of Cash Flows*

(1) Other cash received from operating activities

Item	Amount incurred in the current period	Amount incurred in the previous period
Government subsidies	359,729,008.25	339,510,988.88
Current accounts and others	1,565,031.01	44,753,589.67
Total	361,294,039.26	384,264,578.55

(2) Other cash paid for operating activities:

Item	Amount incurred in the current period	Amount incurred in the previous period
R&D expenditures	107,311,836.70	201,204,478.06
Water and electricity and office expenses	46,302,119.51	53,737,532.96
Logistics transportation charge		55,930,156.44
Travel expense	20,875,034.08	23,822,281.34
Reception and business publicity expenses	15,084,919.26	16,613,318.64
Intermediary service fee	23,406,473.70	33,697,891.11
Sporadic projects and housing renovation	13,524,551.78	15,132,721.93
Bidding and tendering cost	2,683,300.80	3,957,553.12
Quality assurance and after-sales service expenses	5,065,167.49	6,935,723.00
Current accounts and others	32,946,069.80	99,016,400.88
Total	267,199,473.12	510,048,057.48

(3) Other cash received from investing activities

Item	Amount incurred in the current period	Amount incurred in the previous period
Repayment of borrowings to related parties	40,000,000.00	
Interest income and others	40,833,449.84	96,022,266.05
Total	80,833,449.84	96,022,266.05

(4) Other cash paid for investing activities

Item	Amount incurred in the current period	Amount incurred in the previous period
Borrowings to related parties		40,000,000.00
Total		40,000,000.00

(5) Other cash received from financing activities

Item	Amount incurred in the current period	Amount incurred in the previous period
Loans from non-financial institutions	261,525,000.00	0.00
Equity incentive subscription fund		80,123,513.00
Proceeds from the disposal of repurchased employee equity	180,200,682.25	
Recovery of acceptance deposit	42,365,020.19	
Total	484,090,702.44	80,123,513.00

(6) Other cash paid for financing activities

Item	Amount incurred in the current period	Amount incurred in the previous period
Refund of the funds for invalid restricted stock	121,045,849.24	23,267,880.21
Repayment to non-financial institutions		50,000,000.00
Acceptance deposit paid		256,085,683.65
Loans from non-financial institutions	251,938,651.63	
Total	372,984,500.87	329,353,563.86

59. Supplementary information to the Statement of Cash Flows

(1) Supplementary information to the Statement of Cash Flows

Supplementary information	Amount in the current period	Amount in the previous period
1. Net profit adjusted to cash flows from operating activities:	—	—
Net profit	146,903,931.26	48,332,744.87
Plus: provision for asset impairment	470,751,002.84	540,513,692.59
Depreciation of fixed assets, oil and gas assets and productive biological assets	553,355,294.97	491,503,127.71
Depreciation of use right assets		

Supplementary information	Amount in the current period	Amount in the previous period
Amortization of intangible assets	46,983,421.41	31,449,322.77
Amortization of long-term deferred expenses	7,173,322.70	-4,116,324.42
Loss from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-5,189,719.48	-2,014,019.12
Losses from write-off of fixed assets ("-" for gains)		
Losses from changes in fair value ("-" for gains)	-414,840.18	
Financial expenses ("-" for gains)	304,754,590.24	283,983,932.45
Investment loss ("-" for gains)	-60,968,520.72	24,366,386.13
Decrease in Deferred tax assets ("-" for increase)	-81,165,579.12	-114,875,751.31
Increase in Deferred tax liabilities ("-" for decrease)	49,646.36	6,406,865.43
Decrease in inventories ("-" for increase)	717,565,834.10	-2,001,872,060.25
Decrease in operating receivables ("-" for increase)	-1,803,391,029.04	-394,564,728.48
Increase in operating payables ("-" for decrease)	514,497,387.50	407,692,613.38
Others	-125,950,911.42	
Net cash flow from operating activities	684,953,831.42	-683,194,198.25
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	2,437,055,743.03	2,677,963,153.23
Less: Opening balance of cash	2,677,963,153.23	2,347,271,062.28
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-240,907,410.20	330,692,090.95

(2) Net cash paid for acquisition of subsidiaries in the current period

	Amount
Cash or cash equivalents paid in the current period for business combination in the current period	2,200,000.00
Including:	—
Shanghai Gotion Wuyang Shipping Technology Co., Ltd.	2,200,000.00
Less: cash and cash equivalents held by subsidiaries on the acquisition date	204,426.28
Including:	—
Shanghai Gotion Wuyang Shipping Technology Co., Ltd.	204,426.28
Including:	—
Shanghai Gotion Wuyang Shipping Technology Co., Ltd.	
Net cash paid to acquire subsidiaries	1,995,573.72

(3) Composition of cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	2,437,055,743.03	2,677,963,153.23
Including: cash on hand	214,929.76	192,424.17
Unrestricted bank deposits	2,436,840,813.27	2,677,770,729.06
III. Closing balance of cash and cash equivalents	2,437,055,743.03	2,677,963,153.23

Other remarks:

60. Assets with the ownership or use right restricted

Item	Ending book value	Reason for restriction
Cash and cash equivalents	906,471,520.76	Among them, RMB894,421,520.76 is the deposit and RMB12,050,000.00 is subject to judicial freeze
Fixed assets	1,132,491,798.23	Mortgaged for financing
Intangible assets	355,454,162.32	Mortgaged for financing
Financing funds receivables	347,507,663.01	Pledged for financing
Account receivable	478,171,478.00	Pledged for financing
Fixed assets	707,593,890.97	Financing lease
Long-term equity investments	9,228,535.85	Xuanyi Investment, a subsidiary of the Company, pledged 25% equity of its associate Beijing Gotion Fuweisi Optical Storage Technology Co., Ltd to SPIC Ronghe Financial Leasing Co., Ltd. for the financing of the associate itself.
Total	3,936,919,049.14	—

Other remarks:

61. Monetary items in foreign currency

(1) Monetary items in foreign currency

Item	Closing balance in foreign currency	Translation rate	Closing balance translated in RMB
Cash and cash equivalents	—	—	
Including: USD	18,839,765.43	6.5249	122,927,585.45
EUR			
HKD			
JPY	1,459,279.00	0.0632	92,278.97
SGD	1,091,006.25	4.9314	5,380,188.22
Accounts receivable	—	—	

Item	Closing balance in foreign currency	Translation rate	Closing balance translated in RMB
Including: USD	21,562,760.18	6.5249	140,694,853.90
EUR			
HKD			
Long-term borrowings	—	—	
Including: USD			
EUR			
HKD			

62. Government subsidies

(1) Basic information of government subsidies

Type	Amount	Items presented	Amounts included in current profits and losses
National fund for industrial internet innovation development fund 2019	1,320,000.00	Other income	1,320,000.00
New energy vehicle industry innovation fund in 2020	9,750,000.00	Other income	9,750,000.00
High-quality development award and subsidy of Hefei Market Supervision and Administration Bureau	1,000,000.00	Other income	1,000,000.00
Subsidy for the implementation of independent innovation policy in Hefei 2019	3,000,000.00	Other income	3,000,000.00
Foreign trade development fund of Hefei Economic and Trade Development Bureau in 2020	4,147,000.00	Other income	4,147,000.00
Special fund for constructing major emerging industry base of new energy vehicles in Hefei in 2020	1,420,000.00	Other income	1,420,000.00
Digital economy award and subsidy of Anhui Province in 2020	1,000,000.00	Other income	1,000,000.00
Subsidy for new energy vehicles in Hefei in 2020	30,498,140.00	Other income	30,498,140.00
Supporting fund for scientific and technical innovation	24,130,000.00	Other income	24,130,000.00
Policy incentives and subsidies for building a strong manufacturing province in 2019	3,241,000.00	Other income	3,241,000.00
Municipal supporting funds for major provincial projects	1,000,000.00	Other income	1,000,000.00
Major special funds for scientific and technological innovation in 2019	1,000,000.00	Other income	1,000,000.00
Subsidy for new product development and promotion	6,750,000.00	Other income	6,750,000.00
Support funds for industry development	20,000,000.00	Other income	20,000,000.00
Supporting funds for “lithium iron phosphate power battery development” project	3,000,000.00	Other income	3,000,000.00

Type	Amount	Items presented	Amounts included in current profits and losses
The second batch of special funds for advanced manufacturing industry in 2020	3,000,000.00	Other income	3,000,000.00
Supporting awards for provincial strong industrial foundation engineering project 2019	8,140,000.00	Other income	8,140,000.00
Special incentive fund for industrial transformation and upgrading in 2019	8,140,000.00	Other income	8,140,000.00
Industry supporting fund	125,433,393.36	Other income	125,433,393.36
Subsidies for unemployment insurance and employment stabilization	1,513,971.00	Other income	1,513,971.00
Supporting fund for new energy industry	30,000,000.00	Other income	30,000,000.00
Enterprise development support funds	34,167,500.00	Other income	34,167,500.00
Funds for municipal science and technology project allocated by the Industry and Trade Development Division of the Municipal Finance Department	1,000,000.00	Other income	1,000,000.00
Special development fund for Shanghai Zhangjiang National Independent Innovation Demonstration Zone	20,000,000.00	Other income	20,000,000.00
Summary of other government subsidy projects	18,635,303.89	Other income/ non-operating income	18,635,303.89
Total	361,286,308.25		361,286,308.25

VIII. Change in the Consolidation Scope

1. Business combination not under common control

(1) Business combination not under common control incurred in the current period

Acquiree	Date of equity acquisition	Cost of equity acquisition	Ratio of equity acquisition	Method of equity acquisition	Acquisition date	Basis for determining the acquisition date	Income of the acquiree from the acquisition date to period-end	Net profit of the acquiree from the acquisition date to period-end
Shanghai Gotion Wuyang Shipping Technology Co., Ltd.	January 31, 2020	2,200,000.00	51.00%	Acquisition	January 31, 2020	Change of equity	1,103,860.61	-1,773,324.91

(2) Combination costs and goodwill

Combination cost	Shanghai Gotion Wuyang Shipping Technology Co., Ltd.
— Cash	2,200,000.00
Less: fair value of the identifiable net assets acquired	1,261,270.96
Difference of the goodwill/combination cost in short of the fair value of the identifiable net assets acquired	938,729.04

(3) Identifiable assets and liabilities of the acquiree on the acquisition date

	Shanghai Gotion Wuyang Shipping Technology Co., Ltd.	
	Fair value on acquisition date	Book value on acquisition date
Cash and cash equivalents	204,426.28	204,426.28
Accounts receivable	2,183,773.85	2,183,773.85
Fixed assets	27,932.96	27,932.96
Advances to suppliers	75,068.00	75,068.00
Deferred tax assets	471,674.35	471,674.35
Accounts payable	2,411,363.75	2,411,363.75
Net assets	551,511.69	551,511.69
Less: minority equity	-709,759.27	-709,759.27
Net assets acquired	1,261,270.96	1,261,270.96

2. Others

In June 2020, Hefei Gotion Hi-Tech Power Energy Co., Ltd, a subsidiary of the Company, established Liuzhou Gotion Battery Co., Ltd jointly with other investors, with a shareholding ratio of 66.67%.

IX. Equity in other entities

1. Equity in subsidiaries

(1) Structure of the enterprise group

Subsidiary's name	Main place of business	Registration place	Business nature	Shareholding ratio		Acquisition method
				Direct	Indirect	
Nantong Taifu Electric Manufacturing Co., Ltd.	Nantong, Jiangsu	Nantong, Jiangsu	Industrial production		100.00%	Direct investment
Suzhou Dongyuan Tianli Electric Co., Ltd.	Suzhou, Jiangsu	Suzhou, Jiangsu	Industrial production		100.00%	Direct investment
Nantong Aston Electric Manufacturing Co., Ltd.	Nantong, Jiangsu	Nantong, Jiangsu	Industrial production		68.66%	Direct investment
Nantong Dongyuan Power Intelligent Equipment Co., Ltd.	Nantong, Jiangsu	Nantong, Jiangsu	Industrial production		100.00%	Direct investment
Jiangsu Dongyuan Electrical Group Co., Ltd.	Nantong, Jiangsu	Nantong, Jiangsu	Industrial production	99.82%	0.18%	Direct investment

Subsidiary's name	Main place of business	Registration place	Business nature	Shareholding ratio		Acquisition method
				Direct	Indirect	
Nantong Gotion New Energy Technology Co., Ltd.	Nantong, Jiangsu	Nantong, Jiangsu	Industrial production		100.00%	Direct investment
Hefei Gotion Hi-Tech Power Energy Co., Ltd.	Hefei, Anhui	Hefei, Anhui	Industrial production	100.00%		Counter purchase
Anhui Gotion New Energy Automobile Technology Co., Ltd.	Hefei, Anhui	Hefei, Anhui	Industrial production		100.00%	Counter purchase
Hefei Guorui New Energy Automotive Technology Co., Ltd.	Chaohu, Anhui	Chaohu, Anhui	Industrial production		65.00%	Counter purchase
Shanghai Xuanyi New Energy Development Co., Ltd.	Shanghai	Shanghai	R&D and sales		100.00%	Counter purchase
Gotion Hi-Tech (U.S.) Co., Ltd.	USA	Fremont, California, USA	R&D		100.00%	Counter purchase
Nanjing Gotion Battery Co., Ltd.	Nanjing, Jiangsu	Nanjing, Jiangsu	Industrial production		100.00%	Counter purchase
Hefei Gotion Battery Material Co., Ltd.	Lujiang, Anhui	Hefei, Anhui	Industrial production		95.23%	Counter purchase
Shanghai Gotion New Energy Co., Ltd.	Shanghai	Shanghai	R&D		100.00%	Direct investment
Qingdao Gotion Battery Co., Ltd.	Qingdao, Shandong	Qingdao, Shandong	Industrial production		100.00%	Direct investment
Tangshan Gotion Battery Co., Ltd.	Tangshan, Hebei	Tangshan, Hebei	Industrial production		100.00%	Direct investment
Gotion Kangsheng (Luzhou) Battery Co., Ltd.	Luzhou, Sichuan	Luzhou, Sichuan	Industrial production			Direct investment
Gotion New Energy (Lujiang) Co., Ltd.	Hefei, Anhui	Hefei, Anhui	Industrial production		100.00%	Direct investment
Gotion Hi-Tech Japan Co., Ltd.	Japan	Ibaraki, Japan	R&D		100.00%	Direct investment
Hefei Gotion Precision Coating Material Co., Ltd.	Hefei, Anhui	Hefei, Anhui	Industrial production		100.00%	Direct investment
Hefei Xuanyi Investment Management Co., Ltd..	Hefei, Anhui	Hefei, Anhui	Investment management		100.00%	Direct investment
Shanghai Gotion New Energy (Hefei) Energy Storage Technology Co., Ltd.	Hefei, Anhui	Hefei, Anhui	Industrial production		100.00%	Direct investment
Nanjing Gotion New Energy Co., Ltd	Nanjing, Jiangsu	Nanjing, Jiangsu	Industrial production		100.00%	Direct investment
Hefei Gotion Battery Co., Ltd.	Hefei, Anhui	Hefei, Anhui	Industrial production		100.00%	Direct investment
Gotion Hi-Tech (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	R&D		100.00%	Direct investment
Singapore Gotion Co., Ltd.	Singapore	Singapore	R&D		100.00%	Direct investment

Subsidiary's name	Main place of business	Registration place	Business nature	Shareholding ratio		Acquisition method
				Direct	Indirect	
Sichuan Gotion Shunda New Energy Technology Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Industrial production		100.00%	Direct investment
Nanjing Gotion Battery Research Institute Co., Ltd.	Nanjing, Jiangsu	Nanjing, Jiangsu	R&D		100.00%	Direct investment
Hefei Jiachi Technology Co., Ltd	Hefei, Anhui	Hefei, Anhui	Industrial production		88.89%	Direct investment
Shanghai Gotion Wuyang Shipping Technology Co., Ltd.	Shanghai	Shanghai	Industrial production	51.00%		Business combination not under common control
Liuzhou Gotion Battery Co., Ltd.	Liuzhou, Guangxi	Liuzhou, Guangxi	Industrial production	66.67%		Direct investment

(2) Major non-wholly-owned subsidiaries

Subsidiary's name	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
Hefei Gotion Battery Material Co., Ltd.	4.77%	1,720,442.81		125,388,904.87

(3) Main financial information of major non-wholly-owned subsidiaries

	Closing balance						Opening balance					
Subsidiary's name	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hefei Gotion Battery Material Co., Ltd.	3,760,950,239.84	717,090,947.30	4,478,041,187.14	1,317,991,371.78	533,554,112.06	1,851,545,483.84	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

	Amount incurred in the current period				Amount incurred in the previous period			
Subsidiary's name	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Hefei Gotion Battery Material Co., Ltd.	727,985,999.07	36,037,763.15	36,037,763.15		1,140,964,178.87	198,093,670.78	198,093,670.78	

Other remarks:

2. *Transactions which leads to changes in owners' equity in a subsidiary but still has control over the subsidiary*

None

3. *Equity in joint ventures or associates*

(1) Major joint ventures or associates

Name of joint venture or associate	Principal place of business	Registration place	Business nature	Shareholding ratio		Accounting treatment method for investment in joint ventures or associates
				Direct	Indirect	
Hefei Xingyuan New Energy Materials Co., Ltd	Lujiang, Anhui	Lujiang, Anhui	Industrial production		26.92%	Equity method
MCC Ramu New Energy Technology Co., Ltd. . . .	Tangshan, Hebei	Tangshan, Hebei	Industrial production		30.00%	Equity method
Shanghai Electric Gotion New Energy Technology Co., Ltd	Shanghai	Shanghai	Industrial production	45.40%		Equity method
Anhui Tongguan Copper Foil Co., Ltd.	Hefei, Anhui	Hefei, Anhui	Industrial production		3.50%	Equity method
Beijing Gotion Full-Service Optical Storage & Discharge Technology Co., Ltd.	Beijing	Beijing	Industrial production		25.00%	Equity method
Litong Energy Technology Co., Ltd.	Taiwan	Taiwan	Industrial production		20.00%	Equity method
Beijing Full-Service Oil & Gas Technology Co., Ltd.	Beijing	Beijing	Industrial production		40.00%	Equity method
			Industrial production		26.92%	Equity method

X. 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 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.

XI. Disclosure of fair value

1. Ending fair value of the assets and liabilities measured at fair value

	Ending fair value			
Item	**First level of fair value measurement**	**Second level of fair value measurement**	**Third level of fair value measurement**	**Total**
I. Continuous fair value measurement . .	—	—	—	—
(I) Financial assets held for trading			411,114,371.81	411,114,371.81
1. Financial assets measured at fair value through current profit or loss.			411,114,371.81	411,114,371.81
(3) Derivative financial assets			411,114,371.81	411,114,371.81
(II) Other creditor's right investments . . .			4,567,430.00	4,567,430.00
(III) Other equity instrument investment. .	441,676,430.89		473,630,516.50	915,306,947.39
(VI) Financing funds receivable			608,839,017.64	608,839,017.64
Total amount of assets measured at fair value on a continuous basis.	441,676,430.89		1,498,151,335.95	1,939,827,766.84
II. Non-continuous fair value measurement	—	—	—	—

2. Basis for determining the market price for the items subject to the first level of continuous and non-continuous fair value measurement

Item	**Fair value**	**Quoted price in active markets**			
		Main market (the most advantageous market)	**Transaction price**	**Historical transaction amount**	**Source of information**
I. Measurement at fair value on a continuous basis. . . .					
(I) Other equity instrument investment					
BAIC BluePark New Energy Technology Co., Ltd.	441,676,430.89	A-share market of China	8.67		www.cninfo.com
Total amount of assets measured at fair value on a continuous basis.	441,676,430.89				

3. *Valuation techniques adopted and qualitative and quantitative information of important parameters for the items subject to the third level of continuous and non-continuous fair value measurement*

For treasury bond products and structured deposits, future cash flow will be predicted based on the expected rate of return, which is an unobservable estimate.

For other debt investment, other equity instrument investment and financing funds receivables, the cost represents the best estimate.

XII. Related Party and Related-party Transactions

1. *Information of the parent company of the Company*

Name of the parent company	Registration place	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
Nanjing Gotion Holding Group Co., Ltd.	No. 8, Huyue East Road, Liuhe Economic Development Zone, Nanjing	General items: technical service, technical development, technical consultation, technical exchange, technology transfer, technology promotion; sales of new automobile; wholesale of auto parts; retail of auto parts; sales of new energy vehicles; sales of new energy vehicle power exchange facilities; sales of new energy vehicle production and testing equipment; R&D of auto parts; domestic trade agent; trade broker; sales agent; investment with self-owned funds (Except for items subject to approval according to law, business activities shall be carried out independently according to law with business license)	1,983.00	15.28%	15.28%

Information of the parent company of the Company

Li Zhen and Li Chen, the person acting in concert, directly hold 134,844,188 shares and 28,472,398 shares of the Company respectively, and control 195,651,486 shares of the Company through Zhuhai Gotion. Li Zhen and the persons acting in concert control 358,968,072 shares of the Company, accounting for 28.03% of the total shares of the Company. Therefore, Li Zhen is the actual controller of the Company.

The ultimate controller of the Company is Li Zhen.

Other remarks:

2. *Information of subsidiaries of the Company*

Please refer to Note IX-1 for the details of the subsidiaries of the Company.

3. Information of joint ventures and associates of the Company

Please refer to Note IX-3 for the details of major joint ventures and associates of the Company.

Information of other joint ventures and associates that have related party transactions with the Company in the current period or had related party transactions with the Company in the previous period and generated balances:

Name of joint ventures or associates	Relationship with the Company
Hefei Xingyuan New Energy Materials Co., Ltd	The Company holds its 26.92% equity
MCC Ramu New Energy Technology Co., Ltd.	The Company holds its 30.00% equity
Shanghai Electric Gotion New Energy Technology Co., Ltd	The Company holds its 43.00% equity
Anhui Tongguan Copper Foil Co., Ltd.	The Company holds its 3.50% equity
Beijing Gotion Full-Service Optical Storage & Discharge Technology Co., Ltd	The Company holds its 25.00% equity
Litong Energy Technology Co., Ltd.	The Company holds its 20.00% equity
Beijing Full-Service Oil & Gas Technology Co., Ltd.	The Company holds its 40.00% equity

Other remarks

4. Other related parties

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

Name of other related parties	Relationship with the Company
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

Other remarks

5. *Related-party transactions*

(1) *Related-party transactions for purchasing/selling commodities or rendering/accepting labor services*

Details of related party transactions for purchasing commodities or accepting labor service

Related party	Contents of related-party transaction	Amount incurred in the current period	Transaction limit approved	Whether the transaction limit is exceeded	Amount incurred in the previous period
Anhui Minsheng Property Management Co., Ltd.	Property management fee	20,526,103.38	20,000,000.00	No	12,096,132.16
Anhui Tangchi Film and Television Cultural Industry Co., Ltd.	Conference, accommodation, catering expenses, etc.	1,515,370.98			2,656,500.00
Anhui Tongguan Copper Foil Group Co., Ltd.	Copper foil	28,691,111.96	55,000,000.00	No	
Hefei Tongguan Electronic Copper Foil Co., Ltd.	Copper foil	3,029,694.87	200,000,000.00	No	39,946,076.21
Beijing Full-Service Oil & Gas Technology Co., Ltd.	Slave module, transfer high-voltage box	330,382.31			
Gotion New Energy (Suzhou) Co., Ltd.	Power battery system assembly, module and accessories, pole piece, etc.	16,097,167.18			24,391,720.38
Hefei Xingyuan New Energy Materials Co., Ltd	Diaphragm	42,371,009.54	200,000,000.00	No	50,436,868.15
MCC Ramu New Energy Technology Co., Ltd	Precursors, labor services	14,070.78	400,000,000.00	No	328,700.00

Related party	Contents of related-party transaction	Amount incurred in the current period	Transaction limit approved	Whether the transaction limit is exceeded	Amount incurred in the previous period
Shanghai Dajiang Network Technology Co., Ltd.	Information systems				1,653,400.00
Anhui Gotion Xiang Aluminum Technology Co., Ltd.	Box, tooling, mould, etc.	6,967,427.87	11,000,000.00	No	
Hefei Palace Decoration Design Engineering Co., Ltd.	Engineering	3,085,663.72			

Details of related-party transactions for selling commodities or rendering labor service

Related party	Contents of related-party transaction	Amount incurred in the current period	Amount incurred in the previous period
Xinji Branch, Hebei Xinxuan Transportation Co., Ltd	Charging equipment	1,064,637.90	765,000.00
Beijing Full-Service Oil & Gas Technology Co., Ltd.	Battery cell	53,233,869.65	
Gotion New Energy (Suzhou) Co., Ltd.	Power battery system assembly, battery cell assembly, lithium iron phosphate, etc.	22,214,023.59	
Jiangsu Jiankang Automobile Co., Ltd.	Charging equipment	10,368,314.15	
Shanghai Electric Gotion New Energy Technology (Nantong) Co., Ltd.	Battery cell, lithium iron phosphate and other raw materials; technical service fee	38,898,647.51	
Shanghai Electric Gotion New Energy Technology Co., Ltd	Battery cell	124,923,379.50	45,430,993.73
Lixin Electric Bus Co., Ltd.	Charging equipment	3,185,840.72	32,197,655.65
Yingshang Dadao New Energy Bus Co., Ltd.	Charging equipment	29,203,539.93	
Taihe Dadao New Energy Bus Co., Ltd.	Charging equipment	31,858,407.20	
Tunchang Xinhai New Energy Bus Co., Ltd.	Charging equipment	2,654,867.25	
Wenchang Dadao New Energy Bus Co., Ltd.	Charging equipment	5,752,035.41	
Huangshan Dadao New Energy Bus Co., Ltd.	Charging equipment	5,309,734.53	
Jingde Dadao New Energy Bus Co., Ltd.	Charging equipment	1,061,946.90	192,000.00
Linli Xindadao Public Transport Co., Ltd.	Charging equipment	1,061,946.90	
Wucheng Dadao New Energy Bus Co., Ltd.	Charging equipment	530,973.45	

Remark about the related party transactions for purchasing/selling commodities or rendering/accepting labor service

(2) Related party leasing

Where the Company is the lessor:

Name of lessee	Type of leased asset	Lease income recognized in the current period	Lease income recognized in the previous period
Nascent Investment. LLC	House property — USD	516,000.00	96,000.00
Anhui Gotion New Energy Investment Co., Ltd.	House property	402,187.50	

(3) Related party guarantee

Where the Company is the guarantor:

Guaranteed party	Amount of guarantee	Starting date of guarantee	Maturity date of guarantee	Guarantee fulfilled or not
MCC Ramu New Energy Technology Co., Ltd	300,000,000.00	January 31, 2019	January 31, 2025	No
Shanghai Electric Gotion New Energy Technology Co., Ltd	91,140,000.00	November 22, 2018	November 22, 2026	No
Shanghai Electric Gotion New Energy Technology Co., Ltd	294,000,000.00	May 9, 2020	May 9, 2030	No

Where the Company is the guaranteed party:

Guarantor	Amount of guarantee	Starting date of guarantee	Maturity date of guarantee	Guarantee fulfilled or not
Li Zhen	90,000,000.00	July 12, 2019	July 12, 2020	Yes
Li Zhen	260,050,601.58	September 19, 2019	September 19, 2022	No

Remark about related party guarantee

(4) Fund lending/borrowing to/from related parties

Related party	Amount of lending/borrowing	Starting date	Maturity date	Note
Borrowing.				
Zhuhai Gotion Trading Co., Ltd. (now renamed Nanjing Gotion Holding Group Co., Ltd.). . . .	40,000,000.00	November 18, 2019	April 27, 2020	The interest attributable to 2019 and 2020 is RMB208,000.00 and RMB575,000.00 respectively
Lending.				

(5) Compensation of key management personnel

Item	Amount incurred in the current period	Amount incurred in the previous period
Compensation of key management personnel	1,062.50	1,320.70

6. Receivable from and payables to related parties

(1) Receivables

		Closing balance		Opening balance	
Item	Related party	Book balance	Provision for bad debt	Book balance	Provision for bad debt
Accounts receivable. . . .	Gotion New Energy (Suzhou) Co., Ltd.	9,507,326.72	475,366.34	30,198,439.88	1,509,921.99
Accounts receivable. . . .	Beijing Full-Service Oil & Gas Technology Co., Ltd.	57,052,033.63	2,852,601.68		
Accounts receivable. . . .	Xinji Branch, Hebei Xinxuan Transportation Co., Ltd	1,200,000.00	60,000.00		
Accounts receivable. . . .	Huangshan Dadao New Energy Bus Co., Ltd.	6,280,000.00	384,000.00	280,000.00	28,000.00
Accounts receivable. . . .	Jiangsu Jiankang Automobile Co., Ltd.	197,634,490.02	43,876,939.05	273,983,079.02	36,235,608.45
Accounts receivable. . . .	Jingde Dadao New Energy Bus Co., Ltd.	1,582,500.00	98,250.00	382,500.00	19,125.00
Accounts receivable. . . .	Lixin Electric Bus Co., Ltd.	3,600,000.00	180,000.00		

Item	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debt	Book balance	Provision for bad debt
Accounts receivable. . . .	Linli Xindadao Public Transport Co., Ltd.	1,200,000.00	60,000.00		
Accounts receivable. . . .	Shanghai Electric Gotion New Energy Technology (Nantong) Co., Ltd.	42,600,398.26	2,191,039.83		
Accounts receivable. . . .	Shanghai Electric Gotion New Energy Technology Co., Ltd	181,801,383.18	11,806,544.84	100,011,404.59	5,000,570.23
Accounts receivable. . . .	Taihe Dadao New Energy Bus Co., Ltd.	36,300,000.00	1,950,000.00	300,000.00	30,000.00
Accounts receivable. . . .	Tunchang Xinhai New Energy Bus Co., Ltd.	3,140,122.00	192,036.60	140,122.00	14,012.20
Accounts receivable. . . .	Wenchang Dadao New Energy Bus Co., Ltd.	6,049,980.00	302,499.00		
Accounts receivable. . . .	Wucheng Dadao New Energy Bus Co., Ltd.	600,000.00	30,000.00		
Accounts receivable. . . .	Yingshang Dadao New Energy Bus Co., Ltd.	16,423,955.60	1,010,197.78	420,000.00	42,000.00
Accounts receivable. . . .	Hefei Xingyuan New Energy Materials Co., Ltd			180,000.00	90,000.00
Other receivables	Nanjing Gotion Holding Group Co., Ltd			40,208,000.00	2,010,400.00
Advance to suppliers . . .	Hefei Tongguan Gotion Copper Material Co., Ltd.	768.92			
Advance to suppliers . . .	MCC Ramu New Energy Technology Co., Ltd	33.00			
Advance to suppliers . . .	Jiangsu Branch, Anhui Minsheng Property Management Co., Ltd.	40,937.00			

Item	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debt	Book balance	Provision for bad debt
Advance to suppliers . . .	Beijing Full-Service Oil & Gas Technology Co., Ltd.	424,000.00			
Other receivables	Hefei Aolai New Energy Automobile Sales Co., Ltd.	171,491.27	52,236.98	171,491.27	
Advance to suppliers . . .	Hefei Palace Decoration Design Engineering Co., Ltd.			2,237,732.35	

(2) Payables

Item	Related party	Ending book balance	Beginning book balance
Notes payable	Hefei Tongguan Gotion Copper Material Co., Ltd.		1,124,325.95
Accounts payable.	Anhui Minsheng Property Management Co., Ltd.	1,591,838.85	1,020,197.00
Accounts payable.	Anhui Tongguan Copper Foil Group Co., Ltd.	13,936,526.05	
Accounts payable.	Beijing Full-Service Oil & Gas Technology Co., Ltd.	123,332.00	
Accounts payable.	Gotion New Energy (Suzhou) Co., Ltd.	38,866,587.62	33,485,787.66
Accounts payable.	Hefei Xingyuan New Energy Materials Co., Ltd	31,548,536.26	43,594,804.75
Accounts payable.	Shanghai Dajiang Network Technology Co., Ltd.	8,000.00	
Accounts payable.	Hefei Tongguan Gotion Copper Material Co., Ltd.		21,242,492.80
Accounts payable.	Hefei Palace Decoration Design Engineering Co., Ltd.		80,000.00
Advance from customers	Beijing Gotion Full-Service Optical Storage & Discharge Technology Co., Ltd	543,506.39	
Advance from customers	Gotion New Energy (Suzhou) Co., Ltd.	604,275.80	
Other payables.	Anhui Gotion New Energy Investment Co., Ltd.	859,026.00	
Other payables.	Anhui Minsheng Property Management Co., Ltd.	2,367,255.52	3,204,804.05

Item	Related party	Ending book balance	Beginning book balance
Other payables	Anhui Tangchi Film and Television Cultural Industry Co., Ltd.	13,062.00	
Other payables	Hebei Xinxuan Transportation Co., Ltd.	220,000.00	220,000.00

XIII. Share-based payment

1. Overview of share-based payment

Total amount of equity instruments granted by the Company in the current period	0.00
Total amount of equity instruments exercised by the Company in the current period	0.00
Total amount of equity instruments expired in the current period	7,064,086.00

2. Equity-settled share-based payment

Method of determining the fair value of equity instruments on the grant date	Black-Scholes model
Reasons for significant difference between the estimate in this period and prior period	None
Accumulated amount of equity-settled share-based payment in capital reserve	0.00
Total expenses recognized for equity-settled share-based payment in the current period	0.00

3. Modification and termination of share-based payment

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 24, 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 14,067,888.

In 2019, 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.

In accordance with the resolutions of the 22th and the 23th meetings of the seventh board of directors and the amended Articles of Association of the Company, the Company repurchased and cancelled the 234,000 restricted shares that have been granted to Shen Qiangsheng, Hang Jun and Zhang Min but not yet unlocked. At the same time, due to the failure to meet the performance assessment requirements at the company level in 2018, it was agreed to repurchase and cancel 7,064,086 restricted shares that have been granted but not yet unlocked by all restricted stock incentive recipients. Meanwhile, the Company reduced the registered capital by RMB72,980,860,000 million, and completed the procedures for SAMR registration of change on April 10, 2020. After the change, the registered capital and share capital of the Company was RMB1,129,352,733.

XIV. 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 10000 ton phosphate cathode material production base. The investment period is 10 years, and the average annual return on investment within the investment period is 1.29%. At the end of the investment period, Lujiang Gotion shall repurchase the equity according to the agreed repurchase plan. As of December 31, 2020, the balance of the said repurchase obligations of Lujiang Gotion is 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 1.29%. At the end of the investment period, Hefei Gotion shall repurchase the equity according to the agreed repurchase plan. As of December 31, 2020, the balance of the said repurchase obligations of Hefei Gotion is RMB179.10 million.

Apart from the above items, as at December 31, 2020, the Company has no other major matters required to be disclosed.

2. Contingencies

(1) Major contingencies on the balance sheet date

(1) The case of sales contract dispute between the Company and Zhejiang Zhengyu Electromechanical Co., Ltd

The Company has disputes with Zhejiang Zhengyu Electromechanical Co., Ltd. ("Zhengyu Electromechanical") over the sales contract, and claims that Zhengyu Electromechanical shall pay the goods price and there interest thereon totaling RMB23,774,697.00. On June 12, 2015, the Company received the *Case Acceptance Notice* numbered "(2015) Jin Yong Shang Chu Zi No. 2331" from the People's Court of Yongkang City, Zhejiang Province. Now Zhengyu Electromechanical has applied for bankruptcy which was accepted by the People's Court of Yongkang City, Zhejiang Province on August 7, 2015, the case was put into the bankruptcy proceedings for handling. As of December 31, 2020, the Company's book balance of receivable from Zhengyu Electromechanical is RMB16,786,369.47, and the Company has made full provision for bad debts with respect thereto.

(2) The case of product quality dispute between Hefei Gotion and Suixi Hengrui Electric Bus Co., Ltd

In September 2019, Suixi Hengrui Electric Bus Co., Ltd sued Hefei Gotion, a subsidiary of the Company, requiring Hefei Gotion to compensate the loss of RMB10 million caused by product quality. As of December 31, 2020, the judicial expertise conclusion on battery classification has not been issued, and the said case is still pending. The Company has made corresponding provisions for estimated liabilities with respect to products with quality assurance commitment.

(3) The case of sales contract dispute between Jiangsu Zhongkun Automobile Co., Ltd and Hefei Gotion

In 2021, Jiangsu Zhongkun brought a lawsuit against Hefei Gotion to the People's Court of Jiangdu District, Yangzhou City, claiming that the court shall order the termination of the *Product Purchase and Sales Contract* signed between Jiangsu Zhongkun and Hefei Gotion, and that Hefei Gotion shall return the goods payment of RMB24,602,149.48 that Jiangsu Zhongkun had already paid. As of April 9, 2021, Hefei Gotion has filed an objection to the jurisdiction of the case, which has not yet been ruled.

Apart from the above matters, as at December 31, 2020, the Company had no other major contingencies required to be disclosed.

XV. Post Balance Sheet Events

1. Profit distribution

According to the profit distribution plan for 2020 approved at the 11th meeting of the 8th board of directors on April 21, 2021, the company will not distribute profits in 2020. The plan still needs to be considered by the general meeting of shareholders.

XVI. Other Major Events

On April 16, 2021, a major fire occurred at the site of the energy storage power station, the main operating asset of Beijing Gotion Fuweisi Optical Storage Technology Co., Ltd., an associate invested by Hefei Xuanyi Investment Management Co., Ltd., a subsidiary of the Company, causing casualties. The detailed cause is still under investigation, and the impact of this incident on the recoverability of the Company and the said asset cannot be determined.

XVII. Notes to Main Items in the Financial Statements of the Parent Company

1. *Accounts receivable*

(1) Disclosure of accounts receivable by category

	Closing balance					Opening balance				
	Book balance		Provision for bad debt			Book balance		Provision for bad debt		
Type	Amount	Proportion	Amount	Proportion of provision	Book value	Amount	Proportion	Amount	Proportion of provision	Book value
Including:										
Accounts receivable with provision for bad debt made based on portfolio	2,277,195.39	100.00%	931,111.77	40.89%	1,346,083.62	30,673,583.62	100.00%	5,593,404.38	18.24%	25,080,179.24
Including:										
Portfolio 1										
Portfolio 2	2,277,195.39	100.00%	931,111.77	40.89%	1,346,083.62	30,673,583.62	100.00%	5,593,404.38	18.24%	25,080,179.24

Provision for bad debt made based on portfolio:

	Closing balance		
Name	Book balance	Provision for bad debt	Proportion of provision
Within 1 year	175,770.00	8,788.50	5.00%
1~2 years	0.00	0.00	10.00%
2~3 years	1,052,448.11	315,734.43	30.00%
3~4 years	775,309.95	387,654.98	50.00%
4~5 years	273,667.33	218,933.86	80.00%
Over 5 years	0.00	0.00	100.00%
Total	2,277,195.39	931,111.77	—

Provision for bad debt made based on portfolio:

Name	Closing balance		
	Book balance	Provision for bad debt	Proportion of provision
Portfolio 1			
Portfolio 2	2,277,195.39	931,111.77	40.89%

Disclosure by aging

Monetary Unit: RMB

Aging	Book balance
Within 1 year (inclusive)	175,770.00
1 to 2 years	1,052,448.11
2 to 3 years	1,048,977.28
3 to 4 years	775,309.95
4 to 5 years	273,667.33
Total	2,277,195.39

(2) Provision for bad debt made, recovered or reversed in the current period

Provision for bad debt made in the current period:

Type	Opening balance	Amount of change in the current period				Closing balance
		Provision made	Recovered or reversed	Written-off	Others	
Provision for bad debt for accounts receivable	5,593,404.38		4,662,292.61			931,111.77
Total	5,593,404.38		4,662,292.61			931,111.77

(3) There are no accounts receivable actually written off in the current period

(4) Top 5 accounts receivable in terms of Closing balance collected by debtor:

Unit	Closing balance of accounts receivable	Proportion in the total Closing balance of accounts receivable	Closing balance of provision for bad debt
1st	1,016,304.29	44.63%	304,891.29
2nd	769,859.95	33.81%	384,929.98
3rd	273,667.31	12.02%	218,933.85
4th	159,400.00	7.00%	7,970.00
5th	36,143.82	1.59%	10,843.15
Total	2,255,375.37	99.05%	

(5) There is no accounts receivable de-recognized due to financial assets transfer as at the end of the Reporting Period.

(6) There is no amount of assets and liabilities formed by transfer of accounts receivable and continued involvement.

2. *Other receivables*

Item	Closing balance	Opening balance
Interest receivable	0.00	0.00
Dividend receivable	106,769,081.20	106,769,081.20
Other receivables	716,444,183.67	817,369,164.08
Total	823,213,264.87	924,138,245.28

(1) Other receivables

1) Classification of other receivables by nature of funds

Nature of funds	Ending book balance	Beginning book balance
Current account	713,869,843.68	805,703,518.41
Security deposit	583,679.00	11,965,875.56
Others	2,396,816.04	3,304,143.02
Total	716,850,338.72	820,973,536.99

2) Provision for bad debt

	Phase I	Phase II	Phase III	
Provision for bad debt	Expected credit loss in the next 12 months	Expected credit loss over the entire duration (without credit impairment)	Expected credit loss over the entire duration (with credit impairment)	Total
Balance as at January 1, 2020	3,604,372.91			3,604,372.91
Balance as at January 1, 2020 in the current period	—	—	—	—
Provision in the current period	3,198,217.86			3,198,217.86
Balance as at December 31, 2020	406,155.05			406,155.05

<u>Disclosure by aging</u>

Aging	Book balance
Within 1 year (inclusive)	713,925,892.68
1 to 2 years	2,397,176.04
2 to 3 years	500,000.00
More than 3 years	27,270.00
3 to 4 years	27,270.00
Total	716,850,338.72

3) Provision for bad debt made, recovered or reversed in the current period

Provision for bad debt made in the current period:

		Amount of change in the current period				
Type	Opening balance	Provision made	Recovered or reversed	Written-off	Others	Closing balance
Provision for bad debt for other receivables	3,604,372.91		3,198,217.86			406,155.05
Total	3,604,372.91		3,198,217.86			406,155.05

Major amount of provision for bad debt recovered or reversed in the current period:

Unit	Amount returned or recovered	Recovery method

4) There are no other receivables actually written off in the current period.

5) Top 5 other receivables in terms of Closing balance collected by debtor

Unit	Nature of funds	Closing balance	Aging	Proportion in the total Closing balance of other receivables	Closing balance of provision for bad debt
1st . . .	Current accounts	640,189,881.06	Within 1 year	89.31%	
2nd. . .	Current accounts	35,694,228.62	Within 1 year	4.98%	
3rd . . .	Current accounts	22,776,350.11	Within 1 year	3.18%	
4th . . .	Current accounts	14,409,383.89	Within 1 year	2.01%	
5th . . .	Security deposit	500,000.00	2-3 years	0.07%	150,000.00
Total. .	—	713,569,843.68	—	99.54%	150,000.00

6) There are no receivable involving government subsidies

7) There are no other receivables de-recognized due to financial assets transfer

8) There are no assets and liabilities formed by transfer of other receivables and continued involvement.

3. Long-term equity investment

	Closing balance			Opening balance		
Item	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries . .	9,784,759,596.16		9,784,759,596.16	9,784,759,596.16		9,784,759,596.16
Investment in joint ventures and associates .	199,353,463.48		199,353,463.48	197,736,333.30		197,736,333.30
Total	9,984,113,059.64		9,984,113,059.64	9,982,495,929.46		9,982,495,929.46

(1) Investment in subsidiaries

		Increase/decrease in the current period					
Investee	Opening balance (book value)	Additional investment	Reduced investment	Provision for impairment	Others	Closing balance (book value)	Closing balance of provision for impairment
Hefei Gotion Hi-Tech Power Energy Co., Ltd.	8,975,718,715.05					8,975,718,715.05	
Jiangsu Dongyuan Electrical Group Co., Ltd.	809,040,881.11					809,040,881.11	
Total.	9,784,759,596.16					9,784,759,596.16	

(2) Investment in joint ventures and associates

Investee	Opening balance (book value)	Increase/decrease in the current period: Additional investment	Reduced investment	Profit or loss on investment recognized under equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends or profits declared for distribution	Provision for impairment	Others	Closing balance (book value)	Closing balance of provision for impairment
I. Joint Venture											
II. Associates											
Shanghai Electric Gotion New Energy Technology Co., Ltd	197,736,333.30			1,617,130.18						199,353,463.48	
Subtotal	197,736,333.30			1,617,130.18						199,353,463.48	
Total	197,736,333.30			1,617,130.18						199,353,463.48	

4. Operating revenue and operating cost

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Primary business	2,860,063.43	2,860,063.44	6,282,628.03	6,282,628.06
Total	2,860,063.43	2,860,063.44	6,282,628.03	6,282,628.06

5. Investment income

Item	Amount incurred in the current period	Amount incurred in the previous period
Income from long-term equity investment accounted by cost method		210,000,000.00
Income from long-term equity investment accounted by equity method	1,617,130.18	-20,963,263.12
Total	1,617,130.18	189,036,736.88

XVIII. Supplementary Information

1. Details of non-recurring profits and losses in the current period

Item	Amount	Description
Gains or losses on the disposal of non-current assets	5,189,719.48	
Government subsidy included into current profit and loss (except the government subsidy that is tightly related to the Company's business and enjoyed per quota or ration in accordance with the government uniform standard)	393,321,004.63	
Gains or loss on changes in fair values of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities as well as the investment income obtained from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other creditor's right investment, except for effective hedging operations associated with the Company's normal operations	67,504,086.02	
Non-operating income and expenses other than the said items	-1,214,511.92	
Others items of gains and losses complying with the definition for non-recurring gains and losses	43,380.17	
Less: impact amount on income tax	69,087,918.99	
Effected amount of minority equity	10,288,850.48	
Total	385,466,908.91	—

2. Return on equity and earnings per share

Profit during the Reporting Period	Weighted average return on equity	Earnings per share	
		Basic EPS (RMB/share)	Diluted EPS (RMB/share)
Net profit attributable to ordinary shareholders of the Company	1.54%	0.13	0.13
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profits and losses	-2.35%	-0.19	-0.19

XIX. Approval of the Financial Statements

The financial statements of the company for this year have been approved by the 16th session of the 8th board of directors on April 27, 2022.